

Stock Code: 8059

CastleNet Technology Inc.



NEW KINPO GROUP

2022 Annual Report

Annual Report Inquiry Website:

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

Company website: <http://www.castlenet.com.tw>

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

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5. Stock Exchange where depositary receipts or common shares are listed and related information: None.

6. Website: <http://www.castlenet.com.tw>

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I. Letter to Shareholders

Dear shareholders,

Thanks for the support of the company over the years. Looking back to 2022, COVID-19 has been effectively controlled, and the shortage of parts and components eased in the second half of 2022. However, due to the impact of the inflationary spike and the drastic interest rate rise in the United States, the demand declined sharply in the second half of the year, the inventory of end customers increased, and the product shipment plan was forced to be delayed, which led to the difficulty of inventory reduction, resulting in the inventory pressure, making the overall operational performance less than expected. Looking ahead to 2023, we will continue to deeply cultivate the network communication industry, develop and sell diversified products to expand the business territory. We hereby report to our shareholders on the operating status of the company in 2022 and its operating outlook in 2023.

Description of operations in 2022

In 2022, our consolidated revenue was NT\$1.1 billion, a decrease of NT\$550 million from the previous year, with a net profit after tax of NT\$16 million and a earning of NT\$0.09 per share. In the first half of the year, we were still affected by the COVID-19 and there was a shortage of supply of master wafer, which prevented us from shipping the orders we had received.

In the second half of the year, countries gradually opened their borders, but due to inflation and the global economic downturn, the supply and demand relationship quickly turned to oversupply. As a result, the inventory on the customer side increased, resulting in the suspension of purchase and the delay of orders until the inventory was depleted, which had a significant impact on the annual revenue of CastleNet.

Despite the profits decline in 2022, we have made significant progress in new product development and business expansion. We have obtained several certifications from the operators in South America for broadband network products, including Wi-Fi Mesh Router and Cable Modem, which have been shipped and generated revenue since the first quarter of this year. And the operational performance is expected to increase significantly over the previous year.

2023 Operation Plan

Looking ahead to 2023, in the face of the historic economic slump and the rising uncertainty of the global economic industry, all of our colleagues will bravely face the severe challenges, and take the destocking, expansion of new customers, and producing high-margin products as the primary tasks, bringing digital transformation and sustainable operation to the enterprise. With the slowdown of demand and the slow destocking, there are still many variables in the annual revenue and profit. In response to this situation, we are working hard to adjust the strategies to accommodate the suppliers, optimize the product development plans, and reduce order delays or even cancellations due to the inventory state of customers.

On the other hand, actively communicate with the customers to understand customers' business plans, plan products in advance, lengthen order estimates, share resources through group negotiation to reduce raw material costs, and create mutual benefits among group companies. In addition, with the popularization of 5G communications, the number of operators providing fixed wireless access (FWA) services is increasing, and the development of related products for fixed wireless access services will also become the main focus in 2023, and it is expected to contribute to the company's revenue in the future.

Vision and Outlook

CastleNet has been committed to the R&D, design and sales of network communication products. With high-quality products to be proud of and strong technical capabilities, we are continuing to consolidate our position in the field of Netcom.

With excellent research and development capabilities experience, staying on top of market demand, and an in-depth understanding of customers' future new service operation plans, we can provide products and services that are closer to customer needs, consolidate market positions, and establish long-term and stable cooperation.

We have been committed to operating with integrity as our corporate governance principle to ensure the healthy development of the company. We are striving to enhance corporate value and shareholders' rights, pursue sustainable business development of the company, and become a world-class provider of complete broadband network solutions as our mission. Lastly, we would like to wish all shareholders good health and all the best of luck.

Sincerely,

Chairman: Ying Chang

CEO: Ying Chang

II. Company profile

2.1 Date of Incorporation: June 26, 1998

2.2 Company History:

2008	Listed on Emerging Stock Board of TPEX. EMTA product passed CableLabs® CW#64 PacketCable 1.5 certification.
2009	DOCSIS3.0 product were officially shipped. DOCSIS3.0 product passed CableLabs® CW#71 DOCSIS3.0 certification.
2010	IPO on TPEX Mainboard, Issued new shares of NT\$87,100,000 for capital increase in cash, and the paid-in capital amounted to NT\$926,000,000. DOCSIS2.0b Channel Bonding Wireless EMTA passed TUV ErP 2009/125/EC EU environmental protection regulations certification. DOCSIS3.0 product passed CableLabs® CW#79 DOCSIS3.0 for 2 nd generation chip certification.
2011	DOCSIS2.0 product passed CableLabs® CW#82 DOCSIS3.0 and PacketCable1.5™ certification. EURO DOCSIS3.0 product passed EURO CableLabs® ECW#43 EURO DOCSIS3.0 and EURO PacketCable1.5™ certifications. DOCSIS3.0 EMTA product obtained the order from Turkey's biggest MSO.
2012	IEEE802.11n wireless network card product was certified by the Wi-Fi Alliance. DOCSIS3.0 Wireless Cable Modem product passed CableLabs CW#90 DOCSIS3.0 certification. DOCSIS3.0 EMTA product passed CableLabs CW#91 DOCSIS3.0 certification. Cable Modem product passed CableLabs CW#92 certification. Cable Modem product passed CableLabs CW#93 certification. Cable Modem product BCW710J was certified by Wi-Fi Alliance. Cable Modem product BCW700J was certified by Wi-Fi Alliance. Cable Modem product CBW383G4J was certified by Wi-Fi Alliance.
2013	Cable Modem product passed CableLabs CW#96 certification. Set-Top Box product SAS603 passed HDMI certification. Cable Modem product passed CableLabs CW#97 certification.
2014	The capital reduction of NT\$14,820,000 for the cancellation of treasury stock resulted in a paid-in capital of NT\$911,180,000.

	<p>Integrated Wuhan R&D Center into Taipei R&D Center.</p> <p>Cable Modem product CBW383G4AC passed CableLabs CW#103 certification.</p> <p>Cable Modem product passed CableLabs CW#101.</p> <p>Cable Modem product DCM-301 passed CableLabs CW#104 certification.</p> <p>Cable Modem product CBV3843Z4S passed CableLabs CW#107 certification.</p> <p>Cable Modem product CBW3843G4S passed CableLabs CW#108 certification.</p> <p>Cable Modem product CBC3843D1 passed CableLabs CW#112 certification.</p> <p>Cable Modem product CBW383G4DBC passed CableLabs CW#112 certification.</p>
2015	<p>Cable Modem product CBV383Z4 obtained the order from Peru's biggest MSO and started shipping.</p> <p>Cable Modem product CBW383ZN was certified by Wi-Fi alliance.</p> <p>Cable Modem product CBW383ZN passed CableLabs CW#113 certification.</p> <p>Cable Modem product Infinity 401 passed CableLabs CW#113 certification.</p> <p>Cable Modem product Infinity 402 passed CableLabs CW#58E certification.</p> <p>Cable Modem product DCM-3012G passed DOCSIS 3.0 and PacketCable 1.5 certification. (CW115).</p> <p>Cable Modem product Optimum 601 passed DOCSIS 3.1 Dry-Run test.</p> <p>Cable Modem product CBV3843Z4S was certified by Wi-Fi alliance.</p> <p>The new plant in CTI(Kunshan) was completed and put into use.</p>
2016	<p>Kinpo Electronics, Inc. acquired more than half of the directors of the board, and became the parent company with substantial control over the Company.</p> <p>Cable Modem product Optimum 601 passed DOCSIS 3.1 certification (CW#116).</p>
2017	<p>Cable Modem product Infinity 401 was certified by Wi-Fi Alliance.</p> <p>Cable Modem product CGA0101 has been tested and accepted by first-tier brand customers and started shipping in Central and South America.</p>
2018	<p>Cable Modem product CGA2231 has been tested and accepted by first-tier brand customers and started shipping in Central and South America.</p> <p>Cable Modem product CGA0112 was certified by Wi-Fi Alliance.</p>
2019	<p>Cable Modem product CGA2231 passed CableLabs CW#127 certification.</p> <p>Cable Modem product CGA0112 has been tested and accepted by first-tier brand customers and started shipping in Central and South America.</p>

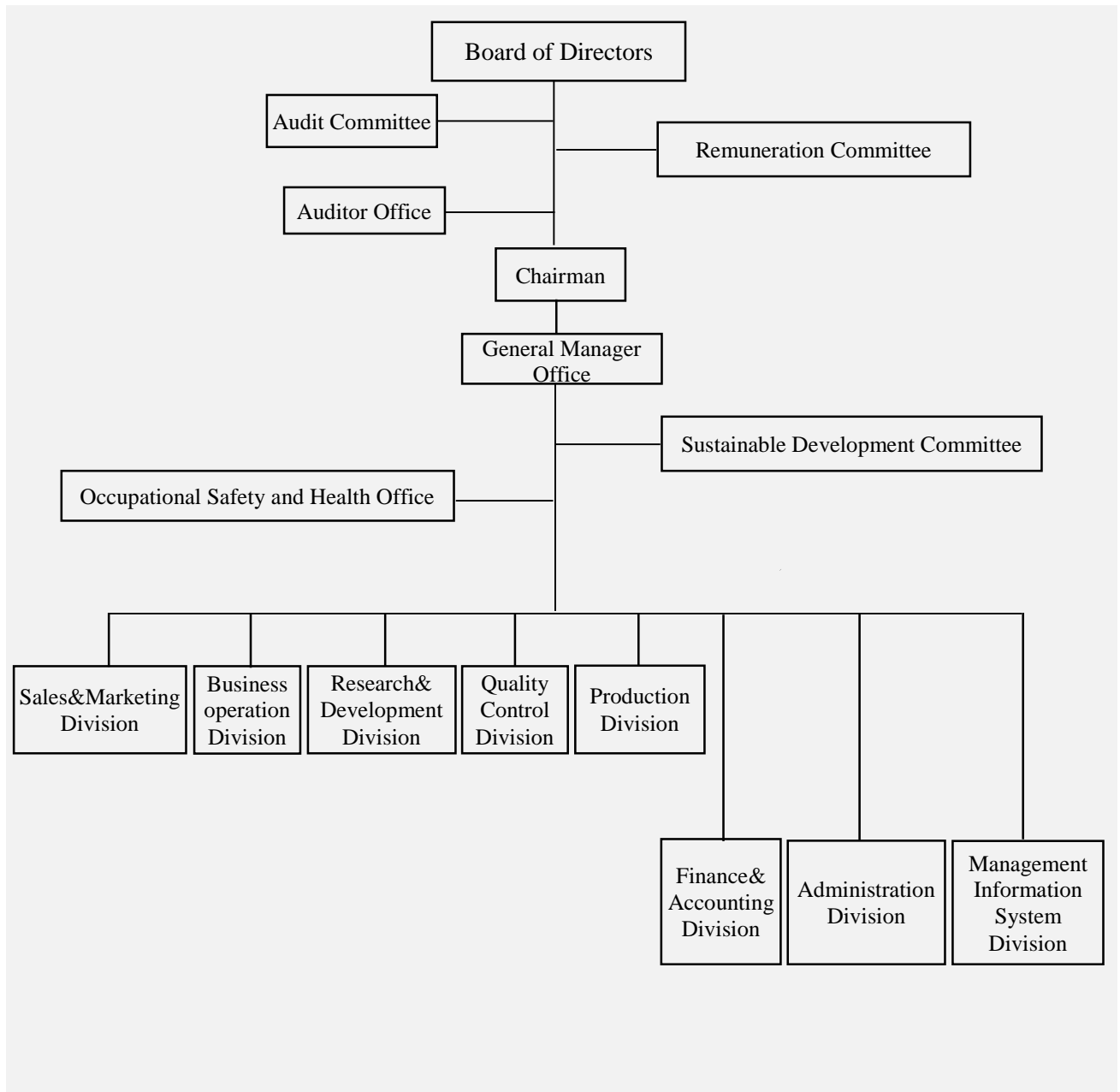
	<p>Cable Modem product CGA0112 was certified by Wi-Fi Alliance.</p> <p>Issuance of 8,508 units of the Company's first employee warrants for 2019, each for 1,000 shares of the Company's common stock.</p> <p>The private equity capital increased the Company's capital by a total of 102,500 thousand shares of common stock at NT\$10 per share.</p> <p>Purchased convertible bonds of SPI.</p>
2020	<p>Head office moved from Tucheng District, New Taipei City to Shenkeng District, New Taipei City.</p> <p>Obtained the order for Cable Gateway product from the biggest MSO in Philippines.</p> <p>Obtained the order for EMTA Gateway product from the biggest MSO in Peru.</p> <p>Obtained the order for EMTA Gateway product from the biggest MSO in Colombia.</p> <p>A total of 1,663 units of the Company's first employee stock warrants for 2020 were issued, with each unit entitled to 1,000 shares of the Company's common stock.</p>
2021	<p>Strategic partnership with Plume, a US-based cloud services company.</p> <p>Obtained the order for Cable Modem/Gateway product from a secondary MSO in Switzerland.</p> <p>Obtained the order for EMTA Gateway product from the biggest MSO in Ecuador.</p> <p>Obtained the order for WiFi Mesh Router product from MSO in Colombia.</p> <p>Obtained the order for DOCSIS module from the intelligent transportation system product manufacturer and DOT/ITS in US.</p> <p>Obtained the order for Cable WiFi Gateway product from the biggest MSO in Taiwan.</p> <p>The issuance of the Company's first employee stock warrants for 2020 amounting to 1,337 units, with each unit entitled to subscribe 1,000 shares of the Company's common stock; The company issued 3,000 stock warrants for the first time in 2020, and all of them have been issued.</p> <p>CastleNet Technology Inc., a subsidiary of the Company, underwent a cash capital reduction and remitted US\$8.5 million. After the capital reduction, the paid-in capital was changed to US\$7.5 million, and its holding company, CastleNet (BVI) Technology Inc., also underwent a cash capital reduction and remitted US\$8.5 million to the Company. After the capital reduction, the</p>

	amount of paid-in capital was changed to US\$8.708 million, and the deduction of the Company's investment in Mainland China was approved by the Investment Review Committee of the Ministry of Economic Affairs.
2022	<p>WiFi Product EBM552 passed Plume Product Certification.</p> <p>WiFi Mesh product EBM522 passed Wifi Garden certification.</p> <p>Cable Modem product CBV384Z4 passed CableLabs CW#133 certification.</p> <p>Cable Modem product CBV384Z4 was certified by Wi-Fi Alliance.</p> <p>Cable Modem product Infinity 601 passed DOCSIS 3.1 CableLabs CW# 138 certification.</p> <p>Establishment of the Sustainable Development Committee.</p>
2023 (Till Now)	<p>Cable Modem Product Infinity 601 was officially shipped to Taiwan MSO.</p> <p>Wifi Mesh Product EBM522 was officially shipped to Taiwan MSO</p>

III. Corporate Governance Report

3.1. Organization

3.1.1. Organizational Chart:



3.1.2. Major Corporate Functions:

Division	Functions
Board of Directors Chairman	Responsible for corporate governance and overall operational performance.
Auditor Office	Assisting in auditing the implementation of various rules and regulations, and providing suggestions to management for improvement, etc.
General Manager Office	Planning the company's business strategy, organizing, managing, and coordinating the business of each division.
Sustainable Development Committee	To promote sustainable environment (E), social responsibility (S), corporate governance (G) (including integrity management), risk management, information security management, other organizational operations, and planning implementation related operations to promote the sustainable development of enterprises.
Occupational Safety and Health Office	Planning the company's safety and health management plan and promoting safety and health related matters.
Research & Development	Responsible for the design, development and testing of new products, planning and implementing the company's mid- and long-term new technology research and development blueprint, establishing the R&D process quality system and intellectual property management of R&D technology.
Sales & Marketing	Marketing and customer complaint handling; import and export business and payment collection.
	Market analysis, product planning, product promotion and publicity activities, editing of product specifications.
Business operation	Supplier management, raw material procurement, inventory control, production and sales scheduling, cost control, production technical support.
Quality Control	Responsible for the implementation and maintenance of the quality management system.
Production	Product production management, planning improvement and efficiency improvement of production process, establishment of operating standards, equipment maintenance.
Finance & Accounting	Overseeing and managing matters concerning finance, accounting, investment evaluation.
Administration	Overseeing and managing human resources, employee benefits and administrative management and other related operational matters.
Management Information System	Responsible for planning, development and maintenance of information systems, planning, management and maintenance of computer software, hardware and network equipment, and management and promotion of information security planning.

3.2. Information on Board Directors, President, Vice Presidents, Assistant Vice Presidents, and Chiefs of Units and Branches

3.2.1. Directors:

3.2.1.1. Directors Information (1):

April 1, 2023

Title	Nationality	Name	Gender	Date of Assignment	Office Term (Years)	Date of First Elected	Shareholding when Owned Share upon Assignment		Shareholding		Shareholding held by Spouse and minor Children		Holding shares in the name of others		Major Experience & Education	Other key position held in other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
			Age				Number of Shares	%	Number of Shares	%	No. of Shares	%	No. of Shares	%			Relation	Name	Title	
Chairman	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	M.S., Management, eorge Washington University Senior Vice President of Compal Electronics, Inc. Director of Allied Circuit Co., LTD.	-	-	-	-	-
	Taiwan	Representative: Chang, Yi	M 60-69	2022.6.27	3	2010.7.21	0	0%	0	0%	0	0%	0	0%		(Note 1) (Note 4)	-	-	-	-
Director	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2010.6.22	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	M.S., International Business, Waseda University, Japan Director and President of Acbel Polytech Inc.	-	-	-	-	-
	Taiwan	Representative: Hsu, Chieh-Li	M 40-49	2022.6.27	3	2010.7.21	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-
Director (Note 2)	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2010.6.22	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	B.S., Navigation, Taipei College of Maritime Technology Director of Kinpo Electronics, Inc.	-	-	-	-	-
	Taiwan	Representative: Hsu, Wei-Yang	M 60-69	2022.6.27	3	2022.6.27	0	0%	0	0%	20,000	0.01%	0	0%		(Note 4)	-	-	-	-
Director	Taiwan	Kinpo Electronics, Inc.	-	2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	M.B.A., Pacific Western University Director and General Manager of NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd.	-	-	-	-	-
	Taiwan	Representative: Huang, Yu-Hui	M 60-69	2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-

Title	Nationality	Name	Gender	Age	Date of Assignment	Office Term (Years)	Date of First Elected	Shareholding when Owned Sharew upon Assignment		Shareholding		Shareholding held by Spouse and minor Children		Holding shares in the name of others		Major Experience & Education	Other key position held in other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
								Number of Shares	%	Number of Shares	%	No. of Shares	%	No. of Shares	%			Relation	Name	Title	
Director (Note 2)	Taiwan	Kinpo Electronics, Inc.	-		2022.6.27	3	2017.6.13	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	M.S., Technology Management, Pacific Western University Vice President of Cal-Comp Electronics (Thailand) Public Company Limited, Director and President of Dongguan Kaipo Electronics Co., Ltd.	-	-	-	-	-
	Taiwan	Representative: Chiang, Tai-Chang	M 50-59		2022.6.27	3	2017.6.13	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-
Director (Note 2) (Note 3)	Taiwan	Kinpo Electronics, Inc.	-		2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	M.S., Macquarie University Corporate Governance Officer of Kinpo Electronics, Inc.	-	-	-	-	-
	Taiwan	Representative: Shiau, Ching-Hwa	M 60-69		2022.6.27	3	2023.1.16	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-
Director (Note 2) (Note 3)	Taiwan	Kinpo Electronics, Inc.	-		2022.6.27	3	2016.5.11	129,958,907	68.90%	129,958,907	68.90%	0	0%	0	0%	M.S., Information Management, National Taiwan University. Corporate Governance Officer of Kinpo Electronics, Inc.	-	-	-	-	-
	Taiwan	Representative: Hsu, Wen-Han	M 60-69		2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%		(Note 4)	-	-	-	-
Independent director	Taiwan	Hsu, Sheng-Haur	M 70-79		2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%	Oklahoma State University Chairman of Costar Electronics Inc.	(Note 4)	-	-	-	-
Independent director	Taiwan	Tsai, Chien-Wen	M 70-79		2022.6.27	3	2022.6.27	0	0%	0	0%	0	0%	0	0%	B.S., Department of Industrial and Systems Engineering, Chung Yuan Christian University Independent Director of Cen Link Co., Ltd.	(Note 4)	-	-	-	-
Independent director	Taiwan	Fu, Chi-Ching	M 50-59		2022.6.27	3	2019.6.24	0	0%	0	0%	0	0%	0	0%	B.S., Public Administration, National Chengchi University. President of Alibaba Taiwan & Hong Kong Branch.	(Note 4)	-	-	-	-

Note 1: If the chairman of the board of directors and the general manager or the person of equivalent position (the top manager) of the company are the same person, spouse or a relative of each other, the reason, rationality, necessity and relevant information (such as increasing the number of independent directors, and more than half of the directors should not concurrently serve as employees or managers, etc.) shall be explained. Mr. Chang, Yi was elected as the chairman of the company and acted as the general manager by the resolution of the board of directors on 27th, June, 2022 until the day when the board of directors re-appointed the general manager. More than half of the directors of the company are not employees or managers. The Company already had proposed to add an independent director to 2023 Shareholders' Meeting.

Note 2: Enter the date of first appointment as a director or supervisor of the Company, with an explanatory note if there is any interruption: On May 11, 2016, Kinpo Electronics, Inc. initially elected 4 seats as the representative of directors, with an additional seat added on June 13, 2017. Of the 3 seats in 2016 and 1 seat in 2017, their terms expired on June 24, 2019. Subsequently, 2 seats were elected on June 22, 2020, and 2 seats from 2016 and 1 seat from 2017 were re-elected on August 2, 2021. On June 24, 2022, all directors and independent directors' terms of office had expired. After the full re-election of directors, there are currently 6 directors in office.

Note 3: Kinpo Electronics, Inc. reassigned a representative of director on January 16, 2023. Mr. Shiao, Ching-Hwa replaced Mr. Hsu, Wen-Han.

Note 4: All Directors have other key positions held in other companies as below:

Title	Name	Key Positions Held in Other Companies	
Chairman	Chang, Ying	Chairman	Hong-Yi Materials and Products Corporation, Hongyi optical Co., Ltd.
Director	Hsu, Chieh-Li	Chairman	AcSacca Solar Energy Co., Ltd., AcTel Power Co., Ltd., AcGile EV Power Inc., KangYang New Energy Co., Ltd., AcRay Energy Co., Ltd., AcTek Energy Co., Ltd., AcLeap Power Inc., Sumray Power Company, Shanghai Sino Hardware Electronics (Wujiang) Co., Ltd.
		Chairman & President	Acbel Polytech Philippines Inc., AcBel Polytech Inc., AcBel Electronic(Dong Guan) Co., Ltd., AcBel Electronic (Wuhan) Co., Ltd.
		Vice President	Cal-Comp Electronics(Thailand) Public Company Limited
		Director & President	Acbel (USA) Polytech Inc., Kinpo&Compal Group Assets Development Corporation

Title	Name	Key Positions Held in Other Companies	
		Director	Acbel Polytech (Ireland) Limited, AcBel Polytech (SAMOA) Investment Inc., Acbel Polytech (Singapore) Pte Ltd., Acbel Polytech (UK) Limited, Acbel Polytech Holdings Inc., AcBel Polytech International Inc., AcBel Polytech Japan Inc., Cal-Comp Electronics (USA) Co., Ltd., Cal-Comp Electronics de Mexico Co., S.A. de C.V., Cal-comp Industria De Semicondutores S.A., Cal-Comp Precision (Malaysia) SDN. BHD., Cal-Comp Precision (Thailand) Limited, Cal-Comp USA (San Diego), Co., Inc., CK Holdings Inc., CSA Holdings Inc., Power Station Holdings Ltd., QBit Semiconductor Holding, Ltd., Target Gain Corporation, XYZprinting, Inc., Shangbao Enterprise Co., Ltd., Compal Ruifang Health Assets Development Corporation, Compal Electronics, Inc., VesCir Ltd., MELVITA TAIWAN LTD., ARCE Therapeutics, Inc., Cal-Comp Precision Holding Co., Ltd., QBit Semiconductor Ltd., NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., Raypal Biomedical Co., Ltd., The Eslite Spectrum Corporation, Ginza Wine Co., Ltd., LIZ Electronics (Nantong) Co., Ltd.
		Independent Director	Winbond Electronics Corporation
		Supervisor	Teleport Access Services, Inc., Kinpo Group Management Consultant Company, Full Power Investment Co.,Ltd
		Vice President	Taiwan Electrical and Electronic Manufacturers' Association.
		Director	The Third Wednesday Club, Chinese National Federation of Industries, Importers and Exporters Association of Taipei
		Managing Director	Chongqing Tongliang District Shanghai Sino Hardware Electronics Co., Ltd., Chongqing Kanghua Metal Product Co.,Ltd.
		Chief Strategy Officer	Cal-Comp Electronics And communications Co., Ltd.
Director	Hsu, Wei-Yang	Director	Power Station Holdings Ltd., Shanghai Sino Hardware Electronics (Wujiang) Co., Ltd.
Director	Huang, Yu-Hui	Chairman & President	XYZprinting (suzhou) Co., Ltd., XYZprinting (Shanghai) cloud technology Co.,Ltd.
		Director & President	CastleNet Technology Inc (Kunshan)., NKG Advanced Intelligence and Technology Development (Yue Yang) Co., Ltd.

Title	Name	Key Positions Held in Other Companies	
		Director	ICKP(Beijing) Technology Development Co., Ltd., Dongguan Kaipo Electronics Co., Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd., Cal-Comp Optical Electronics (Suzhou) Co., Ltd., Cal-Comp Technology (Suzhou) Co., Ltd., Cal-Comp Precision (Yueyang) Co., Ltd., Cal-Comp Precision (Dongguan) Co., Ltd
		Vice President	Kinpo Electronics (China) Co., Ltd.
Director	Chiang, Tai-Chang	Director & President	Dongguan Kaipo Electronics Co., Ltd.
		Director	Cal-Comp Precision (Malaysia) SDN. BHD., Cal-Comp Precision (Singapore) Limited, Cal-Comp Precision (Thailand) Limited, QBit Semiconductor Holding, Ltd., Cal-Comp Optical Electronics (Yueyang) Co., Ltd., Cal-Comp Electronics(Thailand) Public Company Limited
		Supervisor	QBit Semiconductor Ltd.
Director	Shiau, Ching-Hwa	Chariman	QBit Semiconductor Ltd.
		Director	iHELPER Inc., Teleport Access Services, Inc., CastleNet Technology Inc (Kunshan).
		Supervisor	Cal-Comp Precision (Yueyang) Co., Ltd., Dongguan Kaipo Electronics Co., Ltd., SynQ Technology Ltd.
		Corporate Governance Officer	Kinpo Electronics, Inc.
Independent Director	Hsu, Sheng-Haur	Chariman	Costar Electronics Inc., Ours Technology Inc.
		Director	Panram International Corporation
		Director	Taipei Computer Association
Independent Director	Tsai, Chien-Wen	Independent Director	Cen Link Co., Ltd
Independent Director	Fu,Chi-Ching	Chariman	e-Force Taiwan Co., Ltd., Double Flourish Digital Co., Ltd.
		Independent Director	Lukas Biomedical Inc.
		Director	Taiwan Industrial Internet Council

Significant Shareholders of Legal Entities

1st, April, 2023

Name of Legal entity	Main legal person	Shareholding (%)
Kinpo Electronics, Inc.	Compal Electronics, Inc.	8.29
	Panpal Technology Corp.	4.64
	GEBO Limited	3.43
	Lai-Shun Shen Tsai	2.79
	Ho Bao Investment Co., Ltd.	2.00
	Ruey Shinn Co., Ltd.	1.87
	Li Chu Tsai	1.45
	Kun-Chao Shen	1.44
	UBS Taipei Branch is subject to Li Chu Tsai trust property account,	1.34
	JPMorgan Chase Bank Taipei Branch is entrusted with the safekeeping of Van Gard Emerging Market Stock Index Fund investment account of the manager of Van Gard Group	1.24

Major shareholders of the major shareholders that are juridical persons

Name of juridical persons	Major shareholders of the juridical persons	Shareholding (%)
Compal Electronics, Inc (Date: 23 th April, 2023)	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF.	7.72
	Yuanta/P-shares Taiwan Dividend Plus ETF	4.69
	Kinpo Electronics, Inc.	3.44
	Silchester International Investors International Value Equity Trust	2.36
	New Labor Pension Fund	2.32
	Yuanta Taiwan High Dividend Low Volatility ETF	1.39
	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.30
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.23
	Citibank (Taiwan) Ltd. in custody for Norges Bank	1.07
	Labor Insurance Fund	1.00
Panpal Technology Corp. (Date: 1 st April, 2023)	Compal Electronics, Inc	100.00
GEBO Limited (Date: 1 st April, 2023)	Li-Chu Tsai	95.39
	Chieh-Li Hsu	1.77
	Chun-Chi Hsu	1.42
	Yung-Hsu Hsu	1.42
Ho Bao Investment Co., Ltd. (Date: 1 st April, 2023)	Chieh-Li Hsu	45.76
	Li-Chu Tsai	20.06
	Chun-Chi Hsu	17.09
	Yung-Hsu Hsu	17.09
Ruey Shinn Co., Ltd. (Date: 1 st April, 2023)	Hsin Chung Chen	33.34
	Hsin Tso Chen	33.33
	Hsin Yu Chen	33.33

3.2.1.2. Directors Information (2):

Name \ Criteria	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Kinpo Electronics, Inc. Representative: Chang, Yi	(1) M.B.A of George Washington University U.S.A., with work experience in KinCompal Group more than 30 years, as Senior vice President in Compal Electronics, Inc. and Chariman, Director, President in the subsidiaries. (2) No breach of any of the provisions of Article 30 of the Company Law.	None of the directors (including independent directors) are related to each other as spouses or relatives within two degrees.	None
Kinpo Electronics, Inc. Representative: Hsu, Chieh-Li	(1) Chairman and President of AcBel Polyeach Inc., , Executive V.P. of Taiwan Electrical and Electronic Manufacturers's Association, President of Importers and Exporters Association of Taipei, with work experience covering operation management, leadership decision-making and industrial innovation in various professional fields of electronic technology, power energy, international marketing, production and manufacturing. Recently, he focuses on the blueprint of sustainable development of enterprises, and is committed to the innovation and promotion of energy saving and carbon reducing products such as clean energy, green electricity and car electricity. (2) No breach of any of the provisions of Article 30 of the Company Law.		
Kinpo Electronics, Inc. Representative: Hsu, Wei-Yang	(1) He had served as a director of Kinpo Electronics, Inc. and currently holds director positions at Shanghai Sino Hardware Electronics (Wujiang) Co., Ltd. and Power Station Holdings Ltd. He has an international view of the world and expertise in business decision-making and leadership, as well as professional knowledge and insight on issues related to the corporate sustainable environment. (2) No breach of any of the provisions of Article 30 of the Company Law.		
Kinpo Electronics, Inc. Representative: Huang, Yu-Hui	(1) He holds an MBA degree from Pacific Western University in the United States and currently serves as the Senior Vice President of Kinpo Electronics, Inc., responsible for the manufacturing-related business of China		

<div>Criteria</div> <div>Name</div>	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<p>factories. With nearly 40 years of experience at NKG Group, he has professional financial and business management capabilities in the electronics and EMS manufacturing industry, as well as professional abilities in operational decision-making and leadership.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		
Kinpo Electronics, Inc. Representative: Chiang, Tai-Chang	<p>(1) He is the Director and President of Dongguan Kaipo Electronics Co., Ltd., with profound international business marketing expansion capabilities and work experience. He has worked in Newkinpo Group for more than 20 years, responsible for the product marketing business of many world-renowned brand manufacturers, and is proficient in marketing-related production process control and product technology and quality issues.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		
Kinpo Electronics, Inc. Representative: Shiau, Ching-Hwa	<p>(1) The corporate governance supervisor of Kinpo Electronics, Inc. He has professional qualifications and experience in listed company governance and legal compliance, group organization operation and risk control, business analysis management and financial accounting.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		
Hsu, Sheng-Haur	<p>(1) In 1987, he founded Costar Electronic Inc. with the core values of innovation, efficiency, and harmony. Under his leadership, the company has evolved from a distributor to a professional mechanical keyboard and smart IC card reader ODM manufacturer. In 2003, he took over as Chairman of Ours Technology Inc., which specializes in IC research and development. The business scope expanded from consumer electronics to related products in IoT and smart health management. He has rich professional expertise and practical experience in business management and leadership decision-making..</p>	<p>Current Independent Directors have not againsted Articles 3-1 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” in two years before the</p>	0

Name \ Criteria	Professional Qualifications with experiences (Note 1)	Independence Criteria (Note 2)	No. of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	(2) No breach of any of the provisions of Article 30 of the Company Law.	election and during the term of office.	
Tsai, Chien-Wen	<p>(1) From 1997 to 2007, he held various positions at Kinpo Electronics, Inc. including Vice General Manager of Manufacturing Department, Vice General Manager of Management Department, General Manager of China Region, and Spokesperson for Kinpo Electronics, Inc. Later, he served as General Manager of South China Region and Director & General Manager of the Philippines at Leader Electronics, Inc. Currently, he serves as an independent director at Cen Link Co., Ltd., with extensive expertise in group organizational operation and management, cross-national production, manufacturing and sales management of electronics technology conglomerates. He also possesses professional abilities and experience in financial report internal control operation-related analysis as well as deliberation responsibilities as an independent director.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		1
Fu, Chi-Ching	<p>(1) He used to be Senior V.P. of Wealth Management Department in Standard Chartered and general manager of Alibaba Hong Kong and Taiwan., He is currently the chairman of eForce Taiwan Co., Ltd., independent director of Lukas Biomedical Inc., and President of Taiwan Industrial Internet Association. Currently, he is committed to promoting and coaching Taiwanese enterprises to transform, innovate, and internationalize through 5th generation wireless business applications. He has the knowledge of the network communications industry and the professional qualifications and experience to lead the innovation and transformation of enterprises.</p> <p>(2) No breach of any of the provisions of Article 30 of the Company Law.</p>		1

3.2.2 The Diversity & Independence of the Board of Directors:

3.2.2.1 The Diversity of the Board of Directors: Describe the board's diversity policy, Aim and achievement.

1. In accordance with Article 20 of the Company's Corporate Governance Code:
The board of directors of the company shall be accountable to the shareholders' meeting, and the operations and arrangements of the corporate governance system shall ensure that the board of directors exercises its functions and powers in accordance with laws and regulations, the company's articles of association or the resolutions of the shareholders' meeting. The structure of the board of directors of the company shall be based on the scale of the company's operation and development and the shareholding situation of its major shareholders, and the needs of practical operation to determine the appropriate number of directors of more than five people. The composition of the board of directors should consider diversity. The Board of Directors should formulate an appropriate diversification policy for the company's own operation, business pattern and development needs, which should include but not be limited to the following two criteria:
 - (1) Basic conditions and values: Gender, age, nationality and culture, etc.
 - (2) Professional knowledge and skills: professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.
All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:
 1. Ability to make operational judgments.
 2. Ability to perform accounting and financial analysis.
 3. Ability to conduct management administration.
 4. Ability to conduct crisis management.
 5. Knowledge of the industry.
 6. An international market perspective.
 7. CAbility to lead.
 8. Ability to make decisions.According to Article 3-1 of the Company's "Director Election Regulations": Directors shall have more than half of the seats, and shall not have spouses or relatives within the second degree of kinship.
2. The company adopts the nomination system for director candidates in accordance with the regulations of the company's articles of association, and takes the company's corporate governance code and the regulations for director election as the goal of selecting director candidates to ensure the diversity and independence of directors.
3. There are a total of 9 members of the current board of directors, and none of the members have a relationship of spouse or relative within the second degree of

kinship with each other, and among them: 11% of directors with employee status and 33% of independent directors. The term of office of 2 independent directors is less than 3 years. For information on the professional qualifications and experience of the current board members and the independence of independent directors, please refer to pages 15-17 of this annual report. Please refer to page 20-21 of this annual report for a statistical chart of the distribution ratio of directors' relevant professional fields, industrial experience, gender, age, nationality, etc. The goal of diversity in the composition of the board of directors of the company has been achieved.

4. Establishment of objectives of corporate board diversity policy: To achieve the objective of corporate board diversity, a target of at least one female board member is established. The Board of Directors resolved to nominate one female independent director candidate, and it is estimated that this nomination will achieve the target of at least one female board member after her successful election at the shareholders' meeting this year.

3.2.2.2 Independence of The board: State the number and proportion of independent directors, and state the independence of the board of directors, and explain with reasons whether there are no items 3 and 4 stipulated in Article 26-3 of the Securities and Exchange Act, including a description of directors, supervisors or directors spouse and relatives within the second degree are related to the supervisor.

1. The proportion of the members of the current board of directors, please refer to above (1)3.
2. As of the publication date of the annual report, all directors (including independent directors) have spousal relationship or kinship relationship within the second parental level, which complies with the provisions of Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.
3. The independent directors of the company did not have any of the circumstances mentioned in Article 3, Item 1 of the "Measures for the Establishment of Independent Directors of Public Companies and Matters to be Followed" in the two years before their election and during their term of office, and they meet the qualifications for independence as independent directors.

Note:

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

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

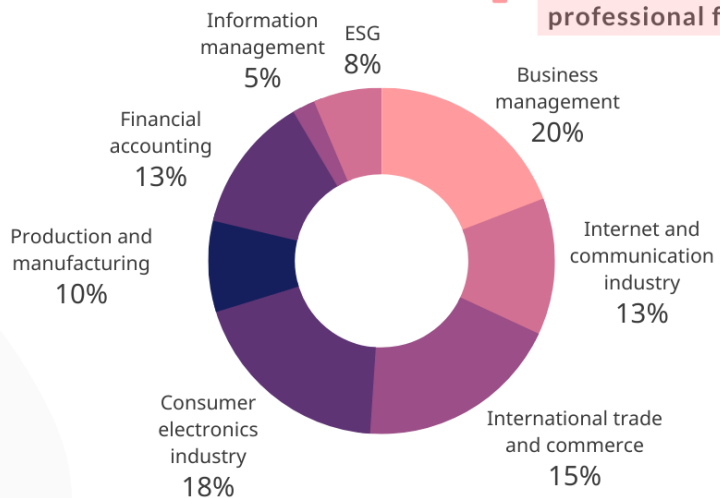
The diversity distribution table of the 9th Board of Directors members:

Title & Name	Gender	Concurrently serving as an employee or manager of the company	Age				Main diversified businesses/areas.							
			40 - 49 years old	50 - 59 years old	60 - 69 years old	70 years old and above	Business management	Internet and communication industry	International trade and commerce	Consumer electronics industry	Production and manufacturing	Financial accounting	Information management	ESG
Chairman Chang, Ying	Male	√			√		√	√	√	√		√	√	
Director Hsu, Chieh-Li	Male		√				√	√	√	√	√	√		√
Director Hsu, Wei-Yang	Male				√		√		√	√				√
Director Huang, Yu-Hui	Male				√		√			√	√	√		
Director Chiang,Tai-Chang	Male			√				√	√	√				
Director Shiau, Ching-Hwa	Male				√		√					√		√
Independent Director Hsu, Sheng-Haur	Male					√	√	√	√	√	√			
Independent Director Tsai, Chien-Wen	Male					√	√			√	√	√		
Independent Director Fu,Chi-Ching	Male			√			√	√	√				√	

The 9th CTI Board of Directors

DIVERSE COMPOSITION

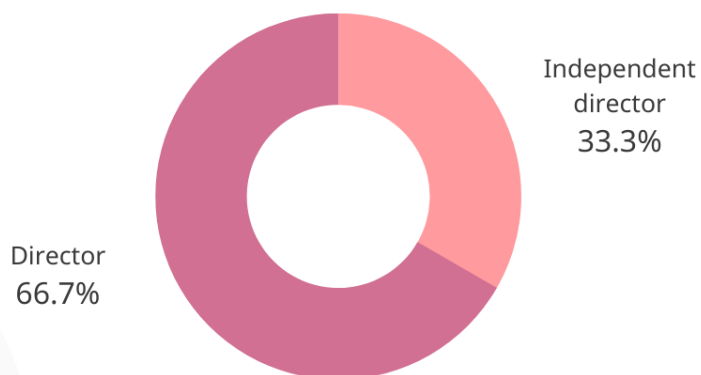
Distribution of professional fields



The 9th CTI Board of Directors

DIVERSE COMPOSITION

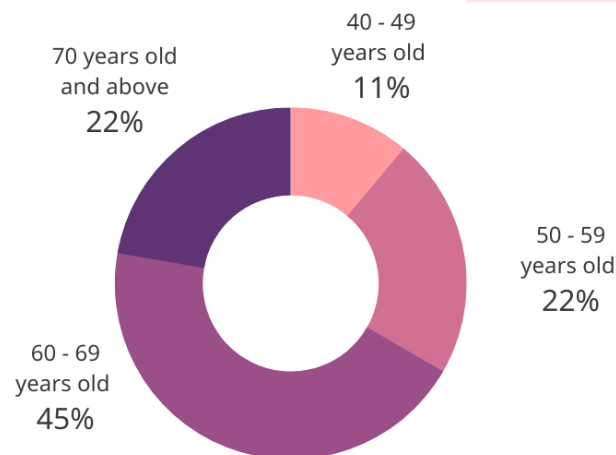
Independent director proportion



The 9th CTI Board of Directors

DIVERSE COMPOSITION

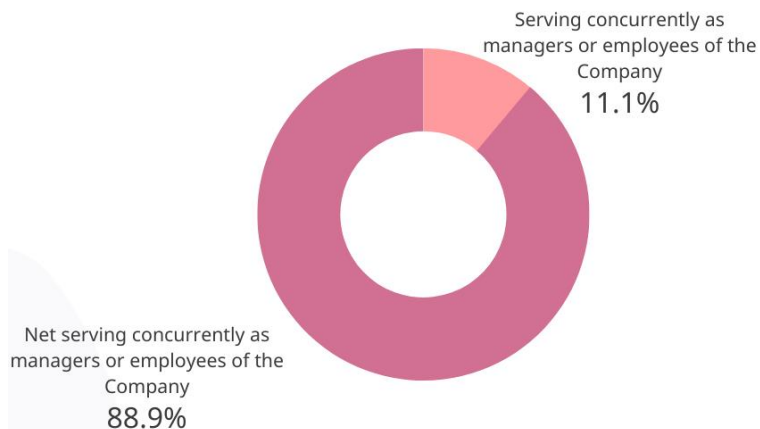
Age proportion



The 9th CTI Board of Directors

DIVERSE COMPOSITION

The proportion of individuals serving concurrently as managers or employees of the Company



3.2.2 Management Team:

May 10, 2023 (Unit: Share,%)

Title	Nationality	Name	Gender	Date of Assignment	Shareholding when Owned Shares upon Assignment		Shareholding held by Spouse and minor Children		Holding shares in the name of others		Major Experience & Education	Other key positions held in other companies (Note 3)	Managers are Spouse or within 2 Degrees of Consanguinity Each Other			Remark
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation	
President	Taiwan	Chang, Ying	M	109.8.12	0	0	0	0	0	0	M.B.A of George Washington University U.S.A. Senior Vice President of Compal Electronics, Inc. Director of Allied Circuit Co., Ltd.	Refer to Page 11.	None	None	None	(Note)
Vice President	Taiwan	Ting, Pao-Chuan	M	107.3.1	2,000	0.001	0	0	0	0	Doctoral Candidate of Computer Science, Chiao Tung University President of Edgework Networks Corporation Director and Vice President of CastleNet Technology Inc.	None	None	None	None	-
Vice President	Taiwan	Lo, Hsiao-Wei	M	110.3.10	0	0	0	0	0	0	Bachelor of International Business, Tamkang University Vice President of Compal Electronics, Inc.	None	None	None	None	-
Chief of Finance & Accounting and Corporate Governance Officer	Taiwan	Wu, Li-Mei	F	87.9.3	0	0	0	0	0	0	Bachelor of Statistic, Fu Jen Catholic University Senior Manager of CastleNet Technology Inc.	Supervisor of CTI(Kunshan)	None	None	None	-
Head of Audit	Taiwan	Chen, Tien-Pao	M	102.8.13	0	0	0	0	0	0	Bachelor of Accounting, Soochow University Project Manager of Audit office of Sampo Corporation	None	None	None	None	-

(Note) When the general manager or equivalent (top manager) and the chairman are the same person, spouse or first-degree relative, the reasons, rationality, necessity and countermeasures should be disclosed (such as increasing the number of independent directors, and there should be For information on the way that more than half of the directors do not concurrently serve as employees or managers): Please refer to page 11 (Note 1) of this annual report for the relevant description of the position of the chairman of the company acting as general manager.

3.3. Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

3.3.1. Remuneration of Directors and Independent Directors

Unit: Thousand NTD, %

Title (Note 4)	Name	Remuneration								Ratio of total A,B,C&D to Net Income(%)		Remuneration Received as Employee								Raito of total A,B,C,D,E,F&G to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries		
		Remuneration (A)		Pension (B)		Remuneration to Directors(C)		Allowances(D)				Salary, Bonus and Special Allowance(E)		Pension (F)		Employee Bonus(G)								
		The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements	The Company	All Companies in the Consolidated Financial Satements					
Chariman	Chang, Ying (N 3)	0	0	0	0	0	0	25	25	0.15	0.15	13,560	13,560	0	0	0	0	0	0	0	0	82.98	82.98	None
Director	Hsu, Chieh-Li	0	0	0	0	0	0	15	15	0.09	0.09	0	0	0	0	0	0	0	0	0	0	0.09	0.09	497
Director	Hsu, Wei-Yang (N 4)	0	0	0	0	0	0	15	15	0.09	0.09	0	0	0	0	0	0	0	0	0	0	0.09	0.09	None
Director	Huang, Yu-Hui (N 4)	0	0	0	0	0	0	15	15	0.09	0.09	0	0	0	0	0	0	0	0	0	0	0.09	0.09	None
Director	Chiang,Tai-Chang	0	0	0	0	0	0	25	25	0.15	0.15	0	0	0	0	0	0	0	0	0	0	0.15	0.15	None
Director	Hsu,Wen-Han (Note 5)	0	0	0	0	0	0	25	25	0.15	0.15	0	0	0	0	0	0	0	0	0	0	0.15	0.15	5,650
Director	Tien,Hung-Mao (N 4)	0	0	0	0	0	0	10	10	0.06	0.06	0	0	0	0	0	0	0	0	0	0	0.06	0.06	None
Director	Khongsit Choukitcharoen (N 4)	0	0	0	0	0	0	10	10	0.06	0.06	0	0	0	0	0	0	0	0	0	0	0.06	0.06	None
Independent Director	Hsu, Sheng-Haur (N 4)	130	130	0	0	0	0	15	15	0.89	0.89	0	0	0	0	0	0	0	0	0	0	0.89	0.89	None
Independent Director	Tsai, Chien-Wen (N 4)	130	130	0	0	0	0	15	15	0.89	0.89	0	0	0	0	0	0	0	0	0	0	0.89	0.89	None
Independent Director	Fu,Chi-Ching	230	230	0	0	0	0	20	20	1.53	1.53	0	0	0	0	0	0	0	0	0	0	1.53	1.53	None
Independent Director	Cheng,Hsiao-Tung (N 4)	120	120	0	0	0	0	10	10	0.80	0.80	0	0	0	0	0	0	0	0	0	0	0.80	0.80	None
Independent Director	Chiu,Hui-Yin (N 4)	120	120	0	0	0	0	15	15	0.83	0.83	0	0	0	0	0	0	0	0	0	0	0.83	0.83	None

Note1: Please describe the remuneration policy, system, standard and structure of independent directors, and describe the relationship with the remuneration amount according to the responsibilities, risks, investment time and other factors:

According to the "Regulations on the Management of Salary and Remuneration of Directors and Managers" approved by the board of directors of the company, independent directors can receive travel expenses and attendance fees because they are also functional committee members. No more than 2% shall be allocated to directors' remuneration; the allocation of directors' remuneration shall take into account the company's annual operating performance and the performance evaluation of the board of directors and individual directors, as well as the rationality of the connection with individual performance and company's operating performance and future risks. It will be processed after deliberation by the Remuneration Committee and the resolution of the Board of Directors.

Note2: Except as disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a consultant for non-employees of the parent company / all companies listed in the financial report / transfer investment enterprises, etc.):None.

Note 3: Please refer Page 11 (Note1)

Note 4: The term of office of Director Tien, Hung-Mao, Khongsit Choukitcharoen, Independent director Cheng, Hsiao-Tung and Chiu, Hui-Yin expired on June 24, 2022. Director Hsu, Wei-Yang, Huang, Yu-Hui, Independent director Hsu, Sheng-Haur and Tsai, Chien-Wen were new directors after full re-election at shareholders' meeting on June 27, 2022.

Note 5: Please refer Page 11 (Note3)

Note6: The directors of the Company have not been provided retirement pensions in any form.

3.3.2. Remuneration of the President and Vice Presidents

Unit: Thousand NTD, %

Title	Name	Pemuneration(A)		Pension (B)		Bouns and Special Allowances(C)		Employee Bonus (D)				Raito of total A,B,C&D to Net Income(%)		Remuneration from Invested Companies other than Subsidiaries
		The Company	All Companies in the Consolidotated Financial Sataements	The Company	All Companies in the Consolidotated Financial Sataements	The Company	All Companies in the Consolidotated Financial Sataements	The Company		All Companies in the Consolidotated Financial Sataements		The Company	All Companies in the Consolidotated Financial Sataements	
								Cash	Stock	Cash	Stock			
President (Note)	Chang, Ying	4,026	4,026	0	0	9,480	9,480	0	0	0	0	82.83	82.83	None
Vice President	Ting, Pao-Chuan	2,849	2,849	108	108	842	842	0	0	0	0	23.30	23.30	None
Vice President	Lo, Hsiao-Wei	2,192	2,192	108	108	606	606	0	0	0	0	17.82	17.82	None

Note: Please refer to Page 11 (Note 1)

3.3.3. Top 5 Remuneration of Manangement Team

Unit: Thousand NTD, %

Unit: Thousand RMB, %

Title	Name	Pemuneration(A)		Pension (B)		Bouns and Special Allowances(C)		Employee Bonus (D)				Raito of total A,B,C&D to Net Income(%)		Remuneration from Invested Companies other than Subsidiaries
		The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements	The Company		All Companies in the Consolidated Financial Sataements		The Company	All Companies in the Consolidated Financial Sataements	
								Cash	Stock	Cash	Stock			
President	Chang, Ying	4,026	4,026	0	0	9,480	9,480	0	0	0	0	82.83	82.83	None
Vice President	Ting, Pao-Chuan	2,849	2,849	108	108	842	842	0	0	0	0	23.30	23.30	None
Vice President	Lo, Hsiao-Wei	2,192	2,192	108	108	606	606	0	0	0	0	17.82	17.82	None
Chief of Finance & Accounting	Wu, Li-Mei	1,464	1,464	90	90	432	432	0	0	0	0	12.18	12.18	None

Note 1: "Management personnel" in the "Five Highest Remunerated Management Personnel" means managerial officers of the Company. "Managerial officers" means those falling within the applicable scope defined in 27 March 2003 Order No. Tai-Cai-Zheng-III-0920001301 of the former Securities and Futures Commission, Ministry of Finance. The "five highest remunerated" is calculated as those ranked in the top five in remuneration based on the sum total of the amounts of salary, retirement pay and pension, rewards and special disbursements, and employee profit-sharing compensation (i.e., the sum of items A+B+C+D) received by each of the Company's managerial officers from all companies in the consolidated financial reports. If any concurrently serving director(s) is among those top, fill out this table and also Table (1-1) above.

Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in the most recent fiscal year.

Note 3: This refers to the amount of all rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, and other remuneration of the five highest remunerated management personnel in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the five highest remunerated management personnel in the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the five highest remunerated management personnel by all companies in the consolidated financial report (including the Company).

Note 6: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 7: a. In this column, specifically disclose the amount of remuneration received by the five highest remunerated management personnel of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. Remuneration means remuneration received by the five highest remunerated management personnel of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

3.3.4. Earnings distribution as employees' remuneration to management team: None.

3.3.5. Analysis of total remuneration (as a percentage of net income) given to directors, general managers and senior vice general managers in all consolidated companies in the most recent two years along with description of the remuneration policies, standards, packages and procedures for defining the their linkage to operating performance and future risk exposure:

3.3.5.1. Ratio of total remuneration to Profit after Income Tax

Unit: %

Title	Ratio of total remuneration to Profit after Income Tax (%)			
	2021		2022	
	The Company	All Companies in the Consolidated Financial Sataements	The Company	All Companies in the Consolidated Financial Sataements
Director (Note)	-12.28	-12.28	88.62	88.62
President and Vice President	-13.07	-13.07	123.95	123.95

Note: Please refer to Page 11 (Note 1).

3.3.5.2. The remuneration of the company's directors and managers shall be in accordance with Articles 22 and 26 of the company's articles of association: The remuneration of the chairman and directors shall be authorized by the board of directors according to the degree of their participation in the operation of the company and the value of their contributions, as well as the consideration of peers. The usual level is negotiated and if the company makes a profit in the current year, it may allocate no more than 2% for the remuneration of directors and no less than 2% for the remuneration of employees, and also according to the company's "Directors and Managers Remuneration Management Regulations", independent directors who also serve as functional committee members can receive travel fees and attendance fees. General directors can receive attendance fees. The salary and remuneration of the chairman and managers shall be submitted to the remuneration committee for deliberation and resolution of the Board of directors after considering the reasonableness of the correlation with the company's business performance and future risks, as well as the calculation of the individual's academic (financial) history, professional ability, title, rank, responsibility and performance appraisal method in accordance with the company's personnel rules and regulations

3.4. Implementation of Corporate Governance

3.4.1. Board of Directors

A total of 5 times meeting of Board of Directors were held in 2022. The attendance of directors was as follows:

Title	Name(Note 1)	Attendance in Person	By Proxy	Attendance Rate(%)	Remarks
Chairman	Chang, Ying Representative of Kinpo Electronics, Inc.	5	0	100%	The 9 th Board of director reappointed after full re-election at Shareholders' Meeting on June 24, 2022.
Director	Hsu, Chieh-Li Representative of Kinpo Electronics, Inc.	5	2	60%	
Director	Chiang,Tai-Chang Representative of Kinpo Electronics, Inc.	5	0	100%	The 8 th Board of directors' term of office expired on June 24, 2022.
Director	Hsu,Wen-Han Representative of Kinpo Electronics, Inc.	5	0	100%	Reappointed consecutively. The representative of director was changed from Mr. Hsu,Wen-Han to Mr. Shiau, Ching-Hwa on January 16, 2023.
Director	Shiau, Ching-Hwa Representative of Kinpo Electronics, Inc.	None.			
Director	Hsu, Wei-Yang Representative of Kinpo Electronics, Inc.	3	3	100%	New elected..
Director	Huang, Yu-Hui Representative of Kinpo Electronics, Inc.	3	3	100%	
Independent Director	Hsu, Sheng-Haur	3	0	100%	
Independent Director	Tsai, Chien-Wen	3	0	100%	
Independent Director	Fu,Chi-Ching	5	2	60%	Re-elected..
Director	Tien,Hung-Mao Representative of Kinpo Electronics, Inc.	2	0	100%	Former.
Director	Khongsit Choukitcharoen Representative of Kinpo Electronics, Inc.	2	0	100%	
Independent Director	Cheng,Hsiao-Tung	1	1	50%	
Independent Director	Chiu,Hui-Yin	2	0	100%	

Note 1: If the directors and supervisors are legal persons, the names of the legal person shareholders and their representatives shall be disclosed.

Note 2: (1) If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.

(2) If any by-election for directors or supervisors was held before the end of the fiscal year, the names of the new and old directors and supervisors should be filled in the table, with a note stating whether the director or supervisor left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The inperson attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

Other matters required to be recorded:

A. If the operation of the board of directors meets any of the following situations, the board meeting date, session, agenda items, opinions of all independent directors and the company's handling of the opinions of independent directors shall be stated:

(1) Matters referred to Article 14-3 of the Securities and Exchange Act.

Board meeting date	Board meeting session	Agenda Items	Independent Directors have objection or qualified opinion.
2022.3.9	The 18 th of the 8 th board	Proposal to partially amend the Procedures for the Acquisition and Disposal of Assets.	None
2022.6.27	The 1 st of the 9 th board	Proposal for the appointment of members to the 5 th Remuneration Committee of the company.	None
2022.11.10	The 3 rd of the 9 th board	1. Proposal for 2022 year-end bonus for managers. 2. Review of the compensation items for the 9 th Board of Directors. 3. Evaluation of the accountant independence, suitability and AQI information and 2023 Appointment and Remuneration of CPA of the Company.	None
2023.03.09	The 4 th of the 9 th board	1. Reassignment of directors of CastleNet Technology Inc (Kunshan). 2. Proposal for the election to add an Independent Director. 3. Releasing directors from non-competition restrictions.	None
2023.05.10	The 4 th of the 9 th board	1. 2023 evaluation of the accountant independence, and suitability of CPA of the Company. 2. Proposal to amend the Rules of Procedure for Board of Directors.	None

(2) Other agenda items that involve the objection or reservation of independent directors of which the opinion is recorded or stated in writing: None

B. Director's avoidance of motions in conflict of interest.			
Board meeting date	Board meeting session	Agenda Items	Director's avoidance in conflict of interest.
2022.6.27	The 1 st of the 9 th board	Proposal for the appointment of members to the 5 th Remuneration Committee of the company.	Independent directors, Hsu, Sheng-Haur, Tsai, Chien-Wen and Fu, Chi-Ching did not participate in the discussion and resolution due to the interests of the parties in this case. After consultation by the chairman, all the attending directors passed the proposal without objection.
2022.8.5	The 2 nd of the 9 th board	Propose to formulated Sustainable Development Committee Charter	Chairman Chang, Ying, temporarily acted as the general manager, did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Independent director Hsu, Sheng-Haur as the acting chairman to preside over the decision of this case, and after the acting chairman consulted all the attending directors, they passed the proposal without objection.
2022.11.10	The 3 rd of the 9 th board	Proposal for 2022 year-end bonus for managers.	Chairman Chang, Ying, temporarily acted as the general manager, did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Director Hsu, Wen-Han as the acting chairman to preside over the decision of this case, and after the acting chairman consulted all the attending directors, they passed the proposal without objection.
		Review of the compensation items for the 9 th Board of Directors.	Independent directors, Hsu, Sheng-Haur, Tsai, Chien-Wen and Fu, Chi-Ching did not participate in the discussion and resolution due to the interests of the parties in this case. After consultation by the chairman, all the attending directors passed the proposal without objection. Chairman Chang, Ying, Director Hsu, Wei-Yang, Huang, Yu-Hui, Hsu, Wen-Han and Chiang, Tai-Chang did not participate in the discussion and resolution due to the interests of the parties in this case. The chairman designated Independent director Hsu, Sheng-Haur as the acting chairman to preside over the decision of this case, and after the acting chairman consulted all the attending directors, they passed the proposal without objection.

C. Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self(or peer) evaluation, and the implementation:

(1) Information on the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self(or peer) evaluation, and the implementation:

Evaluation cycle	Evaluation Period	Scope of evaluation	Evaluation Method	Evaluation content
Once a year	From 2022.1.1 to 2022.12.31	The board	Questionnaire survey	1.Participation in the Company operation 2.Improvement of the quality of the board of directors' decision making 3.Composition and structure of the board of directors 4.Election and continuing education of directors 5.Internal control
		Individual directors	Questionnaire survey	1.Alignment of the goals and missions of the company 2.Awareness of the duties of a director 3.Participation in the company operation 4.Internal relationship and communication 5.The director's professionalism and continuing education 6.Internal control
		Functional committees	Questionnaire survey	1.Participation in the operation of the company 2.Awareness of the duties of the functional committee 3.Improvement of quality of decisions made by the functional committee 4.Makeup of the functional committee and election of its members 5.Internal control

Note 1: Fill in the cycle on which the board evaluations are performed, for example: performed once per year.

Note 2: Fill in the period covered by the board evaluation, for example: An evaluation was performed of the performance of the board of directors from 1 January 2019 to 31 December 2019.

Note 3: The scope of the evaluation should cover the performance of the board as a whole, the individual directors, and the functional committees.

Note 4: The performance evaluation methods may include internal evaluation by the board, self-evaluations by individual board members, peer evaluations by board members, evaluations external organizations or experts engaged for that purpose, or other suitable method.

Note 5: The evaluation content shall include at least the following based on the scope of the evaluation:

- (1) Evaluation of the performance of the board should include at least the following: degree of the board's participation in the operation of the company; the quality of the board's decision making; composition and structure of the board; election and continuing education of the directors; internal control.
- (2) Evaluation of the performance of individual directors should include at least the following: familiarity with the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationships and communication; the director's professionalism and continuing education; internal control.
- (3) Evaluation of the performance of the functional committees: degree of participation in the operation of the company; awareness of the duties of the functional committee; quality of decisions made by the functional committee; makeup of the functional committee and election of its members; internal control.

(2) The salary and remuneration committee and the board of directors have been reported the evaluation results on 9th, March, 2023.

(3) The performance evaluation results for the overall Board of Directors, individual directors, Audit Committee, and Remuneration Committee of the company for the year 2022 are as follows:

Performance evaluation of the Board		Total Avg.: 4.86	A
Evaluation content	Avg.	Level	
1. Participation in the Company operation	4.80	A	
2. Improvement of the quality of the board of directors' decision making	4.89	A	
3. Composition and structure of the board of directors	4.96	A	
4. Election and continuing education of directors	4.80	A	
5. Internal control	4.87	A	

Performance evaluation of Functional committees - The Audit Committee		Total Avg.: 4.97	A
Evaluation content	Avg.	Level	
1. Participation in the operation of the company	4.88	A	
2. Awareness of the duties of the functional committee	5.00	A+	
3. Improvement of quality of decisions made by the functional committee	5.00	A+	
4. Makeup of the functional committee and election of its members	5.00	A+	
5. Internal control	4.92	A	

Performance evaluation of the Board members		Total Avg.: 4.67	A
Evaluation content	Avg.	Level	
1. Alignment of the goals and missions of the company	4.78	A	
2. Awareness of the duties of a director	4.93	A	
3. Participation in the Company operation	4.49	A	
4. Internal relationship and communication	4.67	A	
5. The director's professionalism and continuing education	4.67	A	
6. Internal control	4.78	A	

Performance evaluation of Functional committees - The Remuneration Committee		Total Avg.: 4.99	A
Evaluation content	Avg.	Level	
1. Participation in the operation of the company	4.94	A	
2. Awareness of the duties of the functional committee	5.00	A+	
3. Improvement of quality of decisions made by the functional committee	5.00	A+	
4. Makeup of the functional committee and election of its members	5.00	A+	

(4) Evaluation report analysis:

The board of directors of the company is composed of nine directors with extensive business management and industry experience. Their professional backgrounds cover business management, marketing, manufacturing, industrial technology, corporate governance, international trade and commerce, information management, financial accounting, etc. The attendance rate of directors in 2022 was 88% (100% including delegated attendance), the attendance rate of audit committee members was 88% (100% including delegated attendance) and remuneration committee members was 75% (100% including delegated attendance), indicating that board members and functional committee members actively participated in the operation of the board of directors and functional committees, and contributed their professional efforts to the company's operation. And according to the conclusion of the annual self-assessment, it shows that the members of the board of directors and functional committees have given positive comments on the efficiency and operation of the board of directors, and they all agree that they are operating well and wield influence.

- D. The current year and the last recent year to strengthen the goals of the board of directors (like establishing an audit committee, improving information transparency, etc.) and implementation evaluation:
- (1) In order to meet the requirements of Corporate Governance operations, the company amended Articles of Incorporation to extend the range of the number of directors on March 9, 2022. It was approved by the Shareholder's Meeting on June 27, 2022.
 - (2) In order to implement corporate governance and enhance the operational efficiency of the board of directors, the company formulated the Procedures for Ethical Management and Guidelines for Conduct on May 11, 2022, and formulated Sustainable Development Committee Charter and Risk Management Measures on August 5, 2022, and established Sustainable Development Committee.
 - (3) There shall be at least one separate communication meeting a year between the independent directors and the accountant and audit supervisor without the presence of the general directors and management. In recent years, separate communication meetings with independent directors, accountants and audit supervisors were held on March 9, 2022 and March 9, 2023. In addition, separate communication meetings were held quarterly for independent directors and accountants on August 5, 2022, November 10, 2022, March 9, 2023, and May 10, 2023.
 - (4) The company's 2022 performance evaluation results of the board of directors and functional committees were reported to the remuneration committee and board of directors on March 9, 2023. According to the overall evaluation results in 2022, the overall operation of the company's board of directors and functional committees is in good condition, in line with corporate governance requirements.
 - (5) Plans to increase the Continuing Education Hours for directors: Starting from 2023, the Financial Supervisory Commission mandates that directors of listed and OTC companies must complete at least 3 hours of education and training each year. In order to increase the education hours of directors, the company has combined the educational resources of the NKG group to encourage directors to participate in training programs while strengthening the promotion of regulations and requirements from regulatory agencies. The company also periodically recommends training courses from regulatory agencies and qualified educational training institutions to provide relevant courses for directors. The company plans to hold internal training courses for board members by external speakers in the second half of the year.

3.4.2. The Audit Committee

A total of 4 times meeting of Audit Committee were held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate(%)	Remarks
Independent director (Chairperson)	Hsu, Sheng-Haur	2	0	100%	New elected on June 27, 2023.
Independent director	Tsai, Chien-Wen	2	0	100%	New elected on June 27, 2023.
Independent director	Fu, Chi-Ching	4	1	75%	
Independent director	Cheng, Hsiao-Tung	1	2	50%	Expired On June 24, 2022.
Independent director	Chiu, Hui-Yin	2	0	100%	Expired On June 24, 2022.

Other matters required to be recorded:

1. If the operation of the audit committee meets any of the following situations, board meeting date, session, agenda items, resolution of the audit committee and the company's handling of the opinions of the audit committee shall be stated:

(1) Matters prescribed in Article 14-5 of the Securities and Exchange Act

Committee meeting date	Committee meeting session	Agenda Items	Resolution of the audit committee	The Company's handling of the audit committee's opinions
2022.3.9	The 14 th of the 1 st committee	1. The Statement of Internal Control System in 2021. 2. 2021 business reports and financial statements of the company. 3. 2021 Proposal of appropriation of profit and loss 4. Proposal for the liquidation process of Subsidiary CTI(BVI) and CastleNet Technology Inc (Kunshan). 5. Proposal to partially amend the Procedures for the Acquisition and Disposal of Assets.	Approved as proposed	Implemented by the resolution
2022.5.11	The 15 th of the 1 st committee	1. The Company's Consolidated Financial Statements for 2022 Q1.	Approved as proposed	Implemented by the resolution

			2. Proposal for the formulation of Procedures for Ethical Management and Guidelines for Conduct.		
2022.8.5	The 1 st of the 2 nd committee	1. The Company's Consolidated Financial Statements for 2022 Q2. 2. Proposal for the formulation of Risk Management Measures.	Approved as proposed	Implemented by the resolution	
2022.11.10	The 2 nd of the 2 nd committee	1. Audit Plan for 2023. 2. The Company's Consolidated Financial Statements for 2022 Q3. 3. Proposal to amend the Procedures for Handling Material Inside Information. 4. Evaluation of the accountant independence, suitability and AQI information and 2023 Appointment and Remuneration of CPA of the Company.	Approved as proposed	Implemented by the resolution	

(2) Other matters adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: None

2. In the case of a director's avoidance of conflict of interest, the director's name, agenda item, reason for the avoidance of conflict of interest, the director's participation in the vote on the matter shall be stated: None.
3. The communication between Independent Directors, Chief Internal Auditor and accountants (This shall include the communication on important matters with respect to the company's financial status and operational status, the communication method, result, etc.)

(1) Policy of the communication between Independent Directors and Internal Audit Supervisor:

In addition to regularly inviting independent directors to conduct internal control self-inspection and audit report symposiums, as well as quarterly attendance at the audit committee to report on audit business, the internal audit unit also implements audit projects according to the annual plan, and delivers the audit report to each independent director on a monthly basis after the audit report is completed. If independent directors need to know more about the audit status and follow-up results, they can contact the audit supervisor at any time.

(2) Policy of the communication between Independent Directors and Accountants

1. The Company regularly arranges for its accountants to meet with the independent directors and the governance unit at least once a quarter, and to hold separate communication meetings with the independent directors. The accountant reports to the independent directors at quarterly meetings on the results of financial statement audits and on any new or amended tax laws and regulations, and provides professional insight and advice on matters that the independent directors would like to know more about;
 2. At least once a year, without the presence of the general directors and management, the independent director and the audit supervisor and the accountant will hold a separate communication meeting on internal audit and internal control matters;
 3. In addition, the accountants and independent directors have their own communication channels, and there is also a mechanism for holding separate communication meetings arranged by the company's stock unit.
- (3) Policy of the communication between Independent Directors and Internal Audit Supervisor
1. Normally, the audit supervisor may contact the independent directors directly as necessary. The communication is good;
 2. In addition to the audit reports received by the independent directors on a monthly basis, the audit supervisor also provides quarterly reports to the independent directors on the significant operations of the Company and its subsidiaries, and has fully communicated with them on the execution and effectiveness of the audit operations;
 3. At least once a year, the company arranges a meeting between the independent directors and the auditors and accountants without the presence of the general directors and the management.

a. Summary of the communication between Independent Directors and Chief Internal Auditor:

Date	Communication summary	Actions taken
2022.03.09	Report on 2021.08~11 audit improvement follow up.	After the report to the Audit Committee is approved, the report is submitted to the Board of Directors as required.
	Report on 2021.11~2022.01 audit plan implementation and improvement follow-up.	
2022.05.11	Report on 2021.11~2022.01 audit improvement follow up.	After the report to the Audit Committee is approved, the report is submitted to the Board of Directors as required.
	Report on 2022.02~2022.04 audit plan implementation and improvement follow-up.	
2022.08.05	Report on 2022.02~2022.05 audit improvement follow up.	After the report to the Audit Committee is approved, the

	Report on 2022.06~2022.08 audit plan implementation and improvement follow-up.	report is submitted to the Board of Directors as required.
2022.11.10	2022.06~2022.08 Audit improvement following up.	After the report to the Audit Committee is approved, the report is submitted to the Board of Directors as required.
	Report on 2022.09~2022.11 audit plan implementation and improvement follow-up.	
b. Summary of the communication in recent years between independent directors and accountants and management units		
Date	Communication summary	Actions taken
2022.03.09	After the audit of 2021 financial report, the accountants communicate with the management units about the following -Analysis of the company’s operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2022.05.11	After the audit of 2022 Q1 financial report, the accountants communicate with the management units about the following -Analysis of the company’s operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2022.08.05	After the audit of 2022 Q2 financial report, the accountants communicate with the management units about the following -Analysis of the company’s operating results and financial status. -Scope of audit -Discover of audit -Other matters. -Independence	Consultation and exchange of opinions
2022.11.10	After the audit of 2022 Q3 financial report, the accountants communicate with the management units about the following -Analysis of the company’s operating results and financial status. -Scope of audit -Discover of audit -Key inspection items of annual report -Other matters. -Independence -Audit Quality Indicators information	Consultation and exchange of opinions
c. Separate communication meetings between independent directors and accountants in the most recent year		

Date	Communication summary	Recommendations and implementation
2022.03.09	Accountant's audit of 2021 financial statements and exchange of related issues	Consultation
2022.05.11	Accountant's audit of 2021 Q1 financial statements and exchange of related issues	Consultation
2022.08.05	Accountant's audit of 2021 Q2 financial statements and exchange of related issues	Consultation
2022.11.10	Accountant's audit of 2021 Q3 financial statements and exchange of related issues	Consultation

d. Summary of the communication between Independent directors and Chief Internal Auditor and Accountants

Date/Meeting	Communication summary	Actions taken
2022.03.09 2021 Annual Internal Control Self-Assessment and Audit Report Symposium	<u>Report Items:</u> 2021 annual internal control system self-assessment report and improvement and tracking of annual audit plan and internal control deficiencies. <u>Discussion Items:</u> Communication, suggestions and discussion forums among independent directors, accountants, and audit supervisors.	The internal control self-assessment and the implementation of the annual audit plan were discussed. In addition to further discussions on the status of the audit work by independent directors, accountants and independent directors also provided valuable suggestions on audit related work.

4. Annual Work Priorities of the Audit Committee:

The main purpose of the operation of this committee is to supervise the following matters:

1. Appropriate elaboration of financial statements of the Company.
2. Selection, dismissal, independence and performance of CPA.
3. Effectively implementation of internal control of the company.
4. The Company complies with laws and regulations.
5. Control and management of the Company's existing or potential risks.

The terms of reference of the Committee are as follows:

1. The establishment of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The establishment of or amendment to the procedures of handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act, .
4. Matters in which a Director is an interested party.

	<ul style="list-style-type: none"> 5. Asset transactions or derivatives trading of a material nature. 6. Loans of funds, endorsements, or provision of guarantees of a material nature. 7. The offering, issuance, or private placement of equity-type securities. 8. The hiring or dismissal of a certified public accountant, or their compensation. 9. The appointment or dismissal of the head of finance, Accounting, or internal audit officer. 10. Annual financial reports which are signed or sealed by the Chairman, manager, and accounting supervisor, and the second quarter financial report subject to the audit of an accountant. 11. Other material matters as may be required by this Corporation or by the competent authority.
5.	Please refer to pages 33-38 of this annual report for the focus and operation of the Audit Committee in 2022. For the professional qualifications and experience of the Audit Committee, please refer to pages 16-17.

Note 1: If an independent director resigns before the end of the year, the date of resignation should be indicated in the remarks column, and the actual attendance rate (%) is calculated based on the number of audit committee meetings and the number of actual attendance during their tenure.

Note 2: Before the end of the year, if there is a re-election of an independent director, the new and old supervisors should be filled in, and the independent director should be stated in the remarks column as the old, new or re-elected and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee and the actual number of attendances during their tenure.

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established a "Corporate Governance Code" which is disclosed on the Company's website in addition to being uploaded to the Public Information Observatory.	Compliant
2. Shareholding Structure and Shareholder’s Rights				
2.1 Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has a spokesperson and has established a "stock operation" policy, and has stock personnel to handle shareholders' concerns and other related matters.	Compliant
2.2 Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		The Company keeps track of the shareholdings of directors, managers, and major shareholders holding 10% or more of the shares.	
2.3 Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The company and its affiliated companies operate independently, and have formulated the "Transaction Operation Procedures for Related Parties, Specific Companies and Group Enterprises ", "Operational Specifications for Financial Business between Affiliated Companies" and other risk control and firewall mechanisms between affiliated companies.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2.4 Does the company establish internal rules against insiders trading with undisclosed information?	✓		The company has established "Internal Significant Information Processing Operation Procedures" to prohibit behaviors that may involve insider trading or obtaining improper benefits, and has announced them on the internal website and reinforced them through training courses.	
3. Composition and Responsibilities of the Board of Directors				
3.1 Does the Board Develop and implement a diversified policy for the composition of its members?	✓		In accordance with the provisions of Article 20 of the Corporate Governance Code and Article 3-1 of the Director Election Regulations, an appropriate diversity policy based on the Company's own operation, business model and development needs should be formulated for the selection of board members, so as to improve the company's board structure; There are 9 members of the board of directors of the company, of which 3 are independent directors. The target for female board members is at least one seat. For the implementation of the diversity of the board members, please refer to pages 15-21.	Compliant
3.2 Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		The Audit Committee and the Remuneration Committee have been set up. In the future, other functional committees will be evaluated and set up depending on the actual needs of operation management.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
3.3 Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for re-election?	✓		The board of directors of the company approved the performance evaluation method of the board of directors and functional committees on November 12, 2020. The performance evaluation methods include the internal self-evaluation of the board of directors and functional committees, the self-evaluation of directors or other appropriate performance evaluation methods. The performance evaluation shall be completed before the end of the first quarter, and the results of the Board's performance evaluation will be used as a reference for individual directors' remuneration and nomination for reappointment. The company has completed the 2022 board performance evaluation in the first quarter of 2023, and the evaluation results have been submitted to the Remuneration Committee and the Board of Directors on March 9, 2023.	Compliant
3.4 Does the Company regularly evaluate the independence of CPAs?	✓		The audit committee of the company regularly evaluates the independence and suitability of certified accountants every year, and then reports the evaluation results to the board of directors. The last evaluation was submitted to the Audit Committee for deliberation and passed by the Board of Directors on November 10, 2022. The evaluation mechanism is as follows:	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<ol style="list-style-type: none"> 1. The certified accountant is required to provide a statement of transcendental independence and provide the accountant's professional background experience. 2. It shall be confirmed that the accountant has no significant financial interest in the company, nor any undue interest. 3. Any accountant whose term of office is not more than seven consecutive years, or whose reappointment interval is not less than two years, and has not worked in the company in two years prior to the certification. 4. The accountant is not allowed to concurrently work for the company to receive a fixed salary, receive any business-related commissions, have any financial loan with the Company, hold shares in the Company, or have any joint investment or benefit-sharing relationship with the Company. 5. The accountants must have relevant electronic industry audit experience. The accountants and their assistants must regularly participate in the evaluation of trade associations or other relevant organizations to ensure honesty, impartiality and independence. <p>Evaluation conclusion:</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			There is no doubt that the certified accountant is not independent and competent.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders’ meetings, and producing minutes of board meetings and shareholders’ meetings)?	✓		The Finance and Accounting Department shall be the deliberative unit of the Board of Directors. By resolution of May 10, 2023, the Board of Directors has designated the Head of Corporate Governance to be responsible for corporate governance and matters related to the operation of the shareholders' meeting and the Board of Directors, including but not limited to providing information necessary for the directors to perform their duties, assisting the directors in complying with laws and regulations, handling matters related to the meetings of the Board of Directors and the shareholders' meeting in accordance with the law, and preparing the minutes of the Board of Directors and the shareholders' meeting.	Compliant
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The company has a specific division for stakeholders on the company's website as a channel for communication with stakeholders, including: customers, product users, suppliers, investors and employees, etc. There is also a staff mailbox inside the company to respond to issues of concern to stakeholders.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		MasterLink Securities Corp. has been appointed as the stock agency responsible for handling shareholder affairs and meetings.	Compliant
7. Information Disclosure				
7.1 Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The company website: http://www.castlenet.com.tw . Information on financial standings, corporate governance and other relevant matters has been disclosed on the company website.	Compliant
7.2 Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The company has assigned a special person to be responsible for the collection and disclosure of company information, and has set up an English website and implemented a spokesperson system. In addition, the Company was invited to participate in an online investor conference by MasterLink Securities to present an overview of the company’s operations on August 5, 2022.	Compliant
7.3 Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	The company announces and declares the annual financial report within 75 days after the end of the accounting year according to the regulations; announces and declares the first, second, and third quarter financial reports within 45 days at the end of each quarter and announces revenue information monthly.	The company is aware that the announcement and reporting will be completed within the time limit stipulated by the law; the annual financial report has not been able to complete

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
				the announcement and reporting within 2 months.
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		Please refer to Item 10 of this table.	Compliant
9. Explanation of the improvements which have been made in accordance with results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, And Provide the priorityenhancement measures.	1. In order to establish performance goals to enhance the operational efficiency of the board of directors, the performance evaluation method for the board of directors and functional committees was formulated on November 12, 2020, and the method for the election of directors was revised on March 30, 2021, in consideration of the diversity of board members. In addition, the company formulated the Procedures for Ethical Management and Guidelines for Conduct on May 11, 2022, and formulated Sustainable Development Committee Charter and Risk Management Measures on August 5, 2022, and established Sustainable Development Committee.			

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>2. There shall be at least one separate communication meeting a year between the independent directors and the accountant and audit supervisor without the presence of the general directors and management. In recent years, separate communication meetings with independent directors, accountants and audit supervisors were held on March 9, 2022 and March 9, 2023. In addition, separate communication meetings were held quarterly for independent directors and accountants on August 5, 2022, November 10, 2022, March 9, 2023, and May 10, 2023.</p> <p>3. In line with the efforts of the competent authorities to improve the quality of information disclosure and strengthen the integration of English information disclosure with international standards, in addition to increasing the upload of financial reports in English from the fourth quarter of 2021, the publication of major information, notice of meeting and meeting handbooks in English from 2022, we have scheduled to issue English-language annual reports since 2023. Additionally, we have added English versions of corporate governance information, financial information, and shareholder meeting information to our corporate website.</p> <p>4. In the future, the operations related to the sustainable development of the enterprise, risk management and the safety management of information and communication will continue to be carried out and implemented gradually, depending on the overall operational considerations and planning of the company.</p>	
<p>10. Other information for corporate governance works:</p> <p>1. Employee rights and employee care: Please refer to the description of “Labor-capital Relations” in this annual report.</p> <p>2. Investor relations: The company has special personnel to deal with investor-related matters. In addition to a spokesperson, there is an investor division on the company's website to provide relevant information.</p> <p>3. Supplier relationship: The company has established supplier management procedures and formulated a group supplier code of conduct in accordance with the Responsible Business Alliance (RBA) code of conduct, requiring suppliers to comply with all local relevant laws and</p>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>regulations when operating the company's business. Their suppliers are required to abide by relevant social responsibilities, so as to work together to enhance corporate social responsibility and create a win-win partnership.</p> <p>4. Rights of stakeholders: The company website has a specified division for stakeholders, through which all stakeholders can communicate with the company and make suggestions. It also has a code of ethics, internal important information processing operations, a code of integrity management and its operating procedures and behavior guidelines, which serve as the basis for integrity management to safeguard the rights and interests of stakeholders.</p> <p>5. Implementation of risk management policies and risk measurement standards: please refer to pages 70-72.</p> <p>6. Implementation of customer policy: The company has passed ISO9001/TL9000 certification, meets customer needs with high-quality products and services, and maintains good and stable cooperative relations with customers to create company profits.</p> <p>7. The situation where the company purchases liability insurance for directors and supervisors: The company purchases liability insurance for all directors on an annual basis.</p> <p>8. Intellectual property management plan: In 2011, the company formulated the "Measures for Rewarding Inventions and Creation" to encourage employees to file patent applications. In addition to contacting and cooperating with external patent firms, the company will also conduct searches and careful evaluation of others' intellectual property rights in order to reduce risks and actively maintain the rights and interests of the company and shareholders; and for the purpose of protecting confidential information and business secrets, transparent, practical and effective compliance standards were established, and "Classification Measures for Confidential Information" were formulated.</p>				

3.4.4 The Remuneration committee

1. Information of Members of the Remuneration Committee

30th, April, 2023

Title	Name	Criteria	Professional Qualifications with experiences (Note)	Independence Criteria (Note)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent director (Convener)	Hsu, Sheng-Haur	Please refer to Pages 16-20.			0
Independent director	Tsai, Chien-Wen				1
Independent director	Fu, Chi-Ching				1

Note:

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

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

2. Information of Remuneration Committee Operations

(1) The Company's Remuneration Committee had 3 members.

(2) The term of this committee member is from June 27, 2022 to June 26, 2025. A total of 2 times meeting of the Remuneration Committee was held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate(%)	Remarks
Convener	Hsu, Sheng-Haur	1	0	100%	New elected on June 27, 2022.
Committee Member	Tsai, Chien-Wen	1	0	100%	
Committee Member	Fu, Chi-Ching	1	1	50%	Re-elected on June 27, 2022



Other notes:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the board of directors, and the Company's response to the remuneration committee's opinion (eg., if the amount of remuneration passed by the Board of Directors exceeds the remuneration committee's recommended amount, the circumstances and cause for the difference shall be specified): None.
2. If resolutions of the remuneration committee are objected by members or become subject to a qualified opinion, which have been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note 1: If a member of Remuneration Committee resigns before the end of the year, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of Remuneration Committee and the number of actual attendance during the term of office.

Note 2: Before the end of the year, if there is a re-election of Remuneration Committee, the new and old members of Remuneration Committee should be filled in, and the remarks column should indicate the old, new or re-appointed and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by Remuneration Committee and the number of actual attendances during the term of office.

3. Duties of Remuneration Committee:

The committee shall, with the attention of good managers, faithfully perform the following functions and powers, and submit the recommendations to the Board of Directors for discussion:

1. Formulating and regularly reviewing the policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers of the Company.
2. Regularly evaluating the salaries of the Company's directors and managers.

4. The Company's Remuneration Committee held the following discussions in 2022:

Committee Meeting Date	Committee Meeting Session	Agenda Items	Resolution	The Company's Handling
2022.3.9	The 10 th of the 4 th committee	1. Annual salary adjustment for managers in 2022 2. 2022 Dragon Boat Festival and Mid-Autumn Festival bonus payment	Resolved	Implemented by resolution.
2022.11.10	The 1 st of the 5 th committee	1. 2022 year-end bonus payment for managers 2. Review of the compensation items for the 9th Board of Directors.	1. Passed as proposed 2. By the resolution of all the members present, the former independent director's travel fee is reduced by 50% per month.	Implemented by resolution

3.4.5. Fulfillment of sustainable development and Deviations from the “Sustainable Development Best Practice Principles for TWDE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	✓		<p>In 2022, the Company established the Sustainable Development Committee, which is the highest level of decision making center for sustainable development within the Company. The General Manager is the Chairman of the Committee and leads all department heads to review the Company's core operating capabilities, formulate medium and long-term sustainable development plans, and report the results to the Board of Directors at least once a year.</p> <p>The Sustainable Development Committee organizes the heads of all departments of the company to set up relevant working groups according to the work issues of sustainable environment (E), social responsibility (S), corporate governance (G)(including promoting ethical management), risk management, information security management, etc., and acts as a cross-departmental communication platform for upward and downward integration and horizontal linkage.</p> <p>Each working group identifies sustainable issues related to the operation of the company and the concerns of stakeholders, formulates corresponding strategies and working guidelines, promotes and implements relevant</p>	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>operational objectives, and ensures that the sustainable development strategy is fully implemented in the daily operation of the company.</p> <p>The latest report on the implementation of the Company's Sustainability Committee was submitted to the Board of Directors' meeting on 112.5.10. The report contains the promotion and implementation of corporate governance, integrity management, environmental and ecological protection, occupational safety, information and communications safety, product safety, risk management and other projects. After listening to and reading the contents of the report, the members of the Board of Directors have performed their supervisory duties such as expressing their opinions or communicating their suggestions on such implementation.</p>	
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?(Note 2)	✓		<p>The company's risk management policy and risk assessment of environmental, social and corporate governance issues related to company operations:</p> <ol style="list-style-type: none"> 1. The company has formulated "Risk Management Measures" to establish a risk warning system for risks that may endanger the company's operations, production and shipments, raw material supply, employee and asset safety, information security, etc., and to minimize the possible impact of risk occurrence through the 	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons							
	Yes	No	Abstract Explanation								
			<p>implementation of risk control in the internal control system.</p> <p>2. The sustainable development committee of the company selects members according to the functions and professional fields of each department to set up a "risk management team", which is responsible for the identification of various risk factors, so as to identify the relevant risks that may affect the sustainable development of the enterprise, and select the risk management category. Based on this, management policies are formulated and implemented and reported to the board of directors at least once a year.</p> <p>3. Risk management process of the Company: The company manages according to the procedures of risk identification, risk assessment, risk control, risk monitoring and communication management.</p> <p>1. Risk identification: The company faces the following risks:</p> <table><tr><th>Topics</th><th>Risk Assessment Items</th></tr><tr><td>Environment</td><td>Environmental protection and ecological conservation</td></tr><tr><td rowspan="2">Society</td><td>Occupational safety</td></tr><tr><td>Product safety</td></tr></table>	Topics	Risk Assessment Items	Environment	Environmental protection and ecological conservation	Society	Occupational safety	Product safety	
Topics	Risk Assessment Items										
Environment	Environmental protection and ecological conservation										
Society	Occupational safety										
	Product safety										

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons								
	Yes	No	Abstract Explanation									
			<table><tr><td rowspan="3">Corporate governance</td><td>Internal control and compliance with the law</td></tr><tr><td>Strengthening the functions of directors and implementing the responsibilities of directors</td></tr><tr><td>Communication with stakeholders</td></tr><tr><td colspan="2">Information security</td></tr><tr><td colspan="2">Operating risks and financial position(Note)</td></tr></table> <p>(Note) Including an analysis of the various types of risks required to be disclosed by the annual report preparation guidelines and an assessment of the risks of the Company's major operating activities</p> <p>2. Risk assessment: Each business execution unit defines the risks within the company's risk management scope, analyzes and identifies them, assesses their impact on the company, and formulates countermeasures as the basis for risk management.</p> <p>3. Risk control and monitoring:</p> <p>(1). It is the risk of each unit's daily operation activities, and the risk control is executed by each responsible unit.</p> <p>(2). For critical cross-departmental crisis incidents, the Risk Management Team will conduct cross-departmental risk</p>	Corporate governance	Internal control and compliance with the law	Strengthening the functions of directors and implementing the responsibilities of directors	Communication with stakeholders	Information security		Operating risks and financial position(Note)		
Corporate governance	Internal control and compliance with the law											
	Strengthening the functions of directors and implementing the responsibilities of directors											
	Communication with stakeholders											
Information security												
Operating risks and financial position(Note)												

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>assessment, identify feasible strategies for preventing crisis incidents, and formulate treatment procedures and recovery plans based on the crisis incidents.</p> <p>4. Risk communication:</p> <p>(1). In addition to disclosing relevant information in accordance with the regulations of the competent authorities, the Company also discloses risk management-related information in its annual report and on its website.</p> <p>(2). The top executive of the Sustainable Development Committee or his or her designee will report to the Board of Directors on the operation and implementation of risk management on a regular basis each year.</p> <p>4. The scope of the disclosure covers the company's sustainable development performance in its main locations between June 2022 and May 2023. The risk assessment boundary is mainly based on the Company (Taiwan), and overseas subsidiaries are included in the scope when appropriate based on the relevance to the operating business and the degree of impact on major themes.</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			5. Based on the assessed risks, relevant risk management policies or strategies will be formulated. Please refer to pages 70-72 of this annual report for the relevant assessment.	
3. Development of sustainable environment				
3.1 Does the company establish proper environmental management systems based on the characteristics of its industries?	✓		<p>The company has obtained ISO9001/TL9000 certification and complies with WEEE and RoHS environmental protection requirements. The products sold meet energy efficiency, safety regulations, and electromagnetic compatibility standards.</p> <p>The company continues to undergo third-party verification and conducts annual greenhouse gas inventories in accordance with ISO14064-1 standards to track emissions reductions and publicly disclose the results on our company website.</p>	Compliant
3.2 Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The company is committed to advancing the concept of green energy in product research and development, production, and sales, and improving the utilization efficiency of various resources to achieve optimal use of raw materials and minimize environmental impact. For example, production materials comply with WEEE and RoHS environmental protection requirements, product designs meet the latest energy efficiency standards and various international regulations, recycled materials are	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			introduced into packaging, and paper is effectively reused in the office.	
3.3 Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓	✓	The company is aware of the impact of climate change on the global environment and operating activities. We have formulated energy-saving and carbon-reduction policies and thoroughly implement them in daily operations, such as: office air-conditioning temperature control, and timing automatic shutdown to reduce power consumption, etc. The product design uses renewable and environmentally friendly materials and new generation design to improve energy efficiency and reduce production waste.	Compliant
3.4 Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			<p>1. Greenhouse gas management</p> <p>Management Strategy</p> <p>The Company is aware of the impact of climate change on the Earth's environment and business activities, and has developed energy conservation and carbon reduction policies which are thoroughly implemented in our daily operations, such as temperature control of office air conditioning and automatic shutdown at regular intervals to reduce electricity consumption.</p> <p>Reduction Target</p> <p>The Company's greenhouse gas emission reduction target is a 2% reduction from the base year</p>	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>for Phase I (2022-2025) and a 10% reduction from the base year for Phase II (2025-2030) with a rolling review.</p> <p>Budget and Planning The company is continuously committed to sustainable corporate development in harmony with the environment. In terms of energy conservation management, our management policy aims to "reduce energy use" and "improve energy efficiency", and we are implementing energy conservation improvements in three major directions: "lighting", "air conditioning", and "energy management".</p> <p>Carbon reduction effect for customers When shipping products, the company continues to ship products in the original packaging materials (that is, completely reuse of the original packaging), and does not increase the use of additional packaging materials, including cartons, shock-proof materials and parts boxes.</p> <p>The Company has completed the inventory and third party verification for Scope 1 and 2 in 2022 and with the Group in 2021.</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons																		
	Yes	No	Abstract Explanation																			
			<p>The Company's greenhouse gas emissions for the last 2 years: (Scope 1, 2 for Taiwan factory information) T /CO2e</p> <table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th></tr><tr><td>2021</td><td>37.65</td><td>91.01</td><td>No statistics available</td></tr><tr><td>2022</td><td>38.24</td><td>93.89</td><td>No statistics available</td></tr></table> <p>The total greenhouse gas emissions for Scope 1 and Scope 2 in 2022 were 132.13 tons, an increase of 2.70% from the base year, mainly due to an increase in the monthly average number of people by 5 in 2022.</p> <p>2. Water Resources Management</p> <p>The company has been paying attention to the issue of energy conservation and environmental protection of water resources for years. In terms of water conservation plan, we start from the full implementation of daily life water conservation.</p> <p>Water consumption of the Company in recent 2 years (tons):</p> <table><tr><th>Year</th><th>Total water consumption (tons)</th></tr><tr><td>2021</td><td>1,170</td></tr><tr><td>2022</td><td>1,180</td></tr></table>	Year	Scope 1	Scope 2	Scope 3	2021	37.65	91.01	No statistics available	2022	38.24	93.89	No statistics available	Year	Total water consumption (tons)	2021	1,170	2022	1,180	
Year	Scope 1	Scope 2	Scope 3																			
2021	37.65	91.01	No statistics available																			
2022	38.24	93.89	No statistics available																			
Year	Total water consumption (tons)																					
2021	1,170																					
2022	1,180																					

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons						
	Yes	No	Abstract Explanation							
			<p>Management policy and reduction target</p> <p>The company mainly uses water for infrastructure, such as domestic water for employees. The water sources are all from the Taipei Water Supply Service, and no water is taken from rivers, lakes or groundwater sources, so there is no significant impact on the water sources and possible impact on community water use. In order to continuously promote water conservation, we strengthen the management and replacement of water-saving facilities in the factory, and inspect and repair water piping and fire protection piping, as well as advocate employees to achieve the goal of improving water conservation efficiency through water use behavior change.</p> <p>3. Waste Management</p> <p>The company only generates general household waste and business waste, etc.</p> <p>Waste volume of the company in the last 2 years (tons):</p> <table><tr><th>Year</th><th>Total waste volume (tons)</th></tr><tr><td>2021</td><td>10.56</td></tr><tr><td>2022</td><td>8.98</td></tr></table>	Year	Total waste volume (tons)	2021	10.56	2022	8.98	
Year	Total waste volume (tons)									
2021	10.56									
2022	8.98									

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Waste management policy and reduction target</p> <p>For waste reduction, the company focuses on source management, and separates the sources into two categories: "employee household waste" and "process waste"; In this regard, the management of employees' domestic waste is to effectively promote the reduction and classification of waste through employee education and training, as well as through employee behavioral norms to improve resource utilization and resource value; The company currently has no process waste. The centralized treatment of business waste is aimed at classification and safety, and is removed by legal waste disposal operators, while also cooperating with resource recycling operators to improve the value of resource utilization and reduce waste.</p> <p>4. Energy Management</p> <p>Improving energy efficiency</p> <p>The company is continuously committed to sustainable corporate development in harmony with the environment. In terms of energy conservation management, our management policy aims to "reduce energy use" and "improve energy efficiency", and we are implementing energy</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>conservation improvements in three major directions: "lighting", "air conditioning" and "energy management".</p> <p>Policy on the use of recycled materials As a multinational company of Netcom products, we are committed to environmental protection with the care for the society, and we continue to move towards the green concept in the design, production, packaging, sales and service of our products, and follow the policies of compliance with regulations and customer satisfaction; energy saving and green design; pollution prevention and resource recycling.</p> <p>Our products are designed using environmentally safe and recycled materials, and we have introduced new generation designs to improve energy efficiency and reduce production waste.</p>	
4. Social issues				
4.1 Does the company formulate appropriate management policies and procedures according to relevant regulations and the international Bill of Human Rights?	✓		The company abides by relevant labor laws and regulations and respects internationally recognized basic labor rights, protects the legitimate rights and interests of employees and adopts non-discriminatory employment policy.	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4.2 Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		<p>1. The company regularly organizes various employee education and training and performance appraisals, which are combined with salary adjustments, promotions, rewards and punishments, in addition to maintaining work discipline and creating incentives for employees to work, thereby forming a virtuous circle and improving operational performance.</p> <p>2. The company has an employee suggestion box, a specific division for stakeholders on the website, and an employee mailbox as a channel for appeals to safeguard the basic rights and interests of employees.</p> <p>3. The company regularly holds labor-management meetings to achieve the purpose of good communication between labor and management, and also holds meetings on labor safety and health to take care of employees' physical and mental health and safety maintenance, and takes "employee care" as the highest principle.</p> <p>4. Please refer to pages 92-94 and 113-115 for the company's employee welfare programs and employee remuneration.</p>	Compliant
4.3 Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		Please refer to Pages 65-72.	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4.4 Does the company provide its employees with career development and training sessions?	✓		The company regards all colleagues as the company's most important assets. In addition to providing professional knowledge and skills training, it also encourages employees to pursue self-education and lifelong learning to meet the challenges of the market and environment. Please refer to pages 80-82 and 114 for the employee education, training and implementation status in 2022.	Compliant
4.5 Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		1. Customer health and safety, customer privacy, marketing and labeling of products and services of the company are handled in accordance with relevant laws and regulations, and the principle of fair trade. 2. The company's products comply with WEEE and RoHS environmental protection standards, and the stakeholder division of the website provides complaints and communication channels for customers, consumers and suppliers to protect the rights and interests of our customers. 3. The Company has set up an independent customer service department to assist customers in using the Company's products and services. It also receives complaints from customers and safeguards their rights and interests.	Compliant
4.6 Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental	✓		The company has established supplier management procedures and formulated a group supplier code of conduct in accordance with the Responsible Business Alliance (RBA) code of conduct, requiring suppliers to	Compliant

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
protection, occupational health and safety, or labor and human rights? If so, describe the results			<p>comply with all relevant local laws and regulations when operating the company's business. It also requires its suppliers to abide by relevant social responsibilities, so as to work together to enhance corporate social responsibility and create a win-win partnership. When selecting new suppliers, the company follows the supplier management operating procedures and requires the following documents to be signed in addition to the general procurement contract and confidentiality contract:</p> <ol style="list-style-type: none"> 1. Hazardous substance restriction guarantee (included in the procurement contract) 2. Social Responsibility Statement and Commitment: Commitment regarding labor rights, health and safety, environmental standards, ethics, management system and social impact. 3. Supplier code of conduct commitment: Business ethics and integrity requirements. 	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		✓	None	None

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
6. Describe the difference, if any, between actual practice and the Sustainable Development Best Practice Principles, if the company has formulated such principles itself based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies: The company has formulated a corporate social responsibility policy, which is posted on the company's website as a criterion for the company and all employees to fulfill social responsibility. It also regards corporate social responsibility as the core value of corporate culture. In 2022, a sustainable development committee was established to strengthen the promotion of and implementation of various sustainable development goals.				
7. Other useful information for explaining the status of corporate social responsibility practices: 1. Workplace environment and security The company's occupational safety and health policy follows the Occupational Safety and Health Act. The company holds occupational safety training and practical drills from time to time each year to increase employees' awareness of occupational safety and strengthen their occupational safety consciousness in order to build a healthy and happy workplace. In order to promote the physical and mental health of our employees and to prevent occupational disasters or accidents, the Company has established an "Occupational Safety and Health Room" for the purpose of creating a safe and comfortable working environment, the maintenance of which includes but is not limited to the following items: (1) Fire and facility safety A. With disaster prevention and prevention as our core concept, we conduct annual fire inspections and check and replace safety facilities including fire alarms and fire extinguishers to strengthen the occupational safety environment in the workplace. B. The company holds fire safety seminars every year and receives retraining at least once every two years in accordance with the regulations for the establishment and management of professional fire prevention management agencies of the Ministry of the Interior's Fire Department. (2) Equipment safety management There are no dangerous machines and equipments in our factory. (3) Access control security A. Our premises are provided with 24-hour security and public accident liability insurance to maintain and protect the safety of labor and business equipment.				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>B. In order to maintain the safety of all employees, strictly protect the security of the company's intellectual property data and the peace of the workplace, the company has set up access control management measures. In addition to 24-hour security, the office is equipped with access control card machine. Employees must swipe their identification cards to open access control and outsiders must apply and register through operating procedures before entering, so as to control the personnel in and out of the company.</p> <p>(4) Environmental safety</p> <p>A. In order to protect and provide a healthy and comfortable working environment for employees, the company performs CO2 work environment monitoring twice a year, which is in line with the implementation method of labor work environment monitoring by the Ministry of Labor.</p> <p>B. The company disinfects the office area and the periphery of the site on a monthly basis.</p> <p>(5) Drinking water safety</p> <p>The company tests the water quality of water dispensers every 3 months in accordance with the use and maintenance management measures of continuous drinking water supply fixtures.</p> <p>(6) Occupational safety and security education advocacy</p> <p>The company implements occupational safety and health education advocacy annually.</p> <p>(7) Statistics of incapacitated injuries: In 2021, the frequency of incapacitated injuries was 0 and no incapacitated injuries occurred; in 2022, there were 3 occupational disasters involving 3 people and 108 days of lost working hours, failing to reach the target of 0 cases.</p> <p>2. Physical and mental health and rights protection</p> <p>(1) Welfare guarantee</p> <p>A. The Employee Welfare Committee provides various subsidies and welfare measures for education, injury, illness, disaster relief, travel, etc.</p> <p>B. The company encourages employees to participate in the company's various club activities to relax and rejuvenate their minds and bodies during their spare time.</p> <p>C. The company reviews the employee health examination program annually to strengthen the protection of employees' physical and mental health.</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>D. Contribution to employees' labor insurance, health insurance and pension.</p> <p>E. Group insurance for employees.</p> <p>F. The company provides nursing/milk collection rooms and related equipment to create a friendly environment for women to use.</p> <p>(2) Work security</p> <p>A. In accordance with the Labor Standards Law and the Gender Equality in Employment Act, the company has set the provisions of physiological leave, maternity leave, paternity leave, and maternity protection, as well as parental leave such as nursing leave, breastfeeding leave, and family care leave, and has set up a comprehensive nursing room for female employees to use during the nursing period.</p> <p>B. In accordance with the "Gender Equality in Employment Act" and the "Guidelines for the Formulation of Complaints and Disciplinary Measures against Sexual Harassment in the Workplace " issued by the Ministry of Labor, the Company has formulated the "Sexual Harassment Prevention Measures, Complaints and Disciplinary Measures" to maintain gender equality at work and human dignity and prevent sexual harassment in the workplace.</p> <p>(3) Learning support</p> <p>A. From time to time, the company invites professionals to hold seminars on physical and mental health and health care.</p> <p>B. The company's education and training program provides newcomer education and training, general education, internal seminars, external training, online education courses, etc., covering management, personnel, labor safety, marketing, R&D, finance, auditing, etc., in order to cultivate employees' self-development and strengthen their job skills.</p> <p>(4) Communication guarantee</p> <p>A. There is a dedicated email box for employees in the stakeholder division of our website and a suggestion box for employees within the company, which serves as a direct and quick channel of complaint and communication for employees and safeguards their basic rights and interests.</p> <p>B. The company holds regular labor-management meetings to achieve the purpose of good communication between labor and management, and also holds regular labor safety and health meetings to take into account the physical and mental health support and safety maintenance of employees.</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Our colleagues participated in various charitable activities of "Hsu Chiu Ying Charity Foundation", including donations and volunteer services:</p> <p>(1) In 2022, a total of 11 people from the company participated in the "Year-end Donation Project" and "Dreams Fly Program" of the Hsu Chiu Ying Charity Foundation to help disadvantaged children have better learning opportunities.</p> <p>(2) In 2022, the "Christmas Care Campaign" of "Hsu Chiu Ying Charity Foundation" collected Christmas gifts to care for school children in remote areas, and delivered gifts and blessings to each child, so that they could complete a Christmas full of love and warmth. The beneficiary school of this activity is Yilan Kuo-Ling Elementary School, and there are 2 participants from the company.</p> <p>(3) In 2022, a total of 2 people from the company participated in the "Year-end Donation Project" and "Spread Love with Materials, Warm Heart with Love" of the Hsu Chiu Ying Charity Foundation collected materials and delivered love to 200 disadvantaged families in New Taipei City in order to help them have a happy and peaceful new year.</p> <p>(4) The 2022 "Paint the Miracle, Do Good Together" project of the Hsu Chiu Ying Charitable Foundation aims to help rural schools develop their arts and cultural characteristics and promote arts and cultural education in rural areas. The purpose of this activity is to supplement the drawing tools needed by the children of the remote tribes, so that they can learn and give full play to their talents, and work together to take care of their learning resources. The beneficiaries of this activity are Pingtung Chiayi Elementary School and the children of Dreams Fly Program, and there are 7 participants from the company.</p> <p>(5) In 2021, the "Year-end Donation Project" and the "Dreams Fly Program" of the "Hsu Chiu Ying Charitable Foundation" helped disadvantaged children to have better learning opportunities with a total of 10 participants from the company.</p> <p>4. Our colleagues participated in the Group's "Chingmei Creek Riverbank Beautification" activity. They rolled up their sleeves and bent down to do their part for the community! Chingmei Creek riverbank is a place where the Group's employees often take a walk to relieve stress. In order to implement the business philosophy of feedback to the society, the company makes a small contribution to the community by picking up garbage and maintaining plants. The total number of participants from the company in 2022 is 6.</p> <p>5. The company attaches importance to the issue of sustainable development and actively promotes it internally. At the same time, combined with the Group's education and training resources, in addition to physical courses, the Group has set up an online school for employees to learn online anytime and anywhere, with a wide range of courses covering various ESG issues. Statistics show</p>				

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
that from June 2022 to May 2023, more than 30 courses have been offered, including gender equality, risk management, product security, integrity management, computer information security advocacy, anti-piracy software advocacy, environmental ecology, occupational safety, confidentiality and integrity, prevention of insider trading, and confidential information classification methods. The total number of class attendance is about 400.				

Note 1: If mark "Yes" for the implementation situation, please describe the important policies, strategies, measures and implementation situation adopted; If mark "No" for the implementation, please explain the differences and reasons in the column "Differences from the Code of Practice for Sustainable Development of OTC Listed Companies and Reasons", and explain the plans to adopt relevant policies, strategies and measures in the future.

Note 2: The principle of materiality refers to those who have a significant impact on the company's investors and other stakeholders related to environmental, social and corporate governance issues.

Major issues	Items of Risk Evaluation	Risk management policy/strategy
Environment	Environment protection and Ecological Conservation	<p>✔ The company has obtained ISO9001/TL9000 certification and complies with WEEE and RoHS environment protection requirements.</p> <p>✔ The company continues to move towards the concept of green energy in product research and development, production, and sales, and improves the utilization efficiency of various resources to achieve optimal use of raw materials and minimize environmental impact. For example, production materials comply with WEEE and RoHS environmental protection requirements, and paper is effectively reused in the office.</p> <p>✔ The company is aware of the impact of climate change on the global environment and operating activities and has formulated energy-saving and carbon-reduction policies. The management policies can be divided into: greenhouse gas management, water management, waste management, energy management, etc. We strengthen the advocacy and thoroughly implement them in daily operations., such as: office air-conditioning temperature control, and timing automatic shutdown to reduce power consumption etc.</p> <p>✔ The Company's greenhouse gas emission reduction target is a 2% reduction from the base year for Phase I (2022-2025) and a 10% reduction from the base year for Phase II (2025-2030) with a rolling review. The combined greenhouse gas emissions of Scope 1 and Scope 2 in 2022 and 2021 are approximately 132.13 metric tons and 128.66 metric tons, the total weight of waste in 2022 and 2021 is 8.98 metric tons and 10.56 metric tons, and the water consumption in 2022 and 2021 is approximately 1,180 metric tons and 1,170 metric tons.</p>
Society	Occupational Safety	<p>✔ The company's occupational safety and health policy follows the Occupational Safety and Health Act. The company holds occupational safety training and practical drills from time to time each year to increase employees' awareness of occupational safety and strengthen their occupational safety consciousness in order to build a healthy and happy workplace. In order to promote the physical and mental health of our employees and to prevent occupational disasters or accidents, the Company has established an "Occupational Safety and Health Room" for the purpose of creating a safe and comfortable working environment, the maintenance of which includes but is not limited to the following items:</p> <p>(1) Fire and facility safety</p> <p>A. With disaster prevention and prevention as our core concept, we conduct annual fire inspections and check and replace safety facilities including fire alarms and fire extinguishers to strengthen the occupational safety environment in the workplace.</p> <p>B. The company holds fire safety seminars every year and receives retraining at least once every two years in accordance with the regulations for the establishment and management of professional fire prevention management agencies of the Ministry of the Interior's Fire Department.</p> <p>(2) Equipment safety management</p> <p>A. There are no dangerous machines and equipments in our factory.</p> <p>(3) Access control security</p> <p>A. Our premises are provided with 24-hour security and public accident liability insurance to maintain and protect the safety of labor and business equipment.</p> <p>B. In order to maintain the safety of all employees, strictly protect the security of the company's intellectual property data and the peace of the workplace, the company has set up access control management measures. In addition to 24-hour security, the office is equipped with access control card machine. Employees must swipe their identification cards to open access control and outsiders must apply and register through operating procedures before entering, so as to control the personnel in and out of the company.</p> <p>(4) Environmental safety</p> <p>A. In order to protect and provide a healthy and comfortable working environment for employees, the company performs CO2 work environment monitoring twice a year, which is in line with the implementation method of labor work environment monitoring by the Ministry of Labor.</p> <p>B. The company disinfects the office area and the periphery of the site on a monthly basis.</p> <p>(5) Drinking water safety</p> <p>A. The company tests the water quality of water dispensers every 3 months in accordance with the use and maintenance management measures of continuous drinking water supply fixtures.</p> <p>(6) Occupational safety and security education advocacy</p> <p>A. The company implements occupational safety and health education advocacy annually.</p> <p>(7) Statistics of incapacitated injuries: In 2021, the frequency of incapacitated injuries was 0 and no incapacitated injuries occurred; in 2022, there were 3 occupational disasters involving 3 people and 108 days of lost working hours, failing to reach the target of 0 cases.</p>

Major issues	Items of Risk Evaluation	Risk management policy/strategy
	Product Safety	<p>✔ The company has obtained ISO9001/TL9000 certification and complies with WEEE and RoHS environment protection requirements.</p> <p>✔ The products of the company meet WEEE and RoHS environmental protection requirements, energy efficiency, safety regulations, and electromagnetic compatibility standards.</p> <p>✔ The product design uses renewable and environmentally friendly materials, and new generation design to improve energy efficiency and reduce production waste.</p> <p>✔ The company continues to move towards the concept of green energy, waste reduction and energy saving in product research and development, production, and sales, and improves the utilization efficiency of various resources to achieve optimal use of raw materials and minimize environmental impact. For example, production materials comply with WEEE and RoHS environmental protection requirements, product designs meet the latest energy efficiency standards and various international regulations, recycled materials are introduced into packaging, and paper is effectively reused in the office.</p> <p>✔ Customer health and safety, customer privacy, marketing and labeling of products and services of the company are handled in accordance with relevant laws and regulations, and the principle of fair trade.</p> <p>✔ The Company has set up an independent customer service department to assist customers in using the Company's products and services. It also receives complaints from customers and safeguards their rights and interests. The stakeholder division of the website provides a channel for customers, consumers and suppliers to complain and communicate with each other in order to protect the rights of customers.</p> <p>✔ The company has established supplier management procedures and formulated a group supplier code of conduct in accordance with the Responsible Business Alliance (RBA) code of conduct, requiring suppliers to comply with all relevant local laws and regulations when operating the company's business. It also requires its suppliers to abide by relevant social responsibilities, so as to work together to enhance corporate social responsibility and create a win-win partnership.</p>
Corporate Governance	Internal Control system and compliance with regulations	<p>✔ Through the establishment of a governance organization and the implementation of an internal control system, it is ensured that all personnel and operations of the company truly comply with relevant laws and regulations.</p> <p>✔ The company complies with the laws and regulations, and immediately releases important information related to shareholders' rights and interests, and provides relevant information or links on the company's website to enhance investors' understanding of the company.</p>
	Strengthening Directors' Functions and Implementing Directors' Responsibilities	<p>✔ In order to enable the directors to understand their legal responsibilities, the company plans relevant training topics for the directors, and provide them with the latest information on a quarterly basis.</p> <p>✔ Directors' liability insurance is provided to protect directors from lawsuits or claims when they have performed their duties as good managers.</p>

Major issues	Items of Risk Evaluation	Risk management policy/strategy																																																						
	Communication with stakeholders	<p>♥The company attaches great importance to the corporate social responsibility towards employees, customers, investors, suppliers, and the overall environment. Therefore, the board of directors attaches great importance to promoting integrity management and supervising the implementation. The company has good communication channels and dedicated personnel who are responsible for listening to stakeholders' requirements, and explain, reply and track and manage the feedback information collected by different communication channels.</p> <table><tr><th colspan="4">Stakeholder communication:</th></tr><tr><th>Object</th><th>Communication channel</th><th>Frequency</th><th>Topics</th></tr><tr><td rowspan="3">Employee</td><td>Labor-capital meetings</td><td>Quarterly</td><td>Labor-capital relationship</td></tr><tr><td>Conference of Labor Safety and Health</td><td>Quarterly</td><td>Health and work environment enhancement</td></tr><tr><td>Employee suggestion box</td><td>In real-time</td><td>Employees' voices and opinions insight</td></tr><tr><td rowspan="5">Investor</td><td>Shareholders meeting</td><td>Annually</td><td>Business performance</td></tr><tr><td>Public Information Observatory</td><td>Aperiodically</td><td>Information Disclosure</td></tr><tr><td>Company website - Investor</td><td>Aperiodically</td><td>Information Disclosure</td></tr><tr><td>Annual report / financial statements</td><td>Annually / Quarterly</td><td>Financial status and operating performance</td></tr><tr><td>Spokesperson system</td><td>In real-time</td><td>Respond to Investors' opinions and questions</td></tr><tr><td rowspan="3">Customer</td><td>Business visits</td><td>Aperiodically</td><td>Know and respond to customers' needs and opinions</td></tr><tr><td>Company website - Complaint</td><td>Aperiodically</td><td>Appeal channel</td></tr><tr><td>Company website - Product and Technical Supports</td><td>In real-time</td><td>Product introduction and service</td></tr><tr><td rowspan="2">Supplier</td><td>Calls and on-site visits</td><td>Aperiodically</td><td>To find out company needs</td></tr><tr><td>Purchaser survey</td><td>Annually</td><td>To get close with vendors and relationship maintenance</td></tr></table> <p>♥The company has established a whistle-blowing system, and has disclosed the relevant operating methods and reporting channels in the stakeholder division of the company's website, and special personnel or teams will be responsible for investigation.</p> <p>♥If there is a case reported, the company will conduct follow-up investigation in a rigorous manner, with dedicated personnel or team, in accordance with operating procedures and in a confidential manner, to protect the whistle blower from improper disposal.</p>				Stakeholder communication:				Object	Communication channel	Frequency	Topics	Employee	Labor-capital meetings	Quarterly	Labor-capital relationship	Conference of Labor Safety and Health	Quarterly	Health and work environment enhancement	Employee suggestion box	In real-time	Employees' voices and opinions insight	Investor	Shareholders meeting	Annually	Business performance	Public Information Observatory	Aperiodically	Information Disclosure	Company website - Investor	Aperiodically	Information Disclosure	Annual report / financial statements	Annually / Quarterly	Financial status and operating performance	Spokesperson system	In real-time	Respond to Investors' opinions and questions	Customer	Business visits	Aperiodically	Know and respond to customers' needs and opinions	Company website - Complaint	Aperiodically	Appeal channel	Company website - Product and Technical Supports	In real-time	Product introduction and service	Supplier	Calls and on-site visits	Aperiodically	To find out company needs	Purchaser survey	Annually	To get close with vendors and relationship maintenance
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Information security		<p>♥In order to strengthen information security management, the company's sustainable development committee has organized a cross-departmental professional team to set up an information security group, which is responsible for the planning and implementation of information security system, formulation of regulations, regular reviews and internal control audits, and reports to the board of directors at least once a year.</p> <p>♥The company has formulated an information security management policy, and in response to the COVID-19 epidemic, when working from home, it uses a high-security SSL-VPN connection and connection confirmation mechanism to strengthen information system services and network connections safety management for employees to work remotely, and implements employee information security education and training such as safety awareness promotion and advocacy of prevention of malicious email social engineering.</p>																																																						
Operation riskw and financial position		♥ Please refer to Chapter 7-“6 Risk analysis, assessment and response”.																																																						

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Satus			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
1.1 Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and procitices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		The company has established the "Integrity Management Code", "Integrity Management Procedures and Behavior Guidelines" and "Code of Ethics", adhering to the concept of "Integrity and Faithfulness". In addition to implementing it in corporate governance, it strengthens the risk control system in daily business activities in the hope of sustainable development.	Compliant
1.2 Does the company have mechanisms in plaxe to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The company has established an assessment system for the risk of dishonest behavior in accordance with the "Integrity Management Code" and formulated a plan for preventing dishonest behavior, including the preventive measures in Article 7, paragraph 2, of the "Code for Integrity Management of Listed Companies", and discloses the company's integrity management policy in internal regulations, annual reports, company website or other publicity materials, The company strengthens advocacy and practice through employees signing the employee integrity statement and manufacturers signing no bribery statement.	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1.3 Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		The Sustainable Development Committee organizes members of relevant departments to set up an "Integrity Management Team", which is responsible for promoting the company's corporate governance matters such as integrity management, anti-corruption, anti-bribery and compliance with laws and regulations, and reports the implementation status to the board of directors at least once a year. The company's "Integrity Management Code", "Integrity Management Operating Procedures and Behavior Guidelines", "Code of Ethics" and "Work Rules" all state that in addition to the legal responsibility, the company will punish the relevant personnel according to the actual situation if they violate the law, and the most serious punishment will be the removal from the company.	Compliant
2. Corporate Conduct and Ethics Compliance Practice				
2.1 Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		When the company selects new suppliers, in addition to the general purchase contract and confidentiality agreement, it is also required to sign a letter of commitment that contains the terms of ethics and integrity.	Compliant
2.2 Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical	✓		The "Integrity Management Team" of the Sustainable Development Committee is responsible for promoting and implementing, regularly reviewing and revising management policies and procedures related to	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?			<p>integrity management, and reporting to the board of directors at least once a year on its integrity management policies, plans for preventing dishonest behavior and supervision of the implementation. The latest performance report to the Board of Directors is dated 2023.5.10.</p> <p>The Company implements the integrity management policy, and the relevant implementation situation is as follows:</p> <p>(1) Whistleblowing system and protection of whistleblowers: The Company has a code of corporate governance practices, a code of ethical conduct and a whistleblowing system, and in May 2022, the Company added a code of integrity and operating procedures and guidelines for conduct. The company accepts complaints of dishonest conduct from employees in accordance with the regulations, and provides an effective means of communication for employees, shareholders, interested persons and outsiders in the Stakeholders division of the company's website. Complaints involving directors or senior executives will be reported to the independent directors. The company has also established a whistleblower protection system,</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>which keeps the identity and content of the whistleblower confidential and promises to protect the whistleblower from being improperly disposed of due to the whistleblowing. Statistics show that there are no internal or external prosecution letters in 2022.</p> <p>(2) Legal compliance and education training: In order to promote advocacy and education among all colleagues, the administrative unit organized an online course in April 2022 with the theme of "Integrity Towards Excellence", covering three main courses: "Integrity Value", "Integrity attitude" and "Integrity behavior". In addition, the company, together with the group, hires professional lecturers or sets up physical courses, or sets up courses in the new Chinpao Online College. Through the human resources department, we advocate or standardize the course information necessary for personnel promotion through E-mail, so that employees have access to professional knowledge lectures, interactive reflection, practical cases and other diversified teaching methods, to achieve the company to build integrity values and executive awareness; Statistics show that during the period of this report, more than 30 courses have been offered,</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			including gender equality, risk management, product security, integrity management, computer information security advocacy, anti-piracy software advocacy, environmental ecology, occupational safety, confidentiality and integrity, prevention of insider trading, and confidential information classification methods. The total number of class attendance is about 400.	
2.3 Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		In the company's "Code of Ethics", there is a clause on interest avoidance, and the channels for statements and explanations are specified to avoid the occurrence of profit-seeking situations.	Compliant
2.4 Does the company establish an effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		The company strictly abides by the effective accounting system and internal control system established for the implementation of ethical corporate management, and according to its design, regularly reviews the operation and effectiveness of various items, and the auditors also conduct regular inspections and report to the board of directors and Audit Committee.	Compliant
2.5 Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		The company's directors and supervisors continue to participate in internal or external relevant education courses every year; the company also arranges for the promotion and education of the relevant code of integrity management during the education and	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			training of newcomers, and puts it on the company's internal website for each employee. And we have also jointly established an online academy with our group to provide online training videos for every employee to log in and learn.	
3. Operation of the integrity system				
3.1 Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The company has established a whistle-blowing system, and has disclosed the relevant operating methods and reporting channels in the stakeholder division of the company's website, and the impeaches will be received and investigated by special personnel.	Compliant
3.2 Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		If there is a case reported, the company will conduct follow-up investigations in a rigorous manner, with dedicated personnel or teams, in accordance with operating procedures and in a confidential manner, to protect the whistle blower from improper disposal.	Compliant
3.3 Does the company provide proper whistleblower protection?	✓			
4. Strengthening information Disclosure				
4.1 Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The company discloses the content and promotion effect of "Integrity Management Code", "Integrity Management Operation Procedures and Behavior Guidelines" and "Code of Ethics" on the company's website, and the 2022.04 online course education and training takes "Integrity Towards Excellence" as the	Compliant

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>the theme, covering three major syllabuses of "Integrity Value", "Integrity Attitude" and "Integrity Behavior". External professional lecturers use professional knowledge teaching, interactive reflection, practical cases and other teaching methods to achieve the establishment of integrity values and execution.</p> <p>Statistics show that from June 2022 to May 2023, more than 30 courses have been offered, including gender equality, risk management, product security, integrity management, computer information security advocacy, anti-piracy software advocacy, environmental ecology, occupational safety, confidentiality and integrity, prevention of insider trading, and confidential information classification methods. The total number of class attendance is about 400.</p>	
5. If the Company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: Compliant				
6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (e.g., review and revision of the Company’s corporate conduct and ethics policy). In line with the concept of integrity, transparency and responsibility, the company has formulated management policies based on integrity, which are not only used as the basic spirit of operation, but also implemented in internal management and external business activities to achieve the goal of sustainable operation.				

3.4.7 The company should disclose how to search for its Corporate Governance and regulations (if any):

Please search on the Company's website: <http://www/castlenet.com/tw/tw/page/26>

3.4.8 Other Important Information Regarding Corporate Governance:

3.4.8.1 The Company's directors' pursuit of further education

Job title	Name	Organizer	Course title	Training Hours
Director	Chang, Ying	Securities and Futures Institute	Trends in Carbon Management Towards Net-Zero Emissions and Adaptation Strategies.	3
			Key Points for Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to	3
Director	Hsu, Chieh-Li	Taiwan Corporate Governance Association	Opportunities for AI Development and Digital Marketing Trends from the Perspective of Software and Hardware Integration - Web3+ESG	3
			Research and Outlook on Important Economic and Trade Issues in 2022	3
			Regulation and Development Trends of Third-party Payment	3
		Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net-Zero Summit	3
Director	Hsu, Wei-Yang	Securities and Futures Institute	Trends in Carbon Management Towards Net-Zero Emissions and Adaptation Strategies.	3
Director	Huang, Yu-Hui	Securities and Futures Institute	Trends in Carbon Management Towards Net-Zero Emissions and Adaptation Strategies.	3
Director	Chiang, Tai-Chang	Securities and Futures Institute	Trends in Carbon Management Towards Net-Zero Emissions and Adaptation Strategies.	3
			Seminar on Derivative Trading Strategies and Market Outlook for Listed and OTC Companies	3
			Key Points for Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to	3
			Publication of Reference Guidelines for Independent Directors and Audit Committee to Exercise Their Duties and Director and Supervisor Propaganda Meeting	3
		Taiwan Institute for Sustainable Energy	Transform to net zero	3

Job title	Name	Organizer	Course title	Training Hours
		Kinpo Group Management Service Company	Seminar on "The Impact of ESG Megatrends on Capital Markets and Responses"	2
Independent Director	Hsu, Sheng-Haur	Securities and Futures Institute	Trends in Carbon Management Towards Net-Zero Emissions and Adaptation Strategies.	3
			Key Points for Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to	3
		Taipei Exchange	Internal Equity Advocacy Meeting for Listed and OTC Emerging Companies	3
Independent Director	Tsai, Chien-Wen	Securities and Futures Institute	Trends in Carbon Management Towards Net-Zero Emissions and Adaptation Strategies.	3
			Key Points for Corporate Governance Evaluation that Directors and Supervisors Should Pay Attention to	3
		Taipei Exchange	Internal Equity Advocacy Meeting for Listed and OTC Emerging Companies	3
Independent Director	Fu, Chi-Ching	Securities and Futures Institute	Advanced Seminar on Practical Skills for Directors and Supervisors (Including Independent Directors) - Financial Information Most Easily Overlooked by Directors	3
		Taiwan Institute for Sustainable Energy	Seminar on "The Impact of ESG Megatrends on Capital Markets and Responses"	3

3.4.8.2 The Company's managers' pursuit of further education

Job title	Name	Organizer	Course title	Training hours
Chief of Finance & Accounting	Wu, Li-Mei	Accounting Research and Development Foundation	Continuing training course for accounting supervisors of issuers, securities firms and stock exchanges	12

3.4.8.3 The Company's Auditors' pursuit of further education

Job title	Name	Organizer	Course title	Training hours
Audit Officer	Chen, Tien-Pao	The Institute of Internal Auditors-Chinese	Focus and Integration of Operational System Audit across Cycles and Operations	6
		Accounting Research and Development Foundation	Analysis and Practical Case Study of Common Internal Control Management Deficiencies in Enterprises	6

Job title	Name	Organizer	Course title	Training hours
Audit sattf	Chen, Si-Hui	The Institute of Internal Auditors-Chinese	Pre-service Training Course for Newly Appointed Internal Auditors in Enterprises	18

3.4.8.4 The Company's Financial report preparer's pursuit of further education

Job title	Name	Organizer	Course title	Training hours
Accounting Deputy Section Manager	Wen,Chiu-Feng	Securities and Futures Institute	How to Conduct Profit Analysis and Improve Operational Performance	6
		The Institute of Internal Auditors-Chinese	Reading, Analysis, and Application of Financial Statements	6

3.4.9 Internal Control System

3.4.9.1 Statement of Internal Control

<p style="text-align: center;">CastleNet Technology Inc. Statement of Internal Control System</p> <p style="text-align: right;">Date: March, 9, 2023</p> <p>Based on the results of self-assessment, CastleNet Technology Inc. (hereinafter referred to as “CastleNet”) states the following regarding its internal control system during the year 2022:</p> <ol style="list-style-type: none"> 1. CastleNet acknowledges that the board of directors and managers are responsible for establishing, implementing, and maintaining the internal control system, and such system has been established. Our internal control system is designed to provide reasonable assurance of accomplishing the following objectives such as the effectiveness and efficiency of our operations (including profitability, performance, and asset safeguard), reliability, timeliness, transparency, and legal compliance of our reporting, and compliance with applicable rulings, laws, and regulations. 2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the above three objectives. Moreover, the effectiveness of an internal control system may change due to changes in the environment or other circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, allowing CastleNet to take immediate remedial action in response to any identified deficiencies. 3. CastleNet evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter “Regulations”). The criteria adopted by the Regulations divide the internal control system into five key components based on the process of managerial control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component in turn consists of several items. Please refer to the Regulations for the aforementioned items.. 4. CastleNet has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria. 5. Based on the results of previous assessment, CastleNet believes that, as of December 31, 2022, CastleNet has maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), and can reasonably assure accomplishment of the following objectives: the level of achievement of our operational effectiveness and efficiency objectives is understood, our reporting is reliable, timely, transparent, and complies with applicable laws, and we are in compliance with applicable rulings, laws, and regulations. 6. This Statement will be an integral part of CastleNet’s annual report and prospectus, and will be made public. Any falsehood, concealment, and/or other illegality in the content will result in legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law. 7. This Statement was passed by the board of directors in their meeting held on March 9, 2023. Of the 10 directors in attendance (personally or by proxy), none objected to the content of this Statement; the remainder affirmed. It is hereby declared. <p style="text-align: right;">CastleNet Technology Inc. Chairman: Chang, Ying President: Chang, Ying</p>

3.4.9.2 Companies which commissions accountants to audit the internal control system shall reveal the audit report: None.

3.4.10 Any penalties, major deficiencies, and improvements the Company made internally regarding violations against the internal control system or any penalties received by Company or its employees in the laest year or as of the date of publication of the annual report: None.

3.4.11 Important resloutions passed by shareholders meetings and board meetings during the most recent fiscal year up to the date of publication of the annual repot.

3.4.11.1 Major Resolutions of Shareholders' Meeting and Board Meetings:

Date of meeting	Resolution	Implementation
2022.6.27	1. Acknowledgement of 2021 annual business report and financial statement	The announcement and declaration have been completed in accordance with the law after the shareholders' meeting on June 27, 2022.
	2. Approved 2021 Proposal of appropriation of profit and loss	Major information has been released on the Public Information Observatory after the shareholders' meeting on June 27, 2022.
	3. Amendments of the Articles of Incorporation	The internal rules and regulations on the company's website have been updated and the registration of changes to the articles of incorporation was completed after the shareholders' meeting on June 27, 2022.
	4. Amendments of the Procedures for the Acquisition and Disposal of Assets	The internal rules and regulations on the company's website have been updated after the shareholders' meeting on June 27, 2022 and the uploading of the announcement was completed on July 5, 111, as required..
	5. General re-election of directors of the Company	List of Directors Elected: Corporate Directors: Representatives of Kinpo Electronics, Inc.: Chang, Ying, Hsu, Chieh-Li, Hsu, Wei-Yang, Huang, Yu-Hui, Hsu, Wen-Han, Chiang,Tai-Chan. Independent directors: Hsu, Sheng-Haur, Tsai, Chien-Wen, Fu,Chi-Ching. The company change registration has been completed on August 9, 2022 and the information of the board members has been updated on the company website.
	6. Releasing Directors from non-competition restrictions	List of Directors released from non-competition restrictions: Corporate Directors: Representatives of Kinpo Electronics, Inc.: Chang, Ying, Hsu, Chieh-Li, Hsu, Wei-Yang, Huang, Yu-Hui, Hsu, Wen-Han, Chiang,Tai-Chan. Independent directors: Hsu, Sheng-Haur, Tsai, Chien-Wen, Fu,Chi-Ching. After the shareholders' meeting on June 27, 2022, major information has been released on the Public Information

Date of meeting	Resolution	Implementation
		Observatory and the content of the resolution is used as the basis for releasing the directors from non-competition restrictions.

3.4.11.2 Important resolutions passed by the board of directors

Date of meeting	Important resolution matters
2022.3.9	<ol style="list-style-type: none"> 1. The Company Statement of Internal Control System in 2021 2. 2022 annual salary adjustment plan for managers 3. 2022 Dragon Boat Festival and Mid-Autumn Festival bonus payment 4. 2021 annual business report and financial statements 5. 2021 Proposal of appropriation of profit and loss 6. Liquidation of subsidiary CTI(BVI) and CTI(Kunshan) 7. Amendment of Articles of Incorporation 8. Amendment of the procedures for acquisition or disposal of assets 9. General re-election of directors of the Company 10. Approval of the 2022 annual general shareholders' meeting 11. Application for bank line of credit
2022.5.11	<ol style="list-style-type: none"> 1. 2022 Q1 Consolidated Financial Statements of the company 2. Nomination of Director Candidates 3. Releasing directors from non-competition restrictions. 4. Regulation for Integrity Management Code and Operating Procedures and Behavior Guidelines 5. Amendment of Articles of Incorporation 6. Application for bank line of credit
2022.6.27	<ol style="list-style-type: none"> 1. Proposal for the election of Chairman to the 9th Board of Directors. 2. Proposal for the appointment of members to the 5th Remuneration Committee of the company.
2022.8.5	<ol style="list-style-type: none"> 1. 2022 Q2 Consolidated Financial Statements of the company 2. Approved to formulate Sustainable Development Committee Charter 3. Approved to formulate Risk Management Measures 4. Greenhouse gas inventory and verification schedule plan approved. 5. Application for bank line of credit
2022.11.10	<ol style="list-style-type: none"> 1. Audit plan of 2023 2. Business plan of 2023 3. 2022 Q3 Consolidated Financial Statements of the company 4. Approved to amend the Procedures for Handling Material Inside Information. 5. 2022 year-end bonus payment for managers 6. Review of the compensation items for the 9th Board of Directors. 7. 2023 Evaluation of the certified accountant independence, suitability, AQI information and Remuneration of the company. 8. Application for bank line of credit
2023.3.9	<ol style="list-style-type: none"> 1. The Company Statement of Internal Control System in 2022 2. 2023 annual salary adjustment plan for managers 3. 2023 Dragon Boat Festival and Mid-Autumn Festival bonus payment 4. 2022 annual business report and financial statements

Date of meeting	Important resolution matters
	5. 2022 Proposal of appropriation of profit and loss 6. Reassignment of directors of CastleNet Technology Inc (Kunshan). 7. Proposal for the election of an additional Independent Director. 8. Nomination of an independent director candidate. 9. Releasing directors from non-competition restrictions 10. Convening the 2023 annual general shareholders' meeting
2023.5.10	1. 2023 evaluation of the independence and suitability of CPA of the Company. 2. 2023 Q11 Consolidated Financial Statements of the company 3. Proposal to amend the Rules of Procedure for Board of Directors. 4. Appointment of Corporate Governance officer of the Company 5. Application for bank line of credit

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the latest year or as of the date of publication of the annual report: None.

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.

3.5 Information Regarding the Company's Audit Fee and Independence

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by the CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
PWC Taiwan	Hsu, Sheng-Chung Wu, Han-Chi	2022.1.1 ~2022.12.31	1,920	480	2,400	Non-audit fees include: tax visa related services of NT\$ 680,000, offshore company maintenance and declaration services of NT\$ 29,000, other review services of NT\$ 80,000.
Deloitte Taiwan	Wang, Jui-Hung	-	0	309	309	

3.5.1 Companies that have replaced their accounting firm and has a lower audit fee than the year before replacement shall disclose the amounts before and after the replacement and reasons: not applicable.

3.5.2 If audit fees are lower than audit fees of the previous year by 10% or greater, the decreased amount, percentage, and reason shall be disclosed: The audit fee for the year 2022 decreased by NTD 370,000 compared to 2021, representing a decrease of 16.16%. The decrease was mainly due to the reduction of audit and review fees for financial information of overseas reinvestment companies.

3.6 Replacement of CPA:

Date of replacement	Upon expiration, the new ones will start from the first quarter of 2023 and from the second quarter of 2023.	
Reason for replacement and explanation	According to the letter No. 23000763 issued by the PwC Taiwan, in accordance with the rotation of accountants as stipulated by the law, the auditing accountants of the financial statements will be changed from HSU, SHENG-CHUNG and WU, HAN-CHI to CHANG, SHU-CHIUNG and WU, HAN-CHI with effect from the first quarter of 2023. In addition, due to the retirement of WU, HAN-CHI, the auditor of the financial statements will be changed from CHANG, SHU-CHIUNG and WU, HAN-CHI to WU, JEN-CHIEH and CHANG, SHU-CHIUNG with effect from the second quarter of 2023 in accordance with the internal adjustment of the accounting firm.	
The statement is that the appointor or accountant terminates or does not accept the appointment		Not applicable.
Opinions on audit reports other than unqualified opinions issued within the last two years and the reasons for them		
Any disagreement with the issuer		
Other disclosures (those that should be disclosed in Article 10, Paragraph 6, Items 1(d) to 1(g) of this Code)		

3.7 Company Directors, General Managers, Managers of Finance or Accounting that were Employed by the CPA's Accounting Firm or Its Affiliated Corporation in the Most Recent Year: None.

3.8 Transfers or Pledge the shares by Directors, Managers or Shareholders with Shareholdings of over 10% in the Recent Year or as of the Date of Publication of the Annual Report:

3.8.1 Change in Shareholding of Directors, Managers, or Major Shareholders: None.

3.8.2 Information of Shares Trading: None.

3.8.3 Information of Shares Pledge: None.

3.9 Information on Relationship Among the Top Ten Shareholders (Spouse, Relatives Within Two Degrees, etc.)

April 1st, 2023 Unit: Shares,%

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Niminee Arrngement		Nome and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kinop Electronics, Inc.	129,958,907	68.90	0	0	0	0	N/A	N/A	
Representative:Hsu, Sheng-Hsiung	0	0	0	0	0	0	N/A	N/A	
Huang, Jung-an	3,937,000	2.08	0	0	0	0	N/A	N/A	
Bank SinoPac custody Investment account of PanShih venture capital Inc.	1,456,000	0.77	0	0	0	0	N/A	N/A	
Kuo, Chun-Chieh	1,407,000	0.74	0	0	0	0	N/A	N/A	
Chen, Sheng-Wei	1,148,552	0.60	0	0	0	0	N/A	N/A	
Huang, Hung-Mao	889,000	0.47	0	0	0	0	N/A	N/A	
Kao, Han-Lung	777,000	0.41	0	0	0	0	N/A	N/A	
Ko, Bo-Hua	760,000	0.40	0	0	0	0	N/A	N/A	
PanShihLienTa venture capital Inc. Representative :Liao,Hsiang-Ju	672,000	0.35	0	0	0	0	N/A	N/A	
Wu, Chien-Tse	671,000	0.35	0	0	0	0	N/A	N/A	

3.10 Information of the Company Directors, Managers, or Businesses Directly or Indirectly Controlled by the Company

May 10th, 2023 Unit: Shares, %

Reinvestments	Investments by the Company		Investments by Directors, Managers, or Directly or Indirectly Controlled Bussinesses		Total Investments	
	Shares	%	Shares	%	Shares	%
CastleNet Technology (BVI) Inc.	8,708	100%	-	0%	8,708	100%
CastleNet Technology Inc (Kunshan). (N 2)	-	0%	-	100%	-	100%

Note 1: The Company uses the equity method for long-term investment.

Note 2: CastleNet Technology (BVI) Inc. hold shares of 100%

IV. Capital Overview

4.1 Capital and shares

4.1.1 Source of capital

May 10th, 2023
Unit:NTD, Shares/k

Year Month	Par Value(N T\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Property other than cash paid by subscribes.	Other(Note 1)
87.6	10	200,000	2,000,000	50,000	500,000	Established	-	-
88.7	12	200,000	2,000,000	75,000	750,000	Capitalization of Cash NTD 250,000k	-	1999.6.30(88)Tai TsaiCheng(1) No. 57638
89.6	10	200,000	2,000,000	79,500	795,000	Capitalization of retained earnings NTD 45,000k	-	2000.6.8(89)Tai TsaiCheng(1) No. 49574
90.6	10	200,000	2,000,000	82,290	822,900	Capitalization of retained earnings NTD 12,000k Capitalization of Capital surplus NTD 15,900k	-	2001.6.26(90)Tai TsaiCheng(1) No. 140535
91.7	10	200,000	2,000,000	83,890	838,900	Capitalization of retained earnings NTD 16,000k	-	2002.7.18 Tai TsaiCheng(1) No. 0910140090
99.3	15	200,000	2,000,000	92,600	926,000	Capitalization of Cash for IPO NTD87,100k	-	2010.03.01 Ching Kong Shang Tzu No. 0990006803
103.11	10	200,000	2,000,000	91,118	911,180	Divestment NTD14,820k	-	2014.11.27 Cheng Kuei Chien Tzu No. 10300326601
107.10	10	200,000	2,000,000	86,118	861,180	Divestment NTD 50,000k	-	2018.10.05 Ching Shou Shang Tzu No. 10701121850
108.12	10	300,000	3,000,000	188,618	1,886,180	Capital Increase NTD1,025,000k	-	2019.11.25 Ching Shou Shang Tzu No. 10801166410

Note 1: Disclose the information for the current fiscal year up to the date of publication of the annual report.

Note 2: For a capital increase, specify the date and reference number of the official letter under which the increase was effectively registered (or approved).

Note 3: If any stock is issued at less than par value, this should be prominently indicated.

Note 4: If capital is paid in by offsetting monetary claims or technology against the price of shares, please specify, and also note the type and monetary amount of the offset.

Note 5: If it is a private placement, the fact that it is a private placement should be prominently indicated.

1. Type of Shares

May 10th, 2023 Unit: Shares

May 10 , 2025

Unit: Shares

Type of Shares	Authorized Capital				Remarks
	Issued Shares		Un issued Shares	Total Shares	
	Listed	Un-Listed			
Common Shares	86,118,000	102,500,000	111,382,000	300,000,000	-

2. Information on Shelf Registration: None.

4.1.2 Status of Shareholders

April 1st, 2023 Unit: Shares

Item Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	0	0	107	11,042	16	11,165
Shareholding(shares)	0	0	130,704,427	56,263,961	1,649,612	188,618,000
Percentage	0%	0%	69.30%	29.83%	0.87%	100%

4.1.3 Distribution profile of share ownership

April 1st, 2023 Unit: Shares

Class of Shareholding(Unit:Share)	Number of shareholders	Shareholding(Shares)	Percentage(%)
1-999	7,867	120,388	0.06
1,000-5,000	2,080	4,753,848	2.52
5,001-10,000	537	4,247,381	2.25
10,001-15,000	177	2,178,305	1.16
15,001-20,000	122	2,277,617	1.21
20,001-30,000	130	3,304,099	1.75
30,001-40,000	37	1,352,068	0.72
40,001-50,000	34	1,620,696	0.86
50,001-100,000	87	6,055,250	3.21
100,001-200,000	46	6,488,597	3.44
200,001-400,000	21	5,966,000	3.16
400,001-600,000	13	6,059,292	3.21
600,001-800,000	8	5,398,000	2.86
800,001-1,000,000	1	889,000	0.47
Over 1,000,001	5	137,907,459	73.12
Total	11,165	188,618,000	100.00

4.1.4 List of major shareholder (Top-10 Shareholders)

April 1st, 2023/Unit:Shares

Major Shareholders	Shares	Number of Shares Held	Shareholding
Kinop Electronics, Inc.		129,958,907	68.90
Huang,Jung-an		3,937,000	2.08
Bank SinoPac custody Investment account of PanShih venture capital Inc.		1,456,000	0.77
Kuo,Chun-Chieh		1,407,000	0.74
Chen,Sheng-Wei		1,148,552	0.60
Huang,Hung-Mao		889,000	0.47
Kao, Han-Lung		777,000	0.41
Ko, Bo-Hua		760,000	0.40
PanShihLienTa venture capital Inc.		672,000	0.35
Wu,Chien-Tse		671,000	0.35

4.1.5 Share price for the past 2 fiscal years, together the company's net worth per share, earnings per share, dividends per share, and related information

Item			Year	2021	2022	Current Year as of May 10 th , 2023(Note8)
Market price per share (Note1)	Highest			13.50	11.45	14.90
	Lowest			8.96	8.99	9.02
	Average			11.36	10.20	11.12
Net value per share (Note2)	Before distribution			9.77	9.90	10.19
	After distribution			9.77	9.90	-
Earnings per share	Weighted average shares(1,000 shares)			188,618	188,618	188,618
	Earnings per share (Note3)	Before retrospective adjustments		(0.80)	0.09	0.28
		After retrospective adjustments		(0.80)	0.09	-
Dividend per share (Note9)	Cash Dividends			-	-	-
	Stock dividends	Stock Dividends Appropriated from Retained Earnings		-	-	-
		Stock Dividends Appropriated from Capital Surplus		-	-	-
	Accumulated unpaid dividends(Note4)			-	-	-
Return Analysis	Price-earnings ratio(Note5)			-14.2	113.3	-
	Price-dividend ratio(Note6)			-	-	-
	Cash Dividend yield(Note7)			-	-	-

* If the market price per share and cash dividends after retrospective adjustments according to the number of issued shares by stock dividends should be listed.

Note 1: The highest and lowest market price for each year is provided as well as with the average price for the year computed based on each year's transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at your's end and the distribution passed at the following year's meeting to fill in.

Note 3: If it necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paidout in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

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

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

Note 7: Dividend yield = Cash dividend per share/average per share closing price for the year.

Note 8: Listed net value per share and earnings per share are according to the report reviewed by CPA columns show information for the current year as of the date of the publication of the annual report.

Note 9: In 2022, the company made a profit but still has accumulated losses. According to the Articles of Incorporation, dividends cannot be distributed until the accumulated losses are fully offset. However, this proposal has not yet been approved by the shareholders' meeting.

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy of Articles of Incorporation

Article 26

If the Company earns profits in current year, it shall appropriate at least two percent of the profits as employees' remuneration and no more than two percent of the profits as directors' remuneration respectively.

However, if the Company still has accumulated losses, the amount used to make up the accumulated losses shall be reserved in advance.

The profits in current years mentioned in the preceding paragraph refer to pre-tax profit acquired before deduction of the amount distributed for employees' remuneration and directors' remuneration.

The determination of distribution ratios of employees' remuneration and directors' remuneration as well as the payment of employees' remuneration in stock or cash may be executed with the attendance of more than two thirds of directors and consent from more than half of attending directors, and reported to the shareholders' meeting.

The objects of payment of employees' remuneration in stock or cash may include employees from the Company's controlling or subordinate companies that comply with certain conditions

Article 26-1

Surplus in the annual final accounts of the Company shall be used to pay taxes and make up for accumulated loss first if any. Then, if there is still a remaining amount, ten percent of the surplus shall be drawn as legal surplus as well as special reserve presented or reversed according to laws and regulations or the provisions of the competent authority. If there is still a surplus, the Board of Directors shall, according to the actual needs, propose the appropriation of the sum of its balance

as well as the adjusted amount of undistributed surplus at the beginning of the same period and in current year. When the surplus is thus distributed to issue new shares, it shall be distributed after a resolution made by the shareholders' meeting is passed.

When the Company distributes all or a part of distributable stock dividends, bonuses, capital reserve or legal surplus in cash, it may be distributed only after more than two thirds of directors attend the meeting and more than half of attending directors pass a resolution, and then it shall be reported to the shareholders' meeting.

As for the distribution of dividends mentioned above, the distributable surplus in the current year shall be distributed in full in consideration of factors including finance, business and operation aspects. The cash dividends shall not be lower than ten percent of total amount of cash and stock dividends granted in the current year.

2. The circumstances of the proposed dividend distribution at the shareholders' meeting: In 2022, the company made a profit but still has accumulated losses. According to the Articles of Incorporation, dividends cannot be distributed until the accumulated losses are fully offset.

4.1.7 Effect upon business performance and earning per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

4.1.8 Compensation of employees and directors:

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The company estimates the amount of employee and directors compensation according to a certain ratio within the range of the percentage set in the company's articles of association;

Where employee compensation is distributed in shares, the calculation is based on the closing price of the common stock on the day before the resolution of the board of directors, and the employee stock compensation for less than one share shall be paid in cash.

If there is a discrepancy between the actual distribution amount and the estimated amount, it shall be treated according to the change in accounting estimate, and shall be adjusted and recorded in the distribution year.

3. Board of directors' resolution on compensation distribution: In 2022, the company made a profit but still has accumulated losses. According to the Articles of

Incorporation, employee remuneration and director's remuneration cannot be distributed until the accumulated losses are fully offset.

4. Actual distribution of employee and director compensation in the previous fiscal year: None.

4.1.9 Buy-back of Treasury Stock: None

4.2 Issuance of corporate bonds: None.

4.3 Preferred shares: None

4.4 Issuance of Global Depositary Receipts: None

4.5 Employee Stock Options

4.5.1 Unexpired employee subscription warrants issued by the company in existence as of the date of publication of the annual report

December 31st, 2022

Type of employee stock warrant	First employee stock option certificate issued in 2019		First employee stock option certificate issued in 2020	
Effective date of Registration and Number of units issued	August 22, 2019 8,508 shares		Decemeber 2ed, 2020 3,000 shares	
Date of Issuance/exercise (N 4)	August 30, 2019	December 25, 2020	November 24, 2020	
Number of units issued	8,508 shares	1,663 shares	1,337 shares	
Available Issued Units	0 share	0 share	0 share	
Ratio of subscribable shares to total issued shares	4.51070%	0.88168%	0.70884%	
Subscription period	7 years(108.8.30-115.8.29)	7 years(109.12.25-116.12.24)	7 years(110.11.24-117.11.23)	
Exercise method	Issue new shares	Issue new shares	Issue new shares	
Period and ratio in which subscription is restricted(%)	After two full years since the issuance of employee stock warrants, 50% of the total employee stock options may be exercised, After three full years since the issuance of employee stock warrants, 75% of the total employee stock options may be exercised, After four full years, employees may fully exercise stock options.(Stock option ratio shall be calculated on a cumulative basis)	After two full years since the issuance of employee stock warrants, 50% of the total employee stock options may be exercised, After three full years since the issuance of employee stock warrants, 75% of the total employee stock options may be exercised, After four full years, employees may fully exercise stock options.(Stock option ratio shall be calculated on a cumulative basis)	After two full years since the issuance of employee stock warrants, 50% of the total employee stock options may be exercised, After three full years since the issuance of employee stock warrants, 75% of the total employee stock options may be exercised, After four full years, employees may fully exercise stock options.(Stock option ratio shall be calculated on a cumulative basis)	
Number of the shares subscribed	0 shares	0 shares	0 shares	
Subscription price per share of the unsubscribed shares	0 dollars	0 dollars	0 dollars	
Number of shares that have not been subscribed	5,819,000 shares	1,544,000 shares	1,252,000 shares	
Subscription price per share of the unsubscribed shares	12.60 dollars	11.45 dollars	10.80 dollars	
Ratio of the number of unsubscribed shares to total issued shares(%)	3.08507%	0.81859%	0.66378%	
Effect on shareholders' equity	After two full years since the Company's issuance of employee stock warrants, the execution plan will be carried out over the course of five years. Estimated ratio of subscribable shares to total issued shares will be 3.08507%. It will dilute original shareholder equity year by year. It should not cause significant impact, and can encourage employees to invest long-term effort into the job and enhance internal coherence, which will create	After two full years since the Company's issuance of employee stock warrants, the execution plan will be carried out over the course of five years. Estimated ratio of subscribable shares to total issued shares will be 0.81859%. It will dilute original shareholder equity year by year. It should not cause significant impact, and can encourage employees to invest long-term effort into the job and enhance internal coherence, which will create	After two full years since the Company's issuance of employee stock warrants, the execution plan will be carried out over the course of five years. Estimated ratio of subscribable shares to total issued shares will be 0.66378%. It will dilute original shareholder equity year by year. It should not cause significant impact, and can encourage employees to invest long-term effort into the job and enhance internal coherence, which will create	

Type of employee stock warrant	First employee stock option certificate issued in 2019		First employee stock option certificate issued in 2020	
	benefits for the Company and shareholders. It will be beneficial to shareholder equity as well.	benefits for the Company and shareholders. It will be beneficial to shareholder equity as well.	benefits for the Company and shareholders. It will be beneficial to shareholder equity as well.	benefits for the Company and shareholders. It will be beneficial to shareholder equity as well.

Note 1: Employee share subscription warrants include publicly offered and privately placed employee share subscription warrants. Publicly offered employee share subscription warrants are those that have been effectively registered with the FSC; privately placed employee share subscription warrants are those that have been approved by a resolution of the shareholders meeting.

Note 2: Adjust the number of columns according to the actual number of issues.

Note 3: Note whether the method is by delivery of issued shares or issuance of new shares.

Note 4: Fill in all the required information separately for warrants of different issue (handling) dates.

Note 5: If it is a private placement, the fact that it is a private placement should be prominently indicated.

4.5.2 List of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives as of the date of publication of the annual report

December 31, 2022/Unit: NTD

December 31, 2022/CMR: NTA

	Title	Name	Number of share subscription warrants acquired (Thousand shares)	Percentage of acquired share subscription warrants of total number of issued shares	Executed				Not yet executed			
					Number of share subscription on warrants (Thousand shares)	Price of stock option (Dollar)	Amount of stock option (Thousand shares)	Percentage of acquired share subscription warrants of total number of issued shares	Number of share subscription on warrants (Thousand shares)	Price of stock option (dollar)	Amount of stock option (Thousand shares)	Percentage of acquired share subscription warrants of total number of issued shares
Management	Vice President	Ting,Pao-Chuan	1,035	0.54873%	0	0	0	0%	1,035	10.80~12.60	12,413	0.54873%
	Vice President	Lo,Hsiao-Wei										
	Head of F&A Vision	Wu,Li-Mei										
	Head of R&D Vision	Chang,Wen-Chuan										
	Head of Audit	Chen,Tien-Pao										
Employee	Director	Huang,Chi-Hsien	3,543	1.87840%	0	0	0	0%	3,543	10.80~12.60	43,124	1.87840%
	Duty Director	Chiang,Hai-Yu										
	Senior Director	Tsai,Su-Yu										
	Manager	Yeh,Jih-Wei										
	Manager	Chen,Chiu-Fan										
	Deputy Manager	Tsai,Chiu-Yuan										
	Assistant manager	Tang,Yung-Ju										
	Headquarters Senior Director	Hsu,Wen-Han										
	Headquarters Senior Director	HSU,HUA-MEI										
	Headquarters Director	CHOU,YEH-TI										
	Headquarters Vice Director	Si, Chih-Yun										

4.6 Status of employee restricted stock: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Content of main businesses

CastleNet Tech. Inc. has been focusing on the field of network communication and is a professional OBM/ODM manufacturer of netcom products. The main contents of the business include the design, research and development, production and sales of the following products:

- Broadband Cable CPE
- Mesh Wi-Fi System

From the perspective of professional field, CastleNet Tech. Inc. not only has DOCSIS professional technology and is in a leading position in the industry, but also further develops Wi-Fi, 5G FWA, and other related network communication technologies. Through the integration of production resources with the parent group, CastleNet Tech. Inc. has the ability to manufacture high-tech products in addition to R&D and design.

2. Operational proportion of each product:

Unit: NT\$Thousands;

Product /Year	2022	
	Amount	Percentage (%)
Consumer Electronics	1,144,572	99.90
Others	1,089	0.10
Total	1,145,661	100.00

3. Current products

- (1) Broadband CPE: Cable Modem, Cable Router, Voice gateway (EMTA Gateway), cable modem module (Cable Modem Module).
- (2) Mesh WiFi CPE: Mesh Wi-Fi Controller, Mesh Wi-Fi Extender, remote device management software system.

4. New products to be developed

- (1) DOCSIS 3.1 tri-band cable gateway that supports Wi-Fi 7 and complies with the EasyMesh standard.
- (2) High-end mesh wireless routers that support Wi-Fi 7 and 5G Ethernet interfaces.
- (3) Tri-band mesh wireless extender that supports Wi-Fi 7.
- (4) Next-generation network communication module compatible with DOCSIS 3.1/4.0.
- (5) 5G fixed wireless access device.

5.1.2 Industry overview

1. Industry status and prospects

- (1) Cable CPE

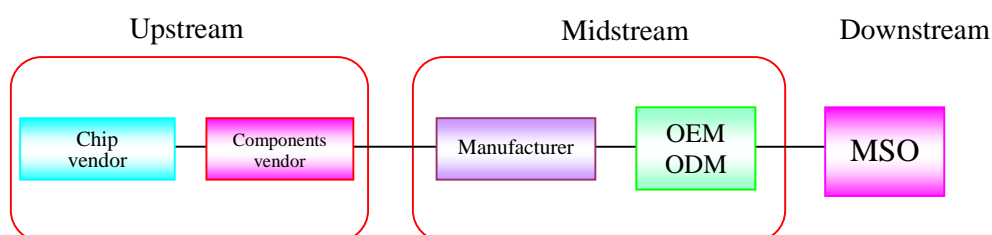
Summing up the performance of the overall shipment volume of Cable Modems in 2022, the shipment and output value of Q1 in 2022 increased compared with the same period in 2021. However, shipments declined in Q2 of 2022, due to the impact of downtime caused by COVID-19. Since Q3 of 2022, the shortage of parts and components has eased, and Taiwan factories have been actively shipping and consuming backlog orders. Taiwan's cable modem shipments were 9.88 million units, with a quarterly growth of 3.6%. The output value was 850 million US dollars, with a quarterly growth of 4.3%. In 2022 Q3, major cable TV operators offered network speed improvement and bundle preferential schemes to win over telecom users. Compared with the adoption of wireless broadband FWA by telecommunication companies in rural areas, cable modems used in rural areas by cable TV operators still have the advantages of speed and stability.. The cable modem shipment demand maintained due to the overlap of the upgrade for old users and the installation for new users. Due to the epidemic and the impact of inflation, the continuously increasing price of main chips from 2021 to 2022 Q2, the increasing shipping costs, and the iteration of DOCSIS 3.1, ASP and output value increased.

(2) WiFi Router

Wi-Fi 6 overtook Wi-Fi 5 in the third quarter of 2021 and officially became the mainstream product in Taiwan's Wi-Fi Router industry. The market share of Wi-Fi 6 continued to increase in 2022. However, the industry expected Wi-Fi 7 to be released at the end of 2022. A few manufacturers had released Wi-Fi7 product lines at the end of 2022. After February, major CES manufacturers have launched Wi-Fi7 products. 6Ghz Wi-Fi 6E is seen as a transitional technology. The mainstream model in 2022 was still 2.4/5G Wi-Fi 6 dual-band model. The three-band Wi-Fi 6E was less popular than expected by the market.

It is expected that in the second quarter of 2023, Wi-Fi 7 will be the main platform for 6Ghz after the specification and certification of Wi-Fi 7 are finalized. In 2023, Wi-Fi 6 dual-band models will still be the main model, gradually replacing Wi-Fi 5 as an entry product and shipping models for operators.

2. Association between upstream, midstream, and downstream industry participants:



The role played by CastleNet in the broadband communication equipment industry is a midstream manufacturer of access end products. The upstream chip supplier provides the chip set, which is designed and produced by the manufacturer into various specifications to meet the needs of each market, and then provided to the equipment supplier for sale in the market. The main business model is OBM/ODM, providing customers with customized design and manufacturing services. The complete process includes proposal, design execution, test verification, acceptance, batch trial production and mass production shipment. With strong R&D and design capabilities and rich

production experience, CastleNet minimizes the time of customers' products to the market and reduces product development costs.

3. Industry development trend

With the continuous improvement of network speed and bandwidth, operators will continue to carry out network construction, maintenance, and upgrades. It is expected to improve network performance, integrate resources and reduce costs by introducing technologies such as fixed-mobile convergence and virtualization.

According to ITU statistics, the global fixed broadband subscribers had reached 1.289 billion by the end of 2021. Cable Modem is second only to PON in access technology. Due to the influence of 4G/5G mobile technology, the growth of fixed network users will tend to be saturated in the future and it will transform to focus on improving fixed network speed and Wi-Fi access bandwidth.

Faced with the worldwide gradual retirement and upgrading of DSLs to PON and FWA, global operators are steadily expanding the scale of broadband subscribers based on the popularity of cable TV. By the third quarter of 2021, global broadband subscribers of Cable Modem were about 230 million, of which North America was still the largest market, with users accounting for about 38% of the world, followed by 35% of Europe; Users in Central and South America have grown rapidly in recent years. By 2028, it is estimated that the size of the entire cable modem market will reach 9.57 billion US dollars, with a CAGR of 8.7%. In 2022, the ratio of DOCSIS 3.1 CPE to the overall cable market has increased significantly to 83%.

In response to the continuous competition of PON, the demand for DOCSIS 3.1 CPE is also rising in Central and South America. The overall market is still dominated by products without wireless networks, but through the Wi-Fi extender that supports the mesh function, the overall deployment can be more complete.

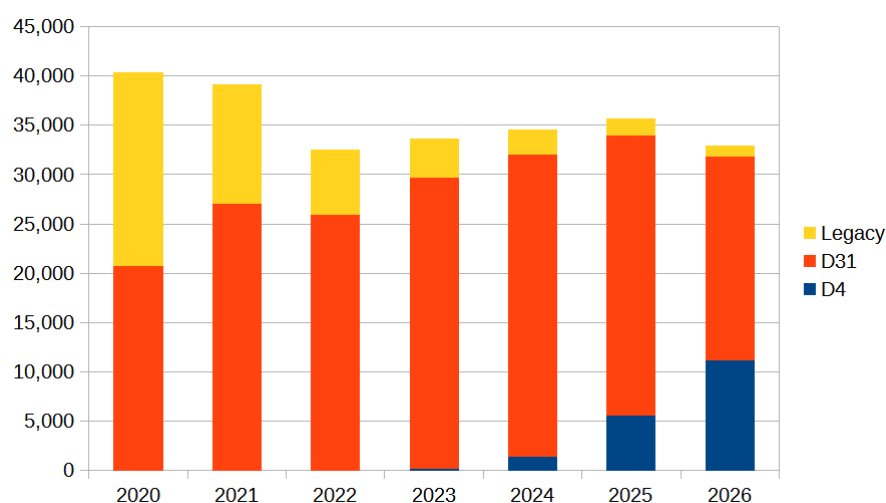
Since 2019, large operators in Europe and America started to adopt DOCSIS 3.1 terminal products. Facing the continuous upgrading of 10G PON equipment by telecom operators, operators have progressively improved Gbps network transmission services since the second half of 2022 and started two sets of DOCSIS 3.1 uplink and downlink signals.

At the same time, Comcast completed DOCSIS 4.0 pilot project at the end of 2022 and immediately announced that DOCSIS 4.0 would be operated in the second half of 2023. Comcast estimated the upgrade cost per household to be \$200 USD, and Charter immediately announced that DOCSIS 4.0 would be launched in stages in 2024, and the estimated cost per household would be \$100 USD.

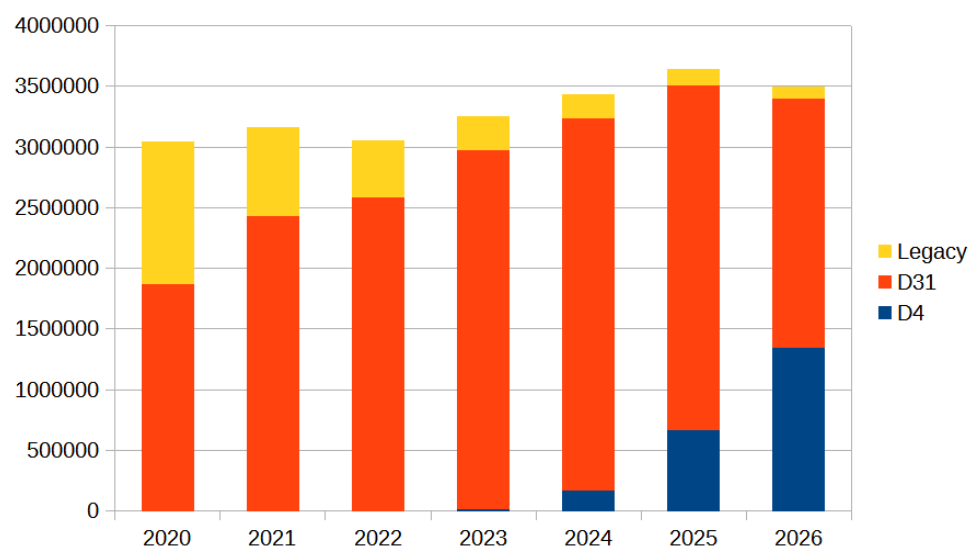
Although operators are actively pushing users to upgrade to new-generation technologies, cost and networking needs are still users' considerations, which will affect the popularity of new-standard terminal products. At this moment, the main driving force of DOCSIS 4.0 is to respond to the competition of 10G PON. The operators are facing 10G PON and FWA squeezing the market at the same time. In the face of 10G PON, operators have the advantage of lower upgrade cost per household, while in the face of FWA, operators have the advantage of speed and stability.

Looking forward to the trend of Taiwan's Cable Modem CPE industry shipment volume in the first half of 2023, Cable Modem will share customers that exit from DSL with PON and FWA after the shortage of parts and components has eased. DOCSIS 3.1 WIFI6 and 2-BOX WIFI6 are still the mainstream of shipment. After WIFI7 is introduced into 10G PON in the second half of 2023, WIFI7 will also be introduced into the Cable modem model. From 2024, DOCSIS 3.1/ 4.0 and WIFI7 will be introduced to customers except for COMCAST. The shipment volume of Cable Modem is expected to decline slowly, while the output value is expected to grow continually.

Worldwide shipment forecasting (internal forecasting)



Output value forecasting (internal forecasting)



Wireless network technology has moved to the WiFi 6E standard. In addition to the WiFi 6E chips launched by international chip manufacturers Qualcomm, Broadcom, and MediaTek, the new WiFi 6E products of the Netcom factories and related industry chains are also ready, which will be the focus of shipments in 2022. In terms of device, the Wi-Fi 6 market is segmented into mesh Wi-Fi routers, wireless access points, home gateways, and mesh Wi-Fi extenders. The wireless access point market is expected to account for the largest share of the overall Wi-Fi 6 market in 2021, mainly due to Wi-Fi 6 technology's ability to extend Wi-Fi range to add more access points in businesses and households and the growing adoption of Wi-Fi 6 to support dual-band Wi-Fi to connect multiple devices. However, the mesh wireless router market is expected to grow at the highest CAGR.

The frequency band used by Wi-Fi 6E extends from the original 2.4GHz and 5GHz of Wi-Fi 6 to the higher frequency of 6GHz. WiFi 6E has several advantages such as a faster transmission speed that up to 9.6Gbps, lower network latency, ability to handle multi-person and multi-tasking needs, lower power consumption, and more power saving. However, the wireless network spectrum is only in the 2.4GHz and 5GHz frequency

bands. It has problems like a shortage of spectrum and mutual interference. In terms of spectrum management policies, countries are also making rapid progress in opening up the 6 GHz band. As of July 2021, at least 42 countries have opened up the 6GHz band, covering a population of more than 1.3 billion people. There are also more than 30 countries that are developing regulations and preparing for opening. The competent authorities of the United States, the United Kingdom, Taiwan, South Korea, Japan, the European Union, Brazil, Chile, and other countries have adopted 6GHz as the unlicensed spectrum (including WiFi).

In the post-epidemic era, the introduction of Industry 4.0 technology tools will become more common, and the degree of digitization of enterprises will increase. 5G and Wi-Fi are expected to play a complementary and synergistic effect in the manufacturing field. Although the Wi-Fi communication distance is short, it can resist interference and enhance physical penetration in the field of smart manufacturing. It can also reduce the cost of 5G distributed antennas and small base stations, while extending the communication range and improving the battery life of the equipment.

Looking ahead to the next generation of Wi-Fi 7, there are already companies such as MediaTek, Qualcomm, Broadcom, etc. laying out their plans in the market. Major companies of CES have also launched Wi-Fi 7 products in 2023. It is estimated that the application schedule of Wi-Fi 7 will start in 2023 Q3, and medium to high level retail models will be the dominant models. The operator is expected to ship 10G PON/DOCSIS 4.0 products with built-in Wi-Fi 7 when they are mature. The shipment volume is expected to increase between 2024 and 2025.

4. Product competition

(1) Cable CPE

As countries are continuing to promote broadband popularization, it is expected that there will be approximately 1.15 billion fixed-line broadband users worldwide in 2024. Among them, fiber users are expected to increase from 57.1% in 2021 to 60.8%, while DSL and Cable users are expected to drop from 19.1% and 20.2% in 2022 to 16.3% and 19.5%, respectively. From a regional perspective, the Asia-Pacific region currently accounts for more than half of the world's fixed broadband households; Cable is in the leading position in North America and Latin America. Western Europe, the Middle East, and Africa still support the use of DSL, and fixed-line broadband users in Asia Pacific, led by mainland China, and Eastern Europe, are dominated by fiber.

Facing the competition with broadband technologies such as optical fiber, Cable Modem, and FWA (Fixed Wireless Access), and the slow integration of the next-generation technology G.fast, the number of global xDSL users continues to decline, and the number of users is expected to decline 6.5% from 200 million households in 2022 to 187 million households in 2024. In terms of regional markets, Europe is the largest market for DSL. However, driven by the acceleration of optical fibers by various operators in recent years, the number of DSL users has shown negative growth.

In Eastern Europe, fixed broadband connection speeds have risen steadily in recent years, with Hungary, Latvia, Lithuania, and Estonia topping the list. Fiber optic networks are ubiquitous in major cities, but many homes in remote areas still rely on traditional DSL and Cable that support relatively low internet speeds.

Cable broadband users in the United States account for 65% of the total. Additionally, DSL and fiber users combined account for about 27%. Growth of ultra-fast fixed broadband is accelerating in Latin America's five largest fixed broadband markets—Argentina, Mexico, Brazil, Chile, and Colombia—with top-tier products growing up to 10 times faster than the overall market in each country. However, these top services still represent a small percentage of total users in these markets. At present, the majority of broadband users in Latin America still use cable, accounting for about 40% of the total broadband users. It is expected that after 2023, the number of optical fiber users will surpass cable users. By

2029, the number of optical fiber and cable users will be 47.4% and 37.6% respectively, and the number of DSL users will be only 10%.

(2) Wi-Fi Router

At the same time that Wi-Fi 6 devices are starting to become mainstream in the market, Wi-Fi 6E devices are also actively being deployed. While device makers have been announcing Wi-Fi 6E routers in early 2022, Wi-Fi 6E network development is still in the early stages as regulators begin to open up the necessary 6 GHz spectrum.

However, the industry expects Wi-Fi 7 to be released at the end of 2022. A few manufacturers have released Wi-Fi7 product lines at the end of 2022. After February, major CES manufacturers have launched Wi-Fi7 products. 6Ghz Wi-Fi 6E is seen as a transitional technology. The mainstream model in 2022 was still 2.4/5G Wi-Fi 6 dual-band model. The three-band Wi-Fi 6E is less popular than expected by the market.

It is expected that in the second quarter of 2023, Wi-Fi 7 will be the main platform for 6Ghz after the specification and certification of Wi-Fi 7 are finalized. In 2023, Wi-Fi 6 dual-band model will still be the main model, gradually replacing Wi-Fi 5 as an entry product and shipping models for operators.

5.1.3 Technology and R&D Overview

1. Technical Level and Research Development of Our Business

The main product of CastleNet is Cable CPE, which combines VoIP and wireless network technologies to provide telecom and cable TV operators with integrated services in fixed-line broadband network systems.

As for the new generation of DOCSIS 3.1 products, the company has achieved mature development technology, with ultra-high-speed bandwidth equipped with wired and wireless interfaces, supporting cloud services and home network device connection, and allowing operator customers to provide highly competitive high-end services of high quality to the end consumers. CastleNet also expands product lines such as WiFi 6 mesh wireless routers and extenders. Therefore, operator customers can flexibly provide solutions with different interfaces according to different home networks, allowing customers to effectively manage and maintain the network equipment on the client side, and improve the user's satisfaction with the network environment. Developed products include: Wi-Fi 6 (dual-band and tri-band) mesh wireless routers, Wi-Fi 6 (dual-band and tri-band) mesh wireless extenders to increase indoor wireless signal coverage, DOCSIS 3.1 Wi-Fi 6 gateway, and DOCSIS 3.1 & 3.0 Cable Modem etc..

2. Research and Development Expenses over the past five years

Unit: NT\$ Thousands;

Item /Year	2018	2019	2020	2021	2022
R&D Expenses	92,144	67,532	70,679	93,665	117,989
Net Revenue	1,608,852	2,652,479	1,295,230	1,692,313	1,145,661
Ratio to net revenue %	5.73%	2.55%	5.46%	5.53%	10.30%
2023 annual R&D expenses NT\$129,512 (est.)(Please refer to page 98 of this annual report for future R&D plans)					

3. Technologies or products successfully developed in the last year

- (1) The DOCSIS 3.1 cable gateway based on the RDK-B platform, supporting 5.7Gbps high-power wireless transmission.
- (2) Wi-Fi 6 mesh router/extender integrating the open source embedded software OpenSync platform.
- (3) DOCSIS 3.0 and 3.1 status monitoring transponder used in CATV/HFC network uninterruptible power supply.

5.1.4 Long-term and Short-term Business Development Plan

1. Short-term Development Plan

- (1) Marketing strategy: continuing to develop existing customers and markets, and meeting customer needs with high-quality products. Providing customers with customized products in a timely manner so that the product design is more in line with the operator's profit-making and service needs.
- (2) Production quality improvement and cost reduction: improving product quality, introducing automation, reducing labor requirements, increasing unit production capacity, controlling production costs, and increasing profit margins.
- (3) Adjusting the proportion of product business, reducing the product business with a long development time, and increasing the shipment ratio of high value-added product lines.

2. Long-term Development Plan

- (1) Based on the continuous development of cable modem and system integration business products, we will master the self-developed technology, and actively invest in niche products with high integration and high added value to deepen product differentiation.
- (2) Developing new product lines, such as 5G fixed wireless access related products, and new market customers, effectively diversifying customer and regional risks, obtaining long-term stable orders, and maintaining annual growth goals.
- (3) Strengthening production and sales capabilities, expanding the operating scale, reducing operating costs to consolidate the market position, and increasing brand awareness and market share.
- (4) Combining the Group's global manufacturing advantages, improving production technology and quality, and replacing manpower with automation to increase production capacity and controlling production costs to increase profit margins.

5.2 Market and Production and Market Overview

5.2.1 Market Analysis

1. Market share

The global market share of CastleNet products is about 2%, and the main markets are Turkey, South Korea, Japan, and Central and South America. In line with the market trend, CastleNet still keeps OBM as its business model. With the high R&D energy and marketing experience, combined with cooperation with the local system integrator partners in various markets, CastleNet actively explore emerging markets to capture more business opportunities and make products more affordable to increase business opportunities and increase the company's value.

More than 80% of the products currently shipped have wireless network functions, which are high-end home routers. Thanks to the integration of R&D, manufacturing, sales, and system integration, CastleNet sells directly to the end customers. Compared with other pure

OEM competitors, the main difference between our company and them is the reaction timeliness and communication efficiency. Looking forward to the future, in terms of product research and development, the company will respond promptly to market needs, communicate closely with customers, provide customers with valuable services with innovative capabilities, and offer higher-quality products. It is expected that there will be greater growth in the future.

In 2023, global cable TV service providers will adopt DOCSIS 3.1 equipment, and the company's DOCSIS 3.1 shipments will account for more than 70% of total shipments. With the upgrade of Wi-Fi 6 and 2.5Gbps Ethernet network, DOCSIS 3.1 products is expected to have an increasing demand in the future.

In recent years, CastleNet has been invited by first-tier operators to participate in the bidding of high-end mainstream products because the design, function, and quality of our products have been accepted by major customers.

2. Future market supply, demand, and growth

In response to the global digital transformation, the demand for high-end multi-function integrated terminal equipment is even more significant. Additionally, the demand for immersive applications (VR, AR) is rising, and the demand for network bandwidth is increasing. Higher bandwidth technology is needed to meet user needs.

With the active promotion of optical fiber services by operators, optical fiber has become the mainstream of fixed network broadband technology, accounting for about 47% of the total broadband users in 2021, relatively reducing the growth space of DSL. Under the situation that operators continue to promote user service upgrades, it is expected that the number of Cable Modem users will grow slowly in the next few years. According to the IHS market report, the annual output value of Cable CPE is about 3.23 billion US dollars, the annual shipment is 44 million units, and the annual growth rate is 2% to 3%. The market growth comes from the introduction of various value-added services by MSO operators and telecom operators in the Cable CPE market, which continue to drive the demand for high-speed Internet access and drive a stable growth of the output value of Cable CPE.

The COVID-19 pandemic has accelerated demand for broadband services, driving Wi-Fi customer premises equipment (CPE) shipments to 214.8 million units in 2022, up 5% from the previous year. Demand for broadband equipment will keep increasing as the industry continues evolving towards superior broadband access to support households and enterprises. With the development of the wireless roaming standard EasyMesh to version 2.0, the integrated mesh wireless extender (Mesh Wi-Fi extender) extends the wireless network communication of the Cable Gateway and has become an indispensable part of the entire home network. The growth of the broadband CPE market will be driven by advanced Wi-Fi equipment, especially Wi-Fi 6 and Wi-Fi 6E. The Wi-Fi CPE market is expected to exceed 263 million units in 2026. Additionally, Wi-Fi 6 devices will grow from 9% of total Wi-Fi CPE shipments in 2022 to nearly 81% of the entire Wi-Fi market in 2026.

3. Competitive advantages

Based on customer needs, the company's marketing strategy is to conduct rapid product design and development, then manage the supply chain to effectively control costs. Therefore, it can gradually grow in the highly competitive communication and broadband telecommunications market and maintain a certain and increasing market share. The competitive advantages can be roughly divided into the following points:

(1) Professional talents to create high productivity

The company continuously recruits talents with rich experience in the field of network communication and strengthens R&D capabilities. Therefore, the company has become

one of the Early Access Partners of international chip manufacturers and participated in the chip development process. Through this process of participation, the company can obtain the latest information on future products ahead of the competitors, invest in product development in advance, and seize the opportunity to launch new products.

(2) Continuous reduction of costs and increasing of profit margins

The company continuously improves production automation technology to reduce labor requirements and production costs, and seeks new alternative components to increase unit profitability.

(3) Strengthening the vertical integration of production, sales, and research

Through the integration of production, sales, and R&D, it can respond to customer needs in real-time, and improve quality and production efficiency, thereby shortening the delay of shipments and significantly increasing customer satisfaction.

4. The favorable and unfavorable factors of development prospect, and countermeasures

(1) Favorable factors:

(a) Certified by various countries

The company's broadband cable modem products have successively passed the CableLabs DOCSIS1.0/1.1/2.0/3.0/3.1 certification, which is helpful for market development and continuous maintenance of the leading edge of technology.

(b) Smooth marketing channels

The company provides various technical support on the product side and provides customers and distributors with the most convenient and complete services. In the future, it plans to set up regional offices to spread its marketing network and support and consultation centers all over the place.

(c) Mastery of key technologies

The company focuses on the development and resource investment of Cable Modem products, has accumulated many years of product design, research and development, integration, and manufacturing experience, and can effectively grasp the market pulse and technology trends. Excellent innovative design capabilities can provide products that meet customer needs promptly and bring higher added value to customers.

(d) A good cooperative relationship with upstream chip manufacturers

The upstream chip manufacturers that are currently cooperating with the company have established close strategic partnerships since a long-term cooperation with the company. The chip prices and technical support services provided by the upstream chip manufacturers to the company are not inferior to those of the first-tier brand manufacturers, which makes the company's products competitive in long-term.

(e) Professional and stable management team

The operation and management team of the company are all senior professionals in the industry with years of accumulated technology and experience. They can effectively capture the pulse of product-related technology and industrial development, so they can respond to market changes at any time and maintain good competitiveness.

(2) Unfavorable factors and countermeasures

(a) Increased end-customer inventory leads to netcom group facing less-than-expected inventory de-stocking

The supply source of key chips was affected by the Sino-US trade conflict, coupled with the global shortage caused by COVID-19. Therefore, in order to solve the situation in 2022, active material preparation led to a high inventory level. In the

economic downturn of 2023, the company is under pressure to operate under inventory.

Countermeasures:

① Maintaining a good long-term relationship with suppliers and closely tracking the situation of customer inventory state. Striving to enhance sales after the demand recovery.

② Providing diverse and various product designs to avoid the singleness of product. A wave of specification upgrades is expected in the second half of 2023.

(b) Inflation, rising costs of raw material and labor costs

Countermeasures:

① For specific high-risk materials, carefully preparation of materials for safety stock.

② Deepening of automation and replacing labor with machines.

③ Expanding the market size and accumulating more bargaining chips.

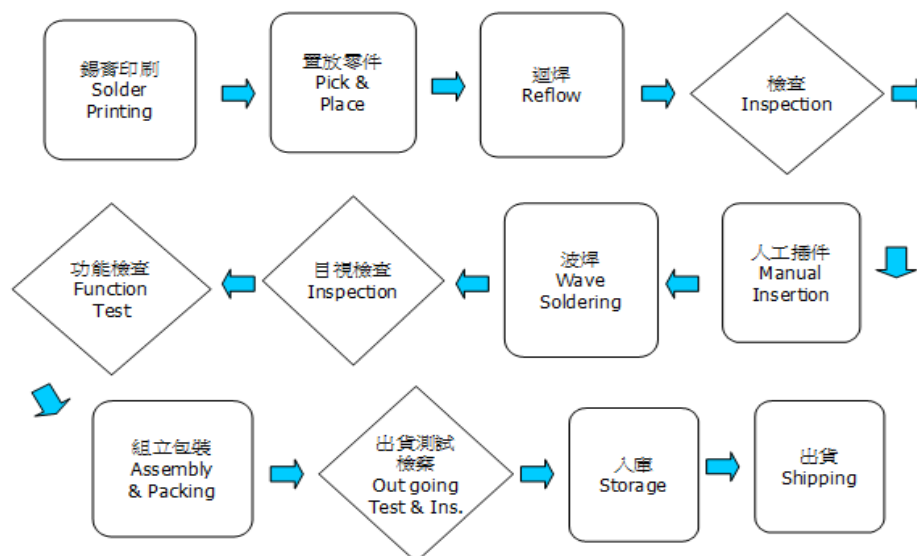
④ Introducing more alternative materials and suppliers.

5.2.2 Important applications and production process of main products

1. Main product applications

Product category	Usage	Note
Broadband Cable CPE	Processing modulation and demodulation, analog/digital conversion, and equipment with modems, radio tuners, decoders/encoders, bridges, routers, network interface cards, and SNMP and Ethernet connections.	Providing Internet-related application services using CATV bi-directional coaxial cable.
WiFi Mesh Router System	Routers, extenders and remote device management software that support mesh wireless network functions to form a mesh wireless routing system.	Each base station can use the same SSID to directly connect and communicate, and automatically select the best path for packet transmission, without relying on physical network interconnection, greatly improving the deployment flexibility and connection quality of wireless networks, and can provide operators with more value-added services through remote device management software systems.

2. Production Process



5.2.3 Supply of Primary Raw Materials

Main Products	Main Supplier	Supply Status
Chip set	Broadcom	Due to inflation, the U.S. Federal Reserve raised interest rates, resulting in tight demand in the second half of 2022, affecting wafer and OSAT capacity utilization, but because not all orders have been met, the lead time remains at 52 weeks. The supply shortage of long and short material continues to fester, without much improvement. If there is demand on the factory side, there will still be a risk of shortage in the future, so it is recommended to be cautious in stocking according to the demand on the user side; The price of 2022 Chipsets continues to increase due to the rise in wafer fabs and OSAT fabs' raw materials.
Niche DDR3 and Flash Memory	Samsung , Hynix, ESMT, , Naya, , MXIC, , GD, Winbond	2022 DDR3 memory prices continue to lose ground. Affected by the tight demand in the second half of the year, there is an oversupply, and the buying sentiment is sluggish, with prices falling by more than 40% throughout the year. The supply and demand of SLC nand flash and Nor flash were relatively stable, so the decline in the whole year of 2022 was about 10~15%, and the subsequent price decline in the market was limited. In the case of oversupply, memory is a long-term material that does not need to be worried about, so it

Main Products	Main Supplier	Supply Status
		<p>is not necessary to order too early, and it is not too late to get it from suppliers when other shortages are available.</p> <p>The channel inventory period exceeded 200 days, and the overall economic performance was poor, which was expected to lengthen the time for memory inventory reconciliation.</p>
Active Component IC	MPS, Diodes, M3TEK, TI	<p>Due to the overall decline in demand and continued arrivals at the supply end, except for special specifications, the delivery time in the second half of 2022 was more flexible than that in the first half. The delivery time was shortening, from 52 weeks to 36 weeks. There was still a shortage of materials for industrial control, medical and automotive applications. The overall IC cost in 2022 remained high due to the increase in fab costs, but individual manufacturers would sacrifice profits to take orders due to business considerations.</p> <p>In the first half of 2023, it is estimated that 27% of all major commodities will see an increase in semiconductor prices, with prices rising 76% compared to the same period in 2022, amidst sluggish overall market demand.</p> <p>In 2022, we returned to placing orders based on demand instead of over booking.</p>
R.C.L Passive component	Samsung, YAGEO, UNIOHM, PSA	<p>The continued weakness in the consumer electronics market has led to the continued destocking of standard passive parts, which should be completed by the end of the first quarter of 2023 Supply and demand will remain the same in the short term, with prices bottoming out by the end of 2022.</p> <p>It has high support for end-use applications such as electric vehicles, low-orbiting satellites, and sensing. The delivery time for Chinese and Taiwanese brands is 45~60 days, and the delivery time for Japanese brands is 90~120 days, returning to the normal delivery time in the past.</p>
Adaptor(Power Supply)	Moso, AtechOEM, Acbel	<p>The supply of standard products has stabilized and the manufacturing time has returned to the normal 8-12 weeks. The price of the finished product returned to the pre-covid-19 price level due to lower internal component costs.</p>

Main Products	Main Supplier	Supply Status
		Be aware of ship uncertainty due to geopolitical risks.
PCB substrate	Hannstar Board, Elec&Eltek	In the second half of 2022, the economic transition occurred, and the performance of large and small PCB manufacturers showed polarization IC carrier boards, automotive and server products also play a supporting role in the second half of the year However, consumer products, which account for the bulk of the market, remained sluggish. In addition, due to the release of PCB production capacity, the decline of raw materials, the strengthening of the US dollar, the unsolved global inflation and the significant decline in terminal demand, the delivery time has been greatly improved according to the number of PCB layers By the end of 2022, prices had fallen back to pre-COVID-19 levels.
Housing	PMG, ShangHua	The supply and manufacturing timing is stable. In the second half of 2022, the high volatility of ABS raw material price had passed, falling to the five-year average price. In addition, the freight was also significantly reduced, which was conducive to the purchase cost in 2022.

5.2.4 Suppliers and Clients of Total Sales in Any of the Past Two Years

1. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ Thousnad

Item	2021				2022				2023Q1			
	Supplier	Amount	Percentage of Total Net Purchases(%)	Relationship with Issuer	Supplier	Amount	Percentage of Total Net Purchases(%)	Relationship with Issuer	Supplier	Amount	Relationship with Issuer	Relationship with Issuer
1	CCET	1,694,877	78.52	Fellow subsidiary	CCET	961,574	62.97	Fellow subsidiary	Alltek	156,320	55.60	Fellow subsidiary
2	Alltek	383,486	17.77	-	Alltek	531,269	34.79	-	CCET	116,074	41.29	-
3	Others	80,165	3.71	-	Others	34,140	2.24	-	Others	8,753	3.11	-
	Net Purchases	2,158,528	100.00	-	Net Purchase	1,526,983	100.00	-	Net Purchase	281,147	100.00	-

Note1: Suppliers are given serial numbers because either CTI is contractually obligated and cannot disclose the name of our supplier or the other party is a person without any affiliation to CTI.

Note2: Listed companies or companies with shares traded at the TWSE shall disclose any recent(as of the printing date of this Annual Report) financial reports or information signed or audited by a certified public accountant.

Description of Movement: CCET and Alltek are the company's main product subcontract manufacturers and chip suppliers. The annual purchase amount depends on the needs of customers for shipments and chip stocking.

2. Major Clients in the Last Two Calendar Years

Unit: NT\$ Thousand

Item	2021				2022				2023Q1			
	Client	Amount	Percentage of Total Net Sales(%)	Relationship with Issuer	Client	Amount	Percentage of Total Net Sales	Relationship with Issuer	Client	Amount	Percentage of Total Net Sales(%)	Relationship with Issuer
1	F	951,122	56.20	None	F	397,869	34.73	None	I	259,817	86.87	None
2	C	255,440	15.10	None	I	347,964	30.37	None	J	30,040	10.04	None
3	H	215,769	12.75	None	A	151,327	13.21	None		-	-	-
	Others	269,982	15.95	-	Others	248,501	21.69	-	Others	9,237	3.09	-
	Net Sales	1,692,313	100.00	-	Net Sales	1,145,661	100.00	-	Net Sales	299,094	100.00	-

Note1: Clients are given serial numbers because either CTI is contractually obligated and cannot disclose the name of our client or the other party is a person without any affiliation to CTI.

Note2: Listed companies or companies with shares traded at the TWSE shall disclose any recent (as of the printing date of this Annual Report) Financial reports or information signed or audited by a certified public accountant.

Description of Movement: The revenue of 2022 decreased due to the completion of the shipment of low-margin and high-volume products in the same period of last year in the first half of the year. In the second half of the year, the revenue decline was slightly reduced due to the mass production and shipment of new higher-margin products.

5.2.5 Production Values in the Past Two Years

Unit: NT\$ Thousand/1,000 Units

Year Production Value		2021			2022		
		Capacity	Quantity	Value	Capacity	Quantity	Value
Main Products							
Consumer Electronics		None (Note3)			None (Note3)		
Total		-	-	-	-	-	-

Note 1: Production capacity refers to the amount that the company can produce under normal operation using existing production equipment after taking into account factors such as necessary shutdowns, holidays, etc.

Note 2: The company's production capacity is planned to be outsourced according to demand, and the production quantity is adjusted according to the changes in the combination of shipped models.

Note 3: Since 2021, the company has outsourced all products for processing, and the production capacity and value can be adjusted at any time according to the shipping demand.

5.2.6 Sales Values in the Last Two Years

Unit:NT\$ Thousand/1,000 Units

Production Value Main Products	Year	2021				2022			
		Domestic		Export		Domestic		Export	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Consumer Electronics		18	28,373	1,196	1,662,236	25.355	44,433	582	1,024,124
Other		0	1,392	0	312	0	0	0	77104.537
Total		18	29,765	1,196	1,662,548	25.355	44,433	582	1,101,228

5.3 The number of Employees during the Past Two Years and as to the Printing Date of the Annual Report:

Year		2021	2022	As of April 30 st , 2023
Number of Employees	Indirect Labor	81	86	86
	Direct Labor	0	0	0
	Total	81	86	86
Average Age		44.74	44.57	44.72
Average Seniority		8.60	8.45	8.64
Distribution of Education Backgrounds	PhD	1	0	1
	Masters	16	22	23
	Bachelors/Associates	60	60	58
	High School	4	4	4
	Below High School	0	0	0

5.4 Information on Environmental Protection Expenditure

1. The main production of the company has been outsourced to the overseas professional processing factories of the group, and the main function of our Taiwan base is the operation headquarter, which generally does not generate environmental pollution. For the most recent year and up to the date of publication of the annual report, there were no significant expenses incurred for environmental issues
2. The company's sales business runs all over the world, and the products produced meet the requirements of environmental protection:
 - (1) The company's products are exported to Europe, so they are required to comply with RoHS and WEEE related specifications.
 - (2) At present, the company has completed WEEE registration in many countries, including Germany and France, and has implemented the declaration according to relevant regulations on time.
 - (3) The company's products have been verified by a third-party verification company, and all meet the requirements of the RoHS environmental protection directive.
3. In the most recent year and up to the date of publication of the annual report, the losses suffered due to environmental pollution (including compensation and violation of environmental protection laws and regulations as a result of environmental protection audits, the date of punishment, the name of the punishment, the provisions of the violation, the content of the violation, and the content of the punishment should be listed), And disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: None.

5.5 Relations between Labors and Employers

The company implements and monitors various employee welfare measures, further education, training, and retirement systems. We also sign labor agreements and have various measures to protect employee rights and interests.

5.5.1 Welfare measures and implementation status

1. Employee dividends
2. Bonus: Festival bonus, year-end bonus, operating performance bonus, project bonus, etc.
3. Gifts: gifts for three festivals, Labor Holiday gift (Cash), birthday gift (Cash), holiday gift
4. Insurance: Labor insurance, health insurance, pension provision, group insurance, medical subsidies for employees and dependents
5. Leisure: annual foreign and domestic tourism, departmental dinner, family day, Year-end party.
6. Activities: multi-society activities, festival celebrations, competitions

7. Subsidies: congratulatory gifts, employee/child education grants, disaster relief grants, condolences for injuries and illnesses
8. Facilities: gym, staff lounge, feeding/milk collection room
9. Others: maternity allowance, car parking allowance, annual employee health check, ground coffee and tea bag supply
10. Training development/complete education and training: new employee training, general training, professional training, seminars, lectures, etc.
11. Talent development: We invest in long-term cultivation of talents and provide a place to learn and work happily with peace of mind, plus a smooth promotion channel so that all employees can grow and develop.

5.5.2 Employee education, training, and implementation status

Talent is the first step of the strategy, and education and training is the most important work for accumulating excellent human capital. Before enterprises provide education and training, it is even more necessary to analyze the needs of education and training to clarify the needs of the organization, the needs of the work itself and individual workers, and to invest resources in the right place.

In order to enable employees' personal career planning and work performance to continue to grow and develop, CastleNet provides and maximizes the synergy of employees through systematic education and training.

Y2022	Internal Training hours	External Training hours	Total hours	Total number of people	Education and Training Costs (NT\$1,000)
Q1	195	12	207	68	66
Q2	113	6	119	76	
Q3	333.5	16	349.5	227	
Q4	204.5	6	210.5	161	
Annual	846	40	886	532	66

In FY111 (2022), the education and training program was carried out according to the needs of the departments, with internal education and training as well as external courses covering management, human resources, labor safety, marketing, R&D, finance, auditing, and the addition of a new group digital online course including core functions, tool skills, quality courses, legal wisdom, trend lectures, green lectures.

CastleNet's 2023 education and training related plans for employees:

1. According to the future development direction of the company and the research and development needs of each unit, we will carry out education and training at the technical level, from participating in external training and then transferring the knowledge to relevant internal colleagues or inviting external lecturers to the company for sharing and lecturing, so as to expand the development of different technical levels.

2. Combining the group's resources, we plan training courses with a high degree of homogeneity and provide opportunities for colleagues across business units to exchange with each other in order to achieve the purpose of teaching and learning.

5.5.3 Retirement System and Implementation Status.

1. In accordance with the law, since July 1, 2005, the Company made monthly contributions of 6% of monthly wages to the individual pension accounts of the Labor Insurance Bureau for new employees and existing employees who have chosen to apply the new pension regulations; At the same time, the Company continues to contribute the appropriate amount of retirement reserve to the Bank of Taiwan in accordance with the pension benefit standard of the old pension plan for the former employees who have chosen the old pension plan and the former employees who have chosen the new pension plan.
2. For colleagues who are assigned by the organization and transferred to related companies, their seniority will be renewed to provide them with more protection so as to achieve the purpose of group talent circulation.
3. When an employee retires, the service unit will hold a warm retirement farewell party, inviting colleagues and supervisors to gather together to give unlimited retirement blessings.

5.5.4 Labor-capital agreement and the protection of employees' rights and interests.

The company's operating goals can only be achieved by the joint efforts of both labor and management. The company has always dealt with the problems of labor and management based on the business philosophy of coexistence and common prosperity of labor and management, and attaches great importance to the opinions of employees. Employees are allowed to fully express their problems in life and work at any time through formal or informal communication channels of the company. Regular labor-management meetings are held to maintain the smooth communication channels between labor and management.

5.5.5 Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report: None.

5.6 Information security management

5.6.1 Organizational Structure

In order to strengthen the information security management of the company, the Sustainable Development Committee is responsible for organizing a cross-departmental professional team to set up an "Information Security Team", which is responsible for the planning and implementation of the information security system, formulation of regulations, regular reviews and internal control audits, and at least once a year, and reports to the board of directors at least once a year.

5.6.2 Information security management policy

In order to ensure the confidentiality, integrity and availability of information, the reliability of information equipment and network systems, and colleagues' awareness of information security, and ensure that the above resources are protected from any interference, destruction, intrusion, or any adverse effect, behaviours and attempts. the company formulated the information security management policy that covers the following:

1. Information Security Policy
2. Information Security Organizations
3. Personnel safety management and education and training
4. Information Asset Management
5. System Access Control
6. Cryptography
7. Physical and Environmental Security
8. Operational Safety
9. Network Security
10. Application system development and maintenance security
11. Response and handling of information security incidents
12. Outsourced operation management
13. Business continuity management
14. Datacom safety compliance audit

5.6.3 Implementation

1. The company attaches great importance to information security. In addition to improving the reliability of information equipment and network systems, it also provides education and training to new employees. The information department also conducts security awareness campaigns and prevention of malicious email social engineering campaigns from time to time on weekdays, and implements in the promotion of employee information security education and training. The "Information Security Team" is responsible for tracking and strengthening the information security operations of various departments, and reminding all employees to pay attention to the awareness of information security and business secret protection.
2. In order to make the company's information system operate normally, in addition to establishing an off-site data backup mechanism and storing the backup media in off-site locations, the company also strengthens simulation tests and emergency response drills in the computer room to reduce system interruptions that may be caused by natural disasters without warning and human negligence. risk. In addition, for hardware and software equipment, the company carries out risk assessment, improvement assessment or effectiveness improvement assessment according to the actual use situation and needs to ensure that the overall information system maintains the normal operation of the company.
3. Information security management policy was formulated in 2021.
4. The "Information Security Team" of the Sustainable Development Committee was established in 2022 and reports to the Board of Directors on the operation at least once a year.
5. In response to the COVID-19 epidemic from 2021 to 2022, when adopting the work-from-home mechanism, a high-security SSL-VPN connection and

connection confirmation mechanism was used to strengthen information system services and network connection security management for employees to work remotely.

6. In order to strengthen the management of the company's information security, relevant policies and specific management plans were established in 2022, and continuous improvement was implemented. The detailed specific plans, as well as the implementation status, are as follows:

- (1) Specific management plan
 - (A) Centralization of firewall messages and visualization of threats.
 - (B) Scanning of vulnerability of critical hosts.
 - (C) Email social engineering drill.
 - (D) Regular employee information security promotion and training.
 - (E) Protection against "Advanced persistent threats (APT) for email.
- (2) Information security implementation results
 - (A) Firewall evenst and log analysis platform have been introduced. Achievement of cross-device information consolidation, centralized message analysis, improvement of real-time notification efficiency of events, and reduction of information security risks.
 - (B) Annual regular scanning of vulnerability of critical hosts and irregular scanning for significant threat vulnerabilities, with timely repair and strengthening of protective measures.
 - (C) Email social engineering drills have been conducted. Phishing email templates were used for random testing, and the pass rate of 92.3% was achieved, reaching the expected target.
 - (D) In addition to information security and trade secret protection education and training for new employees, online information security video promotion and information security-related courses are provided to enhance information security awareness.
 - (E) The Advanced Persistent Threat (APT) protection module for email has been added to provide URL protection and analysis of email attachments, URL Rewriting Defense and real-time analysis to reduce the information security risk of email channels.

5.6.4 List the losses, possible impacts and countermeasures of major information security incidents in the most recent year and up to the date of publication of the annual report. If it is impossible to estimate reasonably, the facts that cannot be reasonably estimated shall be stated: None.

5.7 Major Contracts

Type	Counterparty	Contract Period	Primary Content	Restrictions
Property Rental	LianCheng International Inc.	109.03.01~113.12.31	The office area of leasing office building	None
Financial Derivatives	SPI	108.12.27~113.12.26	Purchase Convertible Bond	None

VI. Financial Statments

6.1 Five-year Condensed Financial Statements

6.1.1 Five-year Condensed Balance Sheet and Incom statements(Consolidated)-IFRS

Condensed Balance Sheet(Consolidated)-IFRS

Unit:NT\$ thousands

Year Item		Five-year Financial Summary					As of March 31 st , 2023 reviewed by CPAs
		2018	2019	2020	2021	2022	
Current Assets		1,155,960	1,348,299	991,458	1,204,244	1,236,283	1,142,168
Property, Plant and Equipment		294,407	264,898	22,044	29,368	23,766	20,799
Intangible Assets		2,205	1,413	1,544	446	2,307	1,882
Other Assets		79,286	1,520,634	1,520,886	1,490,373	1,492,030	1,535,165
Total Assets		1,531,858	3,135,244	2,535,932	2,724,431	2,754,386	2,700,014
Current Liabilities	Before Distribution	945,285	1,156,813	531,023	862,227	875,190	759,493
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution
Noncurrent Liabilities		0	1,680	21,860	19,828	11,046	19,073
Total Liabilities	Before Distribution	945,285	1,158,493	552,883	882,055	886,236	778,566
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution
Equity Attributable to Shareholders of the Parent		586,573	1,976,751	1,983,049	1,842,376	1,868,150	1,921,448
Capital Stock		861,180	1,886,180	1,886,180	1,886,180	1,886,180	1,886,180
Capital Surplus		1,073	356,456	127,610	130,696	136,511	137,379
Retained Earnings	Before Distribution	(239,224)	(217,433)	14,017	(129,430)	(110,696)	(58,377)
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution
Others		(36,456)	(48,452)	(44,758)	(45,070)	(43,845)	(43,734)
Treasury Stock		0	0	0	0	0	0
Non-controlling Equity		0	0	0	0	0	0
Total Equity	Before Distribution	586,573	1,976,751	1,983,049	1,842,376	1,868,150	1,921,448
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution

Note: Cosolidated financial statements for Q1, 2023 have been reviewed by CPAs.

Condensed Statement of Comprehensive Income (Consolidated)-IFRS

Unit:NT\$ thousands

Year Item	Five-year Financial Summary					2023 Q1 (Note)
	2018	2019	2020	2021	2022	
Operation Revenue	1,608,852	2,652,479	1,295,230	1,692,313	1,145,661	299,094
Gross Profit	13,488	167,630	95,731	20,314	172,126	63,269
Operating Income(Loss)	(159,201)	26,358	(65,515)	(155,607)	(23,542)	13,811
Non-operating Income and Expenses	5,823	(3,858)	58,006	5,041	39,848	38,508
Income(Loss) before Income Tax	(153,378)	22,500	(7,509)	(150,566)	16,306	52,319
Income(Loss) from continuing Operations Before Income Tax	(153,378)	21,810	(7,509)	(150,566)	16,306	52,319
Loss from Discontinued Division	0	0	0	0	0	0
Net Income(Loss)	(153,378)	21,810	(7,509)	(150,566)	16,306	52,319
Other Comprehensive Income (Net of Income Tax)	(1,326)	(12,015)	6,251	1,855	3,653	111
Total Comprehensive Income(Loss)	(154,704)	9,795	(1,258)	(148,711)	19,959	52,430
Net Income(Loss) Attributable to Shareholders of the Parent	(153,378)	21,810	(7,509)	(150,566)	16,306	52,319
Net Income(Loss) Attributable to Noncontrolling Interests	0	0	0	0	0	0
Total Comprehensive Income(Loss) Attributable to Shareholders of the Parent	(154,704)	9,795	(1,258)	(148,711)	19,959	52,430
Total Comprehensive Income(Loss) Attributable to Noncontrolling Interests	0	0	0	0	0	0
Earnings Per Share(NT\$)	(1.78)	0.23	(0.04)	(0.80)	0.09	0.28

Note: Consolidated financial statements for Q1, 2023 have been reviewed by CPAs.

6.1.2 Individual Condensed Balance Sheet and Income statements-IFRS

Individual Condensed Balance Sheet- IFRS

Unit:NT\$ thousands

Year Item		Five-year Financial Summary(Note1)					2023 Q1
		2018	2019	2020	2021	2022	
Current Assets		1,073,810	1,309,172	715,446	1,164,327	1,195,513	N/A
Propert, Plant and Equipment		79,437	64,177	22,044	29,368	23,766	
Intangible Assets		1,372	767	1,042	446	2,307	
Other Assets		345,571	1,759,505	1,796,104	1,529,900	1,532,324	
Total Assets		1,500,190	3,133,621	2,534,636	2,724,041	2,753,910	
Current Liabilities	Before Distribution	913,617	1,155,190	529,727	861,837	874,714	
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	
Noncurrent Liabilities		0	1,680	21,860	19,828	11,046	
Total Liabilities	Before Distribution	913,617	1,156,870	551,587	881,665	885,760	
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	
Capital Stock		861,180	1,886,180	1,886,180	1,886,180	1,886,180	
Capital Surplus		1,073	356,456	127,610	130,696	136,511	
Retained Earnings	Before Distribution	(239,224)	(217,433)	14,017	(129,430)	(110,696)	
	After Distribution	Undistribution	Undistribution	Undistribution	Undistribution	Undistribution	
Other		(31,017)	(36,456)	(48,452)	(44,758)	(45,070)	
Treasury Stock		0	0	0	0	0	
Non-controlling Equity		0	0	0	0	0	
Total Equity	Before Distribution	586,573	1,976,751	1,983,049	1,842,376	1,868,150	
	After Distribution	Undistribution	Undistribtuion	Undistribution	Undistribution	Undistribution	

Individual Condensed Statement of Comprehensive Income- IFRS

Unit:NT\$ thousands

Year Item	Five-year Financial Summary					2023 Q1
	2018	2019	2020	2021	2022	
Operating Revenue	1,526,499	2,652,461	1,295,149	1,692,313	1,145,661	N/A
Gross Profit	41,917	164,631	95,362	20,314	172,126	
Operating Income(Loss)	(100,814)	46,733	(48,018)	(149,446)	(23,077)	
Non-operating Income and Expenses	(52,564)	(24,233)	40,509	(1,120)	39,383	
Income(Loss) before Income Tax	(153,378)	22,500	(7,509)	(150,566)	16,306	
Income(Loss) from Continuing Operations Before Income Tax	(153,378)	21,810	(7,509)	(150,566)	16,306	
Loss from Discontinued Division	0	0	0	0	0	
Net Income(Loss)	(153,378)	21,810	(7,509)	(150,566)	16,306	
Other Comprehensive Income(Net of Income Tax)	(1,326)	(12,015)	6,251	1,855	3,653	
Total Comprehensive Income (Loss)	(154,704)	9,795	(1,258)	(148,711)	19,959	
Earnings Per Share(NT\$)	(1.78)	0.23	(0.04)	(0.80)	0.09	

6.1.3 Auditors and Audit Opinions over the past Five Years

Year	Auditor Firm	Auditor	Audit Opinion
2018	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2019	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2020	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2021	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion
2022	PWC Taiwan	Hsu, Sheng-Chung and Wu, Han-Chi	An Unqualified Opinion

Replacement of CPAs in the last five years: None.

6.2 Five-year Financial Analysis

6.2.1 Consolidated Financial Analysis- IFRS

Year		Five-Year Financial Analysis					2023 Q1 (Note1)
Item		2018	2019	2020	2021	2022	
Capital Structure Analysis(%)	Debt Ratio	61.71	36.95	21.80	32.38	32.18	28.84
	Long-term Fund to Property, Plant and Equipment Ratio	199.24	746.87	9,059.55	6,330.72	7,883.74	9,267.94
Liquidity Analysis (%)	Current Ratio	122.29	116.55	186.71	139.67	141.26	150.39
	Quick Ratio	95.74	101.94	177.52	105.03	73.20	70.72
	Times Interest Earned	-37.17	11.94	-8.85	-209.29	7.28	38.16
Operating Performance Analysis	Accounts Receivable Turnover(times)	2.92	3.36	2.13	3.20	2.34	3.62
	Average Collection Days	124	108	172	113	155	100
	Inventory Turnover(times)	6.17	13.47	9.62	10.03	2.32	1.67
	Accounts Payable Turnover(times)	2.56	2.73	1.61	2.8	1.54	1.99
	Average Inventory Turnover Days	59	27	38	36	157	218
	Properties, Plants and Equipment Turnover(times)	5.47	10.01	58.76	65.83	43.12	53.69
	Total Assets Turnover(times)	1.05	0.85	0.51	0.64	0.42	0.44
Profitability Analysis	Return on Assets(%)	-10.28	1.01	-0.24	-5.70	0.67	7.84
	Return on Equity(%)	-23.10	1.70	-0.38	-7.87	0.88	11.05
	Pre-tax Net Income to Paid-in Capital Ratio (%) (Note7)	-17.81	1.19	-0.40	-7.98	0.86	11.10
	Net Income Ratio (%)	-9.53	0.82	-0.58	-8.90	1.42	17.49
	Earnings Per Share(NT\$)	-1.78	0.23	-0.04	-0.80	0.09	0.28
Cash Flow	Cash Flow Ratio(%)	1.06	18.10	14.23	0	0	0
	Cash Flow Adequacy Ratio(%)	-10.99	4.56	87.83	76.22	49.84	49.82
	Cash Reinvestment Ratio(%)	1.73	10.83	3.74	0	0	0
Leverage	Operating Leverage	0.76	2.81	0.59	0.90	0.27	1.30
	Financial Leverage	0.98	1.08	0.99	1.00	0.90	1.11
Cause of financial ratio change in the most recent two years. (Analysis is not required for changes in increase or decrease less than 20%.)							
The global market has been affected by the epidemic since 2021, resulting in a shortage of materials and labor, which has led to a rise in the cost of raw materials and a varying range of lead times for suppliers of electronic chips and components, and the situation has been exacerbated by the industry's efforts to ensure sales momentum by preparing materials and scrambling for materials in advance; More recently, although the material situation has eased, but with the United States to raise interest rates to curb inflation at the expense of economic recession, end customers began to adjust inventory and delay the delivery of orders, destocking has become a new issue of the upstream to downstream industry chain at the end of 2022. In this staggered effect, the rise in inventories leads to an increase in quick ratio and inventory turnover days. Shortages of materials and rising costs of production of long- and short-term raw materials impact the normal speed of shipment and profitability levels, resulting in a decrease in profitability and a decrease in the fair ratio of cash flows; The current accounts receivable split in terms of single-quarter turnover days for Q1-Q4 is 177, 130, 107 and 103 days, respectively, and the turnover days for each quarter are still within the range of general trading conditions.							

Note 1: Financial statements on March 31, 2023 have been reviewed by CPAs.

Note 2: IFRS-based formulas used for the Financial Analysis as Page 124.

6.2.2 Individual Financial Analysis-IFRS

Year Item		Five-Year Financial Analysis					2023 Q1	
		2018	2019	2020	2021	2022		
Capital Structure Analysis(%)	Debt Ratio	60.90	36.92	21.76	32.37	32.16	N/A	
	Long-term Fund to Property, Plant and Equipment Ratio	738.41	3082.77	9059.55	6330.75	7883.74		
Liquidity Analysis(%)	Current Ratio	117.53	113.33	135.06	135.10	136.67		
	Quick Ratio	90.72	98.74	127.24	100.46	68.59		
	Times Interest Earned	-37.17	11.94	-8.85	-209.29	7.28		
Operating Performance Analysis	Accounts Receivable Turnover(times)	2.96	3.51	2.12	3.20	3.46		
	Average Collection Days	123	104	172	114	106		
	Inventory Turnover(times)	10.68	11.31	9.62	10.03	2.32		
	Accounts Payable Turnover(times)	2.65	2.78	1.61	2.80	1.54		
	Average Inventory Turnover Days	34	32	38	36	157		
	Properties, Plants and Equipment Turnover(times)	21.55	36.94	30.04	65.83	63.70		
	Total Assets Turnover(times)	1.11	1.14	0.46	0.64	0.62		
	Profitability Analysis	Return on Assets(%)	-10.90	1.01	-0.24	-5.7		0.67
Return on Equity(%)		-23.10	1.70	-0.38	-7.87	0.88		
Pre-tax Net Income to Paid-in Capital Ratio(Note7)		-17.81	1.19	-0.40	-7.98	0.86		
Net Income Ratio(%)		-10.05	0.82	-0.58	-8.90	0.96		
Earnings Per Share(NT\$)		-1.78	0.23	-0.04	-0.80	0.09		
Cash Flow	Cash Flow Ratio(%)	-5.39	17.13	17.38	0	0		
	Cash Flow Adequacy Ratio(%)	-14.01	43.29	76.44	50.60	37.90		
	Cash Reinvestment Ratio(%)	-8.41	9.79	4.55	0	0		
Leverage	Operating Leverage	0.81	1.83	0.58	0.90	-23.43		
	Financial Leverage	0.96	1.05	0.98	1.00	0.90		
Cause of financial ratio change in the most recent two years. (Analysis is not required for changes in increase or decrease less than 20%.)								
The global market has been affected by the epidemic since 2021, resulting in a shortage of materials and labor, which has led to a rise in the cost of raw materials and a varying range of lead times for suppliers of electronic chips and components, and the situation has been exacerbated by the industry's efforts to ensure sales momentum by preparing materials and scrambling for materials in advance; More recently, although the material situation has eased, but with the United States to raise interest rates to curb inflation at the expense of economic recession, end customers began to adjust inventory and delay the delivery of orders, destocking has become a new issue of the upstream to downstream industry chain at the end of 2022. In this staggered effect, the rise in inventories leads to an increase in quick ratio and inventory turnover days. Shortages of materials and rising costs of production of long- and short-term raw materials impact the normal speed of shipment and profitability levels, resulting in a decrease in profitability and a decrease in the fair ratio of cash flows; The current accounts receivable split in terms of single-quarter turnover days for Q1-Q4 is 177, 130, 107 and 103 days, respectively, and the turnover days for each quarter are still within the range of general trading conditions.								

Note: IFRS-based formulas used for the Financial Analysis as Page 124.

■ IFRS-based formulas used for the Financial Analysis:

1. Capital Structure Analysis

- (1) Debt = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equip = (Total Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

- (1) Account Receivable (including Accounts Receivable and Notes Receivable from Operations) Turnover = Net Sales / Balance of Accounts Receivable (including Accounts Receivable and Notes Receivable from Operations)
- (2) Average Collection Days = 365 / Accounts Receivable Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Accounts Payable (including Accounts Payable and Notes Payable from Operations) Turnover = Cost of Sales / Average Balance of Accounts Payable (including Accounts Payable and Notes Payable from Operations)
- (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Sales / Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

- (1) Return on Assets = [Net Income + Interest Expense \times (1 – Effective Tax Rate)] / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 1)

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditure, Inventory Additions, and Cash Dividend
- (3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities – Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 2)

6. Leverage

- (1) Operating Leverage = (Net Sales – Variable Cost) / Income from Operations (Note 3).
- (2) Financial Leverage = Income from Operations / (Income from Operations – Interest Expenses)

6.3 Audit Committees' Review Report

Audit Committee's Review Report

The 2022 Consolidated and Parent company only Financial Statements of the Company prepared by the Board have been audited by CPAs HSU, SHENG-CHUNG and WU, HAN-CHI of PricewaterhouseCoopers(PwC) Taiwan. These financial statements, along with the business report and deficit Compensation proposal, have been reviewed by us, as the audit committee of the Company. We deem that there are no discrepancies. Therefore, this report is presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for approval.

Sincerely,

CastleNet Technology Inc.

2023 Annual General Shareholders' Meeting

Convener of the Audit Committee: Sheng-Haur, Hsu

March 9th, 2023

6.4 Latest Consolidate Financial Statements and Auditor’s Report.

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

We have audited the accompanying consolidated balance sheets of CastleNet Technology Inc. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group’s 2022 consolidated financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.
3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(11) for the accounting policies on valuation of inventories, Note 5(2) for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2022, the inventories and allowance for valuation loss amounted to NT\$566,548 thousand and NT\$11,315 thousand, respectively.

The Group is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to rapid technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Group measures inventories at the lower of cost and net realisable value. For inventories that are over a certain age and individually identified as obsolete, the net realisable value is determined based on historical data on inventory clearance and discount.

Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.
2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Valuation of non-current financial assets at fair value through profit or loss

Description

Refer to Note 4(7) for the accounting policies on financial assets at fair value through profit or loss – non-current and Note 6(2) for the details of financial assets at fair value through profit or loss – non-current. As of December 31, 2022, the balance of financial assets at fair value through profit or loss – non-current amounted to NT\$1,468,178 thousand, constituting 53% of the consolidated total assets. As the non-current financial assets at fair value through profit or loss accounted for a significant portion of the consolidated financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Group used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management’s subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of non-current financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser’s work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss – non-current to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CastleNet Technology Inc. as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Sheng-Chung
PricewaterhouseCoopers, Taiwan
March 9, 2023

Wu, Han-Chi

The accompanying consolidated 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 consolidated 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.

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 257,754	9	\$ 152,255	5
1170	Accounts receivable, net	6(3) and 7	269,286	10	708,746	26
1200	Other receivables	7	113,563	4	44,596	2
130X	Inventory	6(4)	555,233	20	263,419	10
1479	Other current assets	8	40,447	2	35,228	1
11XX	Total current assets		1,236,283	45	1,204,244	44
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,468,178	53	1,455,382	54
1600	Property, plant and equipment	6(5)	23,766	1	29,368	1
1755	Right-of-use assets	6(6)	5,073	-	8,050	-
1780	Intangible assets		2,307	-	446	-
1840	Deferred income tax assets		5,547	-	2,988	-
1920	Guarantee deposits paid		818	-	14,764	1
1990	Other non-current assets	6(9)	12,414	1	9,189	-
15XX	Total non-current assets		1,518,103	55	1,520,187	56
1XXX	Total assets		\$ 2,754,386	100	\$ 2,724,431	100

(Continued)

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(7)	\$ 255,000	9	\$ 66,000	2
2130	Current contract liabilities	6(14)	11,289	1	20,202	1
2170	Accounts payable		140,894	5	24,113	1
2180	Accounts payable - related parties	7	403,476	15	694,579	25
2200	Other payables	6(8) and 7	60,692	2	53,145	2
2280	Current lease liabilities		2,816	-	3,106	-
2399	Other current liabilities		1,023	-	1,082	-
21XX	Total current liabilities		875,190	32	862,227	31
Non-current liabilities						
2570	Deferred income tax liabilities		5,547	-	2,988	-
2580	Non-current lease liabilities		2,510	-	5,325	-
2600	Other non-current liabilities		2,989	-	11,515	1
25XX	Total non-current liabilities		11,046	-	19,828	1
2XXX	Total liabilities		886,236	32	882,055	32
Equity						
Equity attributable to owners of parent						
	Share capital	6(11)				
3110	Common stock		1,886,180	69	1,886,180	69
	Capital surplus	6(10)(12)				
3200	Capital surplus		136,511	5	130,696	5
	Retained earnings	6(13)				
3310	Legal reserve		18,969	1	18,969	1
3350	Accumulated deficit		(129,665)	(5)	(148,399)	(5)
	Other equity interest					
3400	Other equity interest		(43,845)	(2)	(45,070)	(2)
31XX	Equity attributable to owners of the parent		1,868,150	68	1,842,376	68
3XXX	Total equity		1,868,150	68	1,842,376	68
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 2,754,386	100	\$ 2,724,431	100

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(14) and 7	\$	1,145,661	100	\$ 1,692,313	100
5000 Operating costs	6(4) and 7	(	973,535)	(85)	(1,671,999)	(99)
5950 Operating margin			172,126	15	20,314	1
Operating expenses	6(16)(17) and 7					
6100 Selling expenses		(	19,295)	(2)	(21,717)	(1)
6200 General and administrative expenses		(	58,384)	(5)	(60,539)	(4)
6300 Research and development expenses		(	117,989)	(10)	(93,665)	(5)
6000 Total operating expenses		(	195,668)	(17)	(175,921)	(10)
6900 Operating loss		(	23,542)	(2)	(155,607)	(9)
Non-operating income and expenses						
7100 Interest income			1,047	-	2,207	-
7010 Other income			2,919	-	1,282	-
7020 Other gains and losses	6(15)		38,478	4	2,268	-
7050 Finance costs	6(6)(7)	(	2,596)	-	(716)	-
7000 Total non-operating income and expenses			39,848	4	5,041	-
7900 Profit (loss) before income tax			16,306	2	(150,566)	(9)
7950 Income tax expense	6(18)		-	-	-	-
8200 Profit (loss) for the year		\$	16,306	2	(\$ 150,566)	(9)
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial gains on defined benefit plan	6(9)	\$	2,428	-	\$ 2,167	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			1,225	-	(312)	-
8300 Other comprehensive income for the year, net of tax		\$	3,653	-	\$ 1,855	-
8500 Total comprehensive income (loss) for the year		\$	19,959	2	(\$ 148,711)	(9)
Profit (loss) attributable to:						
8610 Owners of the parent		\$	16,306	2	(\$ 150,566)	(9)
Comprehensive income (loss) attributable to:						
8710 Owners of the parent		\$	19,959	2	(\$ 148,711)	(9)
Earnings (loss) per share (in dollars)	6(19)					
9750 Basic earnings (loss) per share		\$	0.09		(\$ 0.80)	
9850 Diluted earnings (loss) per share		\$	0.09		(\$ 0.80)	

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent					
				Retained Earnings		Other Equity Interest	
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Total equity
<u>Year ended December 31, 2021</u>							
Balance at January 1, 2021		\$ 1,886,180	\$ 127,610	\$ 18,969	(\$ 4,952)	(\$ 44,758)	\$ 1,983,049
Loss for the year		-	-	-	(150,566)	-	(150,566)
Other comprehensive income (loss)		-	-	-	2,167	(312)	1,855
Total comprehensive loss		-	-	-	(148,399)	(312)	(148,711)
Capital surplus used to cover accumulated deficit	6(13)	-	(4,952)	-	4,952	-	-
Share-based payments	6(10)(12)	-	7,705	-	-	-	7,705
Overdue dividends unclaimed by shareholders	6(12)	-	337	-	-	-	337
Overdue dividends reclaimed by shareholders	6(12)	-	(21)	-	-	-	(21)
Others	6(12)	-	17	-	-	-	17
Balance at December 31, 2021		<u>\$ 1,886,180</u>	<u>\$ 130,696</u>	<u>\$ 18,969</u>	<u>(\$ 148,399)</u>	<u>(\$ 45,070)</u>	<u>\$ 1,842,376</u>
<u>Year ended December 31, 2022</u>							
Balance at January 1, 2022		\$ 1,886,180	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Profit for the year		-	-	-	16,306	-	16,306
Other comprehensive income		-	-	-	2,428	1,225	3,653
Total comprehensive income		-	-	-	18,734	1,225	19,959
Share-based payments	6(10)(12)	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(12)	-	131	-	-	-	131
Balance at December 31, 2022		\$ 1,886,180	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED 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 OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 16,306	(\$ 150,566)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(16)	16,018	14,558
Amortization	6(16)	1,069	1,087
(Gain) loss on expected credit impairment	12(3)	(85)	268
Employee share options	6(10)	5,684	7,705
Interest income		(1,047)	(2,207)
Interest expense		2,596	716
Gain on disposal of non-current assets held for sale	6(15)	-	(20,896)
Gain on financial assets at fair value through profit or loss	6(15)	(39,093)	(1,209)
Cost of provisions		3,353	7,819
Liabilities transferred to income		(2,751)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		439,545	(361,682)
Other receivables		(180)	7,436
Inventory		(295,620)	(225,251)
Other current assets		(5,219)	(24,780)
Other non-current assets		(797)	(129)
Changes in operating liabilities			
Current contract liabilities		(8,913)	10,316
Accounts payable		116,781	(25,231)
Accounts payable to related parties		(291,103)	266,922
Other payables		5,298	11,581
Other current liabilities		(59)	(21)
Other non-current liabilities		(5,581)	(1,651)
Cash outflow generated from operations		(43,798)	(485,215)
Interest paid		(2,246)	(678)
Income taxes received		12	137
Income taxes paid		(77)	(9)
Net cash flows used in operating activities		(46,109)	(485,765)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in receivables from raw material purchases		(64,793)	19,353
Acquisition of property, plant and equipment	6(20)	(9,115)	(17,344)
Disposal of non-current assets held for sale	6(20)	-	266,333
Acquisition of intangible assets		(2,930)	-
Decrease in guarantee deposits paid		13,946	826
Interest received		27,249	27,560
Net cash flows (used in) from investing activities		(35,643)	296,728

(Continued)

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		\$ 450,000	\$ 66,000
Repayments of short-term borrowings		(261,000)	-
Repayment of lease principal		(3,105)	(3,048)
Overdue dividends unclaimed by shareholders	6(12)	131	337
Others		-	(4)
Net cash flows from financing activities		186,026	63,285
Effect of exchange rate changes		1,225	(60)
Net increase (decrease) in cash and cash equivalents		105,499	(125,812)
Cash and cash equivalents at beginning of year		152,255	278,067
Cash and cash equivalents at end of year	6(1)	\$ 257,754	\$ 152,255

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organization

CastleNet Technology Inc. (the “Company”) was incorporated as a company limited by shares on June 26, 1998 and obtained Business Registration Certificate on August 26, 1998. In addition, the Company’s stocks were listed on the Taipei Exchange in March 2010. The Company is primarily engaged in manufacturing and selling consumer electronics products such as broadband communications and digital home entertainment.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized 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 the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments 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 Group's financial condition and financial performance based on the Group'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 Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
CastleNet Technology Inc.	CastleNet Technology (BVI) Inc.	Investment holdings	100	100
CastleNet Technology (BVI) Inc.	CastleNet Technology Inc.- Kunshan	Manufacture and design of broadband communication products such as modem	100	100

For the subsidiaries listed in the Company's consolidated financial reports for 2022 and 2021, their financial reports were audited by independent auditors.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- 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.
- 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.
- Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. 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. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other 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

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

(5) 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.

(6) 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) 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. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(9) Impairment of financial assets

At each reporting date, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) 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). It excludes borrowing costs. 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 the estimated costs necessary to make the sale.

(12) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- 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:

Machinery and equipment	10 years
Testing equipment	3 ~ 10 years
Molding	1 ~ 2 years
Implements equipment	3 ~ 6 years
Other equipment	2 ~ 10 years

(14) 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 Group. 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 fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term.

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;

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 and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(16) Impairment of non-financial assets

The Group 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.

(17) Borrowings

Borrowings comprise long-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.

(18) 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.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(22) 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.

(23) 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

(a) 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.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group

in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) 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.

(25) 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 consolidated 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 Group 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.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

Ordinary shares are classified as equity.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

- A. The Group manufactures and sells a range of consumer electronics products such as broadband communications and digital home entertainments. 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 Group 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.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group 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.

Refer to Note 6(4) for the carrying amounts of inventories as of December 31, 2022 and 2021.

B. Financial assets—The fair value of financial assets at fair value through profit or loss - non-current
The fair value of financial assets at fair value through profit or loss - non-current held by the Group is determined considering market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these financial assets. Refer to Note 12(4) for the financial instruments fair value information. Refer to Note 6(2) for the carrying amounts of non-current financial assets at fair value through profit or loss as of December 31, 2022 and 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 211	\$ 202
Checking accounts and demand deposits	35,339	24,471
Time deposits	222,204	117,582
Repo bonds	-	10,000
	<u>\$ 257,754</u>	<u>\$ 152,255</u>

A. The Group 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. The Group's demand deposits pledged to others as collateral had been transferred to "other current asset". Refer to Note 8 for details.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ 1,361,091	\$ 1,387,389
Valuation adjustment	107,087	67,993
	<u>\$ 1,468,178</u>	<u>\$ 1,455,382</u>

A. The Group has no financial assets at fair value through profit or loss pledged to others.

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2022		
	Contract amount		Contract period
Financial instruments	(notional principal)		
Non-current items:			
Convertible bonds	KRW	54,990,000	108.12.27~113.12.26

Financial instruments	December 31, 2021	
	Contract amount (notional principal)	Contract period
Non-current items:		
Convertible bonds	KRW 54,990,000	108.12.27~113.12.26

- C. On December 27, 2019, the Group acquired convertible bonds issued by SPI for KRW 54,990,000 thousand. In accordance with the contract, both parties may, in the event of any serious occurrence, decide whether to re-negotiate the coupon rate and other contract terms and conditions on a semi-annual basis, and interest will be charged annually at the agreed coupon rate. In addition, the Group has the right to convert the bonds into ordinary shares of SPI at KRW 1,000 per share at maturity.
- D. The interest received during the years ended December 31, 2022 and 2021 at the agreed coupon rate was \$26,297 and \$25,382, respectively.
- E. The movements of the Company's financial assets measured at fair value through profit or loss are provided in Note 12(4).

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 1,027	\$ 1,117
Accounts receivable	268,529	663,159
Accounts receivable due from related parties	-	44,825
Less: Allowance for uncollectible accounts	(270)	(355)
	<u>\$ 269,286</u>	<u>\$ 708,746</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
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 208,283	\$ 685,970
Up to 90 days	61,273	23,131
	<u>\$ 269,556</u>	<u>\$ 709,101</u>

The above ageing analysis was based on past due date.

- B. Accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$347,419.
- C. The Group has no notes and accounts receivable pledged to others.
- D. Information relating to credit risk is provided in Note 12(3).

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 378,002	(\$ 4,918)	\$ 373,084
Work in progress	722	(722)	-
Finished goods	187,824	(5,675)	182,149
	<u>\$ 566,548</u>	<u>(\$ 11,315)</u>	<u>\$ 555,233</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 156,970	(\$ 4,324)	\$ 152,646
Work in progress	785	(785)	-
Finished goods	115,494	(4,721)	110,773
	<u>\$ 273,249</u>	<u>(\$ 9,830)</u>	<u>\$ 263,419</u>
	Year ended December 31, 2021	Year ended December 31, 2020	
Cost of goods sold	\$ 972,050	\$ 1,681,984	
Valuation loss (gain)	1,485	(9,966)	
Others	-	(19)	
	<u>\$ 973,535</u>	<u>\$ 1,671,999</u>	

For the year ended December 31, 2021, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the sale of inventories whose net realisable value was lower than its cost.

(5) Property, plant and equipment

	<u>Machinery</u>	<u>Test equipment</u>	<u>Molding</u>	<u>Implements equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 314	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,172	\$ 61,973
Accumulated depreciation and impairment	(259)	(26,458)	(3,383)	(463)	(2,042)	(32,605)
	<u>\$ 55</u>	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,130</u>	<u>\$ 29,368</u>
<u>2022</u>						
Opening net book amount as at January 1	\$ 55	\$ 12,404	\$ 8,015	\$ 4,764	\$ 4,130	\$ 29,368
Additions	-	7,945	869	1,620	838	11,272
Disposals	-	(3,495)	-	(19)	(319)	(3,833)
Depreciation charge	(32)	(4,235)	(5,915)	(1,466)	(1,393)	(13,041)
Closing net book amount as at December 31	<u>\$ 23</u>	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,256</u>	<u>\$ 23,766</u>
<u>At December 31, 2022</u>						
Cost	\$ 314	\$ 24,798	\$ 11,459	\$ 6,707	\$ 5,733	\$ 49,011
Accumulated depreciation and impairment	(291)	(12,179)	(8,490)	(1,808)	(2,477)	(25,245)
	<u>\$ 23</u>	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,256</u>	<u>\$ 23,766</u>

	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Test equipment</u>	<u>Molding</u>	<u>Implements equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 213,817	\$ 24,159	\$ 45,737	\$ 2,264	\$ 4,363	\$ 14,150	\$ 304,490
Accumulated depreciation and impairment	(22,094)	(18,311)	(29,485)	(1,127)	(3,815)	(7,946)	(82,778)
	191,723	5,848	16,252	1,137	548	6,204	221,712
Transfer to non-current assets held for sale	(191,723)	(5,762)	(830)	-	(490)	(863)	(199,668)
	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 15,422</u>	<u>\$ 1,137</u>	<u>\$ 58</u>	<u>\$ 5,341</u>	<u>\$ 22,044</u>
<u>2021</u>							
Opening net book amount as at January 1	\$ -	\$ 86	\$ 15,422	\$ 1,137	\$ 58	\$ 5,341	\$ 22,044
Additions	-	-	2,988	10,590	5,087	241	18,906
Depreciation charge	-	(31)	(6,006)	(3,712)	(381)	(1,452)	(11,582)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,130</u>	<u>\$ 29,368</u>
<u>At December 31, 2021</u>							
Cost	\$ -	\$ 314	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,172	\$ 61,973
Accumulated depreciation and impairment	-	(259)	(26,458)	(3,383)	(463)	(2,042)	(32,605)
	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,130</u>	<u>\$ 29,368</u>

The Group has no property, plant and equipment pledged to others as collateral for borrowings.

(6) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, office and warehouse. Rental contracts are typically made for periods of 2-5 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.
- B. Short-term leases with a lease term of 12 months or less comprise part of office. Low-value assets comprise parking space and other office equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings, office and warehouse	\$ 5,073	\$ 8,050

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings, office and warehouse	\$ 2,977	\$ 2,976

D. For the years ended December 31, 2022 and 2021, there were no additions to right-of-use assets.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 136	\$ 196
Expense on short-term lease contracts	1,674	1,000
Expense on leases of low-value assets	546	692

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$5,461 and \$4,936, respectively.

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Borrowing period</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 66,000	2022/7/14~2023/1/14	2.00%	None
"	64,000	2022/10/14~2023/4/14	2.00%	"
"	50,000	2022/12/9~2023/1/9	2.35%	"
"	50,000	2022/10/26~2023/4/24	1.87%	"
"	25,000	2022/10/11~2023/4/9	2.10%	"
	<u>\$ 255,000</u>			

Type of borrowings	December 31, 2021	Borrowing period	Interest rate	Collateral
Bank secured borrowings	\$ 66,000	2021/11/15~2022/3/15	1.50%	Note 8

Interest expense recognised in profit or loss amounted to \$2,453 and \$520 for the years ended December 31, 2022 and 2021, respectively.

(8) Other accounts payable

	December 31, 2022	December 31, 2021
Wages and bonuses payable	\$ 29,048	\$ 23,377
Payable on service fees	11,297	9,743
Payable on machinery and equipment	4,466	2,309
Payable on commissions	2,366	1,213
Unused compensated absences payable	2,087	1,874
Payable on spare parts	831	7,300
Others	10,597	7,329
	<u>\$ 60,692</u>	<u>\$ 53,145</u>

(9) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 9,227	\$ 12,062
Fair value of plan assets	(20,808)	(21,146)
Net defined benefit liability		
(shown as other non-current assets)	<u>(\$ 11,581)</u>	<u>(\$ 9,084)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
At January 1	\$ 12,062	\$ 21,146	(\$ 9,084)
Interest expense (income)	90	159	(69)
	<u>12,152</u>	<u>21,305</u>	<u>(9,153)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,629	(1,629)
Change in financial assumptions	(590)	-	(590)
Experience adjustments	(209)	-	(209)
	<u>(799)</u>	<u>1,629</u>	<u>(2,428)</u>
Pension fund contribution	(2,125)	(2,125)	-
At December 31	<u>\$ 9,228</u>	<u>\$ 20,809</u>	<u>(\$ 11,581)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2021</u>			
At January 1	\$ 13,884	\$ 20,777	(\$ 6,893)
Interest expense (income)	48	72	(24)
	<u>13,932</u>	<u>20,849</u>	<u>(6,917)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	297	(297)
Change in demographic assumptions	615	-	615
Change in financial assumptions	(470)	-	(470)
Experience adjustments	(2,015)	-	(2,015)
	<u>(1,870)</u>	<u>297</u>	<u>(2,167)</u>
Pension fund contribution	-	-	-
At December 31	<u>\$ 12,062</u>	<u>\$ 21,146</u>	<u>(\$ 9,084)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Discount rate	1.40%	0.75%
Future salary increases	4.50%	4.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	<u>231</u>	<u>(239)</u>	<u>(226)</u>	<u>220</u>
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	<u>298</u>	<u>(309)</u>	<u>(293)</u>	<u>284</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$0.

(h) As of December 31, 2022, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	709
1-5 year(s)		1,848
5-10 years		1,877
Over 10 years		2,133
	\$	<u>6,567</u>

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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.

(b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$4,273 and \$3,765, respectively.

(10) Share-based payment

A. 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	2019.8.30	8,508	7 years	Note
Employee stock options	2020.12.25	1,663	7 years	Note
Employee stock options	2021.11.24	1,337	7 years	Note

Note: Employee stock options are 50% vested after 2 years of service, 75% vested after 3 years of service and 100% vested after 4 years of service.

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

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	9,075	\$ 12.13	8,448	\$ 13.56
Options granted	-	-	1,337	10.80
Options forfeited	(460)	-	(710)	-
Options outstanding at December 31	8,615	\$ 12.13	9,075	\$ 12.13
Options exercisable at December 31	5,136	\$ 12.43	3,058	\$ 12.60

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

		December 31, 2022		December 31, 2021	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2019.8.30	2026.8.29	5,819	\$ 12.60	6,115	\$ 12.60
2020.12.25	2027.12.24	1,544	11.45	1,623	11.45
2021.11.24	2028.11.23	1,252	10.80	1,337	10.80

D. The fair value of stock options granted on August 30, 2019, December 25, 2020 and November 24, 2021 are measured using the Black-Scholes option-pricing model. Relevant information are as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (Year)	Expected dividends (%)	free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2019.8.30	\$ 13.60	\$ 12.60	39.979~41.061%	3.25~4.375	-	0.522 ~ 0.543%	\$ 4.01~4.52
Employee stock options	2020.12.25	11.45	11.45	43.540~46.311%	3.25~4.375	-	0.177 ~ 0.197%	3.73~4.05
Employee stock options	2021.11.24	10.80	10.80	41.68%	4.875	-	0.46%	3.81~4.08

- E. For the years ended December 31, 2022 and 2021, the compensation cost arising from employee stock options amounted to \$7,064 and \$9,087, of which \$1,380 and \$3,162, respectively, pertain to share-based payments paid to the employees of the parent company, and \$5,684 and \$5,925, respectively, pertain to compensation costs paid to the employees of the Company.
- F. On April 6, 2021, the Company's parent company transferred treasury shares to employees of its subordinate companies, of which the number of shares granted to the employees of the Company was 638 thousand shares at an exercise price of \$10.31 (in dollars) per share. For the year ended December 31, 2021, the Company's compensation costs arising from the aforementioned share-based payment agreement amounted to \$1,780.

(11) 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, and the paid-in capital was \$1,886,180 with a par value of \$10 (in dollars) per share.
- B. To meet the Company's long-term business development needs, replenish working capital and invest in projects that are beneficial to the Company's business development, the stockholders at their stockholders' meeting on November 13, 2019 adopted a resolution to raise additional cash through private placement. On the same date, the Board of Directors resolved to set the effective date of private placement capital increase on November 27, 2019 at the subscription price of \$13.44 (in dollars) per share. The amount of capital raised through the private placement was \$1,377,600, which had been registered. The ordinary shares raised through the private placement must follow the Securities and Exchange Act that they will be able to issue and offer 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.

(12) 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 overdue dividends unclaimed by shareholders shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.

C. Movements in the capital surplus are as follows:

	2022			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,340	\$ 25,561	\$ 2,795	\$ 130,696
Share-based payments	(1,380)	7,064	-	5,684
Employee stock options forfeited	1,068	(1,068)	-	-
Overdue dividends unclaimed by shareholders	-	-	131	131
At December 31	<u>\$ 102,028</u>	<u>\$ 31,557</u>	<u>\$ 2,926</u>	<u>\$ 136,511</u>
	2021			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 110,454	\$ 14,694	\$ 2,462	\$ 127,610
Capital surplus used to cover accumulated deficit	(4,952)	-	-	(4,952)
Share-based payments	(3,162)	10,867	-	7,705
Overdue dividends reclaimed by shareholders	-	-	(21)	(21)
Overdue dividends unclaimed by shareholders	-	-	337	337
Others	-	-	17	17
At December 31	<u>\$ 102,340</u>	<u>\$ 25,561</u>	<u>\$ 2,795</u>	<u>\$ 130,696</u>

(13) Retained earnings (accumulated deficit)

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with the unappropriated earnings of prior years and current adjustments on unappropriated earnings shall be proposed by the Board of Directors based on actual needs. While, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares.
- B. If the Company distributed all or partial of appropriate dividend and bonus, capital surplus or the legal reserve in the form of cash, they should be resolved by a majority vote at a meeting of Board of Directors attended by two-third of the total number of the directors, and be reported to the shareholders. Abovementioned dividends distribution should consider factors of finance, business and operations to appropriate distributable earnings for the period. Cash dividends shall account for at least 10% of the total of cash and stock dividends distributed.

- C. 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.
- D. 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.
- E. On August 20, 2021, the shareholders at their annual meeting approved the proposal for the 2020 deficit compensation to cover deficit of \$4,952 by using capital surplus. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 30, 2021.
- F. On June 7, 2022, the shareholders at their annual meeting approved the proposal not to distribute earnings for the year of 2021, since the Company had an accumulated deficit. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 9, 2022.
- G. On March 9, 2023, the Board of Directors resolved not to distribute earnings for the year of 2022, since the Company had an accumulated deficit.

Information on the Company's deficit compensation as resolved by the shareholders and the Board of Directors are posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(14) Operating revenue

	Year ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 1,145,661	\$ 1,692,213

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Year ended December 31,	
	2022	2021
Revenue from external customer contracts		
Asia	\$ 751,296	\$ 1,400,466
America	369,572	268,741
Europe	24,785	23,106
Oceania	8	-
	<u>\$ 1,145,661</u>	<u>\$ 1,692,313</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Contract liability – unearned revenue	<u>\$ 11,289</u>	<u>\$ 20,202</u>	<u>\$ 9,886</u>

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 10,331</u>	<u>\$ 8,251</u>

(15) Other gains and losses

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Gains on disposals of non-current assets classified as held for sale	\$ -	\$ 20,896
Compensation for losses	-	(15,689)
Gains on financial assets at fair value through profit or loss	39,093	1,209
Foreign exchange losses	(615)	(4,338)
Others	-	190
	<u>\$ 38,478</u>	<u>\$ 2,268</u>

(16) Expenses by nature

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Employee benefit expense	\$ 130,588	\$ 121,001
Depreciation charges (Note)	16,018	14,558
Amortisation charges on intangible assets	1,069	1,087
	<u>\$ 147,675</u>	<u>\$ 136,646</u>

Note: Including depreciation charges on property, plant and equipment and right-of-use assets.

(17) Employee benefit expense

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 115,399	\$ 107,040
Labour and health insurance fees	7,859	7,037
Pension costs	4,205	3,741
Other personnel expenses	3,125	3,183
	<u>\$ 130,588</u>	<u>\$ 121,001</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees and not be higher than 2% for directors and supervisors. However, if the Company has accumulated deficit, earnings should first be reserved to cover accumulated deficit.
- B. Due to the accumulated deficit, no employees' compensation and directors' and supervisors' remuneration was accrued for the years ended December 31, 2022 and 2021.
- C. 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.

(18) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2022	2021
Current tax:		
Prior year income tax estimation	\$ -	\$ -
Total current tax	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense	\$ -	\$ -

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2022	2021
Tax calculated based on profit (loss)		
before tax and statutory tax rate	\$ 3,261	(\$ 30,113)
Expenses disallowed by tax regulation	92	8
Temporary differences not recognised as deferred tax assets	(1,382)	97
Taxable loss not recognised as deferred tax assets	588	25,174
Change in assessment of realisation of deferred tax assets	(2,559)	4,834
Income tax expense	\$ -	\$ -

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

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 68,518	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Filed	129,909	129,909	129,909	2031
2022 Estimated	2,939	2,939	2,939	2032
	<u>\$ 374,312</u>	<u>\$ 349,285</u>	<u>\$ 321,550</u>	

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 81,314	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Filed	44,885	44,885	44,885	2030
2021 Filed	125,870	125,870	125,870	2031
	<u>\$ 367,334</u>	<u>\$ 342,307</u>	<u>\$ 327,368</u>	

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 13,063</u>	<u>\$ 17,991</u>

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

(19) Earnings (loss) per share

	Year ended December 31, 2022		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,306</u>	<u>188,618</u>	<u>\$ 0.09</u>

	Year ended December 31, 2021		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 150,566)	188,618	(\$ 0.80)

(20) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 11,272	\$ 18,906
Add: Opening balance of payable on equipment	2,309	747
Less: Ending balance of payable on equipment	(4,466)	(2,309)
Cash paid during the year	<u>\$ 9,115</u>	<u>\$ 17,344</u>

	Year ended December 31,	
	2022	2021
Disposals of non-current assets classified as held for sale	\$ -	(\$ 238,698)
Gains on disposals of non-current assets classified as held for sale	-	(20,896)
Net exchange differences	-	(6,739)
Cash received during the year	<u>\$ -</u>	<u>(\$ 266,333)</u>

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company is controlled by Kinpo Electronics Inc. (KPO), which owns 68.9% of the Company's shares.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Kinpo Electronics, Inc.	Parent company
Cal-Comp Electronics & Communications Co., Ltd.	Sister company
Cal-Comp Electronics (Thailand) Public Company Limited	Sister company
SaveCom International Inc.	Other related company
Compal Electronics, Inc. and its subsidiaries	Other related company

(3) Significant related party transactions

A. Operating revenue:

	Year ended December 31,	
	2022	2021
Sales of finished goods and raw materials:		
Other related company	\$ -	\$ 45,041
Sales of services:		
Other related company	-	1,392
	<u>\$ -</u>	<u>\$ 46,433</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, all sales to the aforementioned related parties are made at prices available to third parties. The credit terms are 1-6 months to third parties and 2-3 months to related parties.

B. Purchases:

	Year ended December 31,	
	2022	2021
Sister company		
-Cal-Comp Electronics (Thailand) Public Company Limited	\$ 961,574	\$ 1,694,877
Other related company	-	2,377
	<u>\$ 961,574</u>	<u>\$ 1,697,254</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, the Group makes purchases from the aforementioned related parties at the prevailing market price. The payment terms are 1-4 months to third parties and 3-4 months to related parties.

C. Other expense:

	Year ended December 31,	
	2022	2021
Human support service fee:		
Sister company		
-Cal-Comp Electronics & Communications Co., Ltd.	\$ 4,742	\$ -

D. Accounts receivable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Other related company	\$ -	\$ 44,825

The receivables from related parties arise mainly from sale transactions. The receivables are due 60 to 90 days after the date of sales. The receivables are unsecured in nature and bear no interest.

There are no provisions held against receivables from related parties.

E. Other receivables:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Receivables from raw materials		
purchases on behalf of others:		
Sister company		
-Cal-Comp Electronics (Thailand) Public		
Company Limited	\$ 109,365	\$ 44,573

F. Payables to related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Sister company		
-Cal-Comp Electronics (Thailand) Public		
Company Limited	\$ 403,476	\$ 694,579
	<u>403,476</u>	<u>694,579</u>
Other payables — other:		
Parent company	3	1
Sister company		
-Cal-Comp Electronics (Thailand) Public		
Company Limited	7,491	2,703
-Others	786	-
	<u>8,280</u>	<u>2,704</u>
	<u>\$ 411,756</u>	<u>\$ 697,283</u>

(a) Accounts payable arise mainly from purchase transactions and are due 90 to 120 days after the date of purchase. The payables are non-interest bearing.

(b) Receivables and payables arising from purchases on behalf of related parties amounted to \$5,135,814 and \$1,613,314, respectively, and the net amount is reported as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities.

(4) Key management compensation

	Year ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 21,512	\$ 20,800
Post-employment benefits	216	206
	<u>\$ 21,728</u>	<u>\$ 21,006</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Pledged demand deposits (shown as other current assets)	<u>\$ 5,006</u>	<u>\$ 2,000</u>	Collateral for bank borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Due to the COVID-19 pandemic, there is a lot of uncertainty in the global economy since 2020. Based on the Company's assessment, the pandemic has no significant impact on the Company in terms of going concern assumption, impairment of assets and related financing risks. The Company continues to expand its customer base and improve its product research and development capabilities to strengthen market competitiveness. However, the Company will continue to closely monitor the subsequent development of the pandemic and assess the impact on the Company.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to maximize shareholders' equity by maintaining an optimal capital structure. The Group's key management examines the capital structure which comprise the cost of capital and related risk. In order to maintain the capital structure, the Group may pay dividends, issue new shares, repurchase stock and increase or repay debt.

(3) Financial instruments

A. Financial instruments by category

For information and amounts related to the Group's financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable (including related parties), other receivables (including related parties), other current financial assets, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables and lease liabilities, refer to the consolidated balance sheets and Note 6.

B. Financial risk management policies

The Group'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. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group financial position and financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; 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 amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 15,645	30.71	\$ 480,458
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,293	30.71	\$ 561,778

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,899	27.68	\$ 827,604
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 26,417	27.68	\$ 731,223

iii. The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Group amounted to \$615 and \$4,338 for 2022 and 2021, respectively.

(b) Price risk

The Group's investments in equity securities comprise hybrid instrument issued by the foreign enterprise. The prices of hybrid instrument would change due to the change of the future value of investee companies. If the prices of these hybrid instrument 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 \$14,682 and \$14,554, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(c) Cash flow and fair value Interest rate risk

The short-term loans for short-term capital revolving requirements are mostly at floating rates, their major risks can be offset by the cash position at floating rates.

(d) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group 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.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only banks with good credit and financial institutions with sufficient investment grades or above are deemed acceptable for investing. According to the Group's credit policy, each local entity in the Group 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 Group assesses expected credit loss on individual significant defaulted accounts receivable, and classifies remaining customers' accounts receivable in accordance with characteristics of customer types. The Group applies different loss rate methodology or provision matrix as basis to estimate expected credit loss on different groups.
- iv. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Group does not expect any significant default possibility of accounts receivable.
- v. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days	Total
<u>At December 31, 2022</u>			
Expected loss rate	0.10%	0.10%	
Total book value	\$ 208,283	\$ 61,273	\$ 269,556
Loss allowance	(\$ 209)	(\$ 61)	(\$ 270)
<u>At December 31, 2021</u>			
Expected loss rate	0.05%	0.05%	
Total book value	\$ 685,970	\$ 23,131	\$ 709,101
Loss allowance	(\$ 343)	(\$ 12)	(\$ 355)

- vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
	Accounts receivable	Accounts receivable
At January 1	\$ 355	\$ 87
Provision for impairment	-	268
Reversal of impairment loss	(85)	-
At December 31	\$ 355	\$ 355

(e) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

- ii. The table below analyses the Group'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.

As of December 31, 2022 and 2021, the Group's non-derivative financial liabilities (including short-term borrowings, accounts payable, accounts payable to related parties and other payables) will expire within 1 year.

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 2,893	\$ 2,533	\$ 5,426
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 3,243	\$ 5,426	\$ 8,669

(4) 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.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 3.

- B. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties) and other payables are approximate to their fair values.

C. The related information on 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 at December 31, 2022 and 2021 is as follows:

(a) The related information on the nature 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>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 1,468,178	\$ 1,468,178

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 1,455,382	\$ 1,455,382

(b) The fair values of convertible bonds as of December 31, 2022 and 2021 were measured using the binomial model (one of the lattice models) and lattice model, respectively. The main assumptions used are as follows:

	<u>Fair value at December 31, 2022</u>	<u>Expected duration</u>	<u>Risk-free rate of interest</u>	<u>Expected price volatility (%)</u>
Convertible bonds	\$ 1,468,178	1.99 years	3.79%	43.26%
	<u>Fair value at December 31, 2021</u>	<u>Expected duration</u>	<u>Risk-free rate of interest</u>	<u>Expected price volatility (%)</u>
Convertible bonds	\$ 1,455,382	2.99 years	1.79%	42.31%

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

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

	<u>2022</u>	<u>2021</u>
	<u>Hybrid instrument</u>	<u>Hybrid instrument</u>
At January 1	\$ 1,455,382	\$ 1,479,555
Gains recognised in profit or loss	39,093	1,209
Interest received	(26,297)	(25,382)
At December 31	\$ 1,468,178	\$ 1,455,382

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

G. The Group's fair value measurements categorised within Level 3 is valued through outsourced appraisal performed by the external valuer.

H. 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 December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bond	<u>\$ 1,468,178</u>	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	- 13.62% 20%	The higher the long- term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bond	<u>\$ 1,455,382</u>	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	- 14.60% 20%	The higher the long- term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used by external valuer to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on 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		
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,682	(\$ 14,682)
		December 31, 2021		
		Recognised in profit or loss		
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,554	(\$ 14,554)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.
- 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: Refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 4.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Refer to table 5.

14. Segment Information

(5) General information

The Group operates business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(6) Reconciliation for segment income (loss)

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. No reconciliation is needed as the Group's reportable segments income (loss) is the income (loss) before tax.

(7) Information on products and services

Revenues from external customers are as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Consumer Electronics	\$ 1,144,572	\$ 1,690,609
Service revenue	1,089	1,704
	<u>\$ 1,145,661</u>	<u>\$ 1,692,313</u>

The Group derives revenue from the transfer of goods and services at a point in time.

(8) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is disclosed in Note 6(14).

(9) Major customer information

Major customer information for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
Client	Revenue	Percentage of operating revenue (%)	Revenue	Percentage of operating revenue (%)
Client F	\$ 397,869	35%	\$ 951,122	56%
Client I	347,964	30%	50,037	3%
Client A	151,327	13%	40,497	2%
Client C	55,554	5%	255,440	15%
Client H	12,040	1%	215,769	13%
	<u>\$ 964,754</u>	<u>84%</u>	<u>\$ 1,512,865</u>	<u>89%</u>

Castlenet Technology Inc. and Subsidiaries

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

December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of Decemeber 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Castlenet Technology Inc.	SPI. Convertible Bond	None	Non-current financial assets at fair value through profit or loss	-	\$ 1,468,178	-	\$ 1,468,178	

Castlenet Technology Inc. and Subsidiaries

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 2

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 (Note)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
			Purchases	\$							
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited.	Subsidiary of the Company's parent, Kinpo Electronics Inc.	Purchases	\$ 961,574	58%	90-120 days after monthly billings	Available to third parties	90-120 days after monthly billings	(\$ 403,476)	74%	Note

Note: The abovementioned accounts payable to related parties are mainly comprised of the balance of accounts payable for purchasing finished goods from sister companies.

Castlenet Technology Inc. and Subsidiaries

Information on investees

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment profit (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				December 31, 2022	December 31, 2021				the year ended	the year ended	
									December 31, 2022	December 31, 2022	
CastleNet Technology Inc.	Castlenet Technology (BVI) Inc.	British Virgin Islands	Investment holdings	\$ 302,692	\$ 302,692	8,708	100	\$ 40,294	(\$ 458)	(\$ 458)	Note

Castlenet Technology Inc. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment profit (loss) recognised by the Company for the year ended December 31, 2022 (Note 3)	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
CastleNet Technology Inc. - Kunshan	Manufacture and design broadband communication products such as modem and sell selfproduced products	\$ 230,325 USD 7,500	2	\$ 230,325 USD 7,500	\$ -	\$ -	\$ 230,325 USD 7,500	(\$ 427)	100	(\$ 427)	\$ 33,138	\$ -
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
CastleNet Technology Inc. - Kunshan	\$ 230,325	\$ 230,325	\$ 1,120,890									

Note 1: The numbers in this table are expressed in New Taiwan Dollars. For the amounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate used in financial statements.

Note 2: 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 establishing Castlent Technology (BVI) Inc. in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 3: The investment income (loss) was recognised based on the financial statements audited by independent auditors for the year ended December 31, 2022.

Castlenet Technology Inc. and Subsidiaries

Major shareholders information

December 31, 2022

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Kinpo Electronics, Inc.	129,959	68.9%

6.5 Latest Individual Financial Statements and Auditor’s Report.

INDEPENDENT AUDITORS’ REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

We have audited the accompanying parent company only balance sheets of CastleNet Technology Inc. (the “Company”) as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 Company’s 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s 2022 parent company only financial statements are stated as follows:

Existence of sales revenue

Description

Refer to Note 4(27) for accounting policies on revenue recognition.

The Company is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.
3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(10) for the accounting policies on valuation of inventories, Note 5 for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2022, the inventories and allowance for valuation loss amounted to NT\$566,548 thousand and NT\$11,315 thousand, respectively.

The Company is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to rapid technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Company measures inventories at the lower of cost and net realisable value. For inventories that are over a certain age and individually identified as obsolete, the net realisable value is determined based on historical data on inventory clearance and discount.

Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.
2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Valuation of non-current financial assets at fair value through profit or loss

Description

Refer to Note 4(6) for the accounting policies on financial assets at fair value through profit or loss – non-current and Note 6(2) for the details of financial assets at fair value through profit or loss – non-current. As of December 31, 2022, the balance of non-current financial assets at fair value through profit or loss amounted to NT\$1,468,178 thousand, constituting 53% of the parent company only total assets. As the non-current financial assets at fair value through profit or loss accounted for a significant portion of the parent company only financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Company used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management's subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of non-current financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser's work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss – non-current to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the 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 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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 auditors' 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 auditors' 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Sheng-Chung
PricewaterhouseCoopers, Taiwan
March 9, 2023

Wu, Han-Chi

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.

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

Assets			December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	217,151	8	\$	112,476	4
1170	Accounts receivable, net	6(3) and 7		269,286	10		708,746	26
1200	Other receivables	7		113,542	4		44,595	2
130X	Inventory	6(4)		555,233	20		263,419	10
1479	Other current assets	8		40,301	1		35,091	1
11XX	Total current assets			1,195,513	43		1,164,327	43
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		1,468,178	53		1,455,382	53
1550	Investments accounted for under equity method	6(5)		40,294	2		39,527	2
1600	Property, plant and equipment	6(6)		23,766	1		29,368	1
1755	Right-of-use assets	6(7)		5,073	-		8,050	-
1780	Intangible assets			2,307	-		446	-
1840	Deferred income tax assets			5,547	-		2,988	-
1920	Guarantee deposits paid			818	-		14,764	1
1990	Other non-current assets	6(10)		12,414	1		9,189	-
15XX	Total non-current assets			1,558,397	57		1,559,714	57
1XXX	Total assets		\$	2,753,910	100	\$	2,724,041	100

(Continued)

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

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 255,000	9	\$ 66,000	2
2130	Current contract liabilities	6(15)	11,289	1	20,202	1
2170	Accounts payable		140,894	5	24,113	1
2180	Accounts payable - related parties	7	403,476	15	694,579	25
2200	Other payables	6(9) and 7	60,216	2	52,755	2
2280	Current lease liabilities		2,816	-	3,106	-
2399	Other current liabilities		1,023	-	1,082	-
21XX	Total current liabilities		874,714	32	861,837	31
Non-current liabilities						
2570	Deferred income tax liabilities		5,547	-	2,988	-
2580	Non-current lease liabilities		2,510	-	5,325	-
2600	Other non-current liabilities		2,989	-	11,515	1
25XX	Total non-current liabilities		11,046	-	19,828	1
2XXX	Total liabilities		885,760	32	881,665	32
Equity						
	Share capital	6(12)				
3110	Common stock		1,886,180	69	1,886,180	69
	Capital surplus	6(11)(13)				
3200	Capital surplus		136,511	5	130,696	5
	Retained earnings	6(14)				
3310	Legal reserve		18,969	1	18,969	1
3350	Accumulated deficit		(129,665)	(5)	(148,399)	(5)
	Other equity interest					
3400	Other equity interest		(43,845)	(2)	(45,070)	(2)
3XXX	Total equity		1,868,150	68	1,842,376	68
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 2,753,910	100	\$ 2,724,041	100

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15) and 7		\$ 1,145,661	100	\$ 1,692,313	100
5000 Operating costs	6(4) and 7		(973,535)	(85)	(1,671,999)	(99)
5900 Operating margin			172,126	15	20,314	1
Operating expenses	6(17)(18)					
6100 Selling expenses			(19,295)	(2)	(21,717)	(1)
6200 General and administrative expenses			(57,919)	(5)	(54,378)	(3)
6300 Research and development expenses			(117,989)	(10)	(93,665)	(6)
6000 Total operating expenses			(195,203)	(17)	(169,760)	(10)
6900 Operating loss			(23,077)	(2)	(149,446)	(9)
Non-operating income and expenses						
7100 Interest income			991	-	162	-
7010 Other income			2,918	-	1,228	-
7020 Other gains and losses	6(16)		38,528	4	(2,715)	-
7050 Finance costs	6(7)(8)		(2,596)	-	(716)	-
7070 Share of (loss) profit of associates and joint ventures accounted for using equity method, net			(458)	-	921	-
7000 Total non-operating income and expenses			39,383	4	(1,120)	-
7900 Profit (loss) before income tax			16,306	2	(150,566)	(9)
7950 Income tax expense	6(19)		-	-	-	-
8200 Profit (loss) for the year			\$ 16,306	2	(\$ 150,566)	(9)
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial gains on defined benefit plan	6(10)		\$ 2,428	-	\$ 2,167	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			1,225	-	(312)	-
8300 Other comprehensive income for the year, net of tax			\$ 3,653	-	\$ 1,855	-
8500 Total comprehensive income (loss) for the year			\$ 19,959	2	(\$ 148,711)	(9)
Earnings (loss) per share (in dollars)	6(20)					
9750 Basic earnings (loss) per share			\$ 0.09		(\$ 0.80)	
9850 Diluted earnings (loss) per share			\$ 0.09		(\$ 0.80)	

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

			Retained Earnings		Other Equity Interest		
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Total equity
<u>Year ended December 31, 2021</u>							
Balance at January 1, 2021		\$ 1,886,180	\$ 127,610	\$ 18,969	(\$ 4,952)	(\$ 44,758)	\$ 1,983,049
Loss for the year		-	-	-	(150,566)	-	(150,566)
Other comprehensive income (loss)		-	-	-	2,167	(312)	1,855
Total comprehensive loss		-	-	-	(148,399)	(312)	(148,711)
Capital surplus used to cover accumulated deficit	6(14)	-	(4,952)	-	4,952	-	-
Share-based payments	6(11)(13)	-	7,705	-	-	-	7,705
Overdue dividends unclaimed by shareholders	6(13)	-	337	-	-	-	337
Overdue dividends reclaimed by shareholders		-	(21)	-	-	-	(21)
Others		-	17	-	-	-	17
Balance at December 31, 2021		<u>\$ 1,886,180</u>	<u>\$ 130,696</u>	<u>\$ 18,969</u>	<u>(\$ 148,399)</u>	<u>(\$ 45,070)</u>	<u>\$ 1,842,376</u>
<u>Year ended December 31, 2022</u>							
Balance at January 1, 2022		\$ 1,886,180	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Profit for the year		-	-	-	16,306	-	16,306
Other comprehensive income		-	-	-	2,428	1,225	3,653
Total comprehensive income		-	-	-	18,734	1,225	19,959
Share-based payments	6(11)(13)	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(13)	-	131	-	-	-	131
Balance at December 31, 2022		\$ 1,886,180	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150

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

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

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 16,306	(\$ 150,566)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(17)	16,018	14,558
Amortization	6(17)	1,069	596
(Gain) loss on expected credit impairment	12(3)	(85)	268
Employee share options	6(11)	5,684	7,705
Interest income	(	991)	(162)
Interest expense		2,596	716
Share of loss (profit) of subsidiaries accounted for under equity method		458	(921)
Gain on financial assets at fair value through profit or loss	6(16)	(39,093)	(1,209)
Cost of provisions		3,353	7,819
Liabilities transferred to income	(	2,751)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		439,545	(361,682)
Other receivables	(	180)	(8,456)
Inventory	(	295,620)	(225,251)
Other current assets	(	5,210)	(31,812)
Other non-current assets	(	797)	(129)
Changes in operating liabilities			
Current contract liabilities	(	8,913)	10,316
Accounts payable		116,781	(25,231)
Accounts payable to related parties	(	291,103)	266,922
Other payables		5,212	12,203
Other current liabilities	(	59)	(19)
Other non-current liabilities	(	5,581)	(1,651)
Cash outflow generated from operations	(	43,361)	(469,074)
Interest paid	(	2,246)	(678)
Income taxes received		12	137
Income taxes paid	(	77)	(9)
Net cash flows used in operating activities	(	45,672)	(469,624)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in receivables from raw material purchases	(	64,793)	19,353
Acquisition of property, plant and equipment	6(21)	(9,115)	(17,344)
Acquisition of intangible assets	(	2,930)	-
Decrease in guarantee deposits paid		13,946	826
Interest received		27,213	25,544
Capital reduction of subsidiaries accounted for under equity method	6(5)	-	235,280
Net cash flows (used in) from investing activities	(	35,679)	263,659
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		450,000	66,000
Repayments of short-term borrowings	(	261,000)	-
Repayment of lease principal	(	3,105)	(3,048)
Overdue dividends unclaimed by shareholders	6(13)	131	337
Others		-	(4)
Net cash flows from financing activities		186,026	63,285
Net increase (decrease) in cash and cash equivalents		104,675	(142,680)
Cash and cash equivalents at beginning of year		112,476	255,156
Cash and cash equivalents at end of year	6(1)	\$ 217,151	\$ 112,476

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

CASTLENET TECHNOLOGY INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organization

CastleNet Technology Inc. (the “Company”) was incorporated as a company limited by shares on June 26, 1998 and obtained Business Registration Certificate on August 26, 1998. In addition, the Company’s stocks were listed on the Taipei Exchange in March 2010. The Company is primarily engaged in manufacturing and selling consumer electronics products such as broadband communications and digital home entertainment.

2. The Date of Authorisation for Issuance of the Parent Company Only Financial Statements and Procedures for Authorisation

The 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 the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting 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 as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments 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 Rules Governing the Preparation of Financial Statements by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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 Dollar, which is the Company’s functional and the Company’s presentation 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 profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. 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. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other 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

The operating results and financial position of all the Company entities arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(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. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement 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) 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.

(8) Impairment of financial assets

At each reporting date, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) 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). It excludes borrowing costs. 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 the estimated costs necessary to make the sale.

(11) Investments accounted for using equity method – subsidiaries

- 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 gains and losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- 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, including any other unsecured receivables, the Company continues to recognise losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly 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 Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) and other comprehensive income of the current period in the parent company only financial statements shall 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 equal to equity attributable to owners of the parent in the parent company only financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- 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 Company 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:

Machinery and equipment	10	years
Testing equipment	3 ~ 10	years
Molding	1 ~ 2	years
Implements equipment	3 ~ 6	years
Other equipment	2 ~ 10	years

(13) 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 fixed payments, less any lease incentives receivable. The Company

subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term.

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;

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 and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(15) 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.

(16) Borrowings

Borrowings comprise 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.

(17) 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.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(21) Provisions

Provisions (including warranties.) are recognised when the Company 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.

(22) 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

(a) Defined contribution plan

For the defined contribution plan, 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.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) 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.

(24) 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.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

A. The Company manufactures and sells a range of consumer electronics products such as broadband communications and digital home entertainments. 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.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the 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

A. 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.

Refer to Note 6(4) for the carrying amounts of inventories as of December 31, 2022 and 2021.

B. Financial assets—fair value measurement of unlisted stocks without active market

The fair value of financial assets at fair value through profit or loss - non-current held by the Company is determined considering market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these financial assets.

Refer to Note 6(2) for the carrying amounts of non-current financial assets at fair value through profit or loss as of December 31, 2022 and 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 181	\$ 172
Checking accounts and demand deposits	30,238	19,264
Time deposits	186,732	83,040
Repo bonds	-	10,000
	<u>\$ 217,151</u>	<u>\$ 112,476</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. The Company's demand deposits pledged to others as collateral had been transferred to "other current asset". Refer to Note 8 for details.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ 1,361,091	\$ 1,387,389
Valuation adjustment	107,087	67,993
	<u>\$ 1,468,178</u>	<u>\$ 1,455,382</u>

A. The Company has no financial assets at fair value through profit or loss pledged to others.

- B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

December 31, 2022			
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

December 31, 2021			
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

- C. On December 27, 2019, the Company acquired convertible bonds issued by SPI for KRW 54,990,000 thousand. In accordance with the contract, both parties may, in the event of any serious occurrence, decide whether to re-negotiate the coupon rate and other contract terms and conditions on a semi-annual basis, and interest will be charged annually at the agreed coupon rate. In addition, the Company has the right to convert the bonds into ordinary shares of SPI at KRW 1,000 per share at maturity.
- D. The interest received during the years ended December 31, 2022 and 2021 at the agreed coupon rate was \$26,297 and \$25,382, respectively.
- E. The movements of the Company's financial assets measured at fair value through profit or loss is provided in Note 12(4).

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 1,027	\$ 1,117
Accounts receivable	268,529	663,159
Accounts receivable due from related parties	-	44,825
Less: Allowance for uncollectible accounts	(270)	(355)
	<u>\$ 269,286</u>	<u>\$ 708,746</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, 2020
	Accounts receivable	Accounts receivable
Not past due	\$ 208,283	\$ 685,970
Up to 90 days	61,273	23,131
	<u>\$ 269,556</u>	<u>\$ 709,101</u>

The above ageing analysis was based on past due date.

B. Accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables (including notes receivable) from contracts with customers amounted to \$347,419.

C. The Group has no notes and accounts receivable pledged to others.

D. Information relating to credit risk is provided in Note 12(3).

(4) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 378,002	(\$ 4,918)	\$ 373,084
Work in progress	722	(722)	-
Finished goods	187,824	(5,675)	182,149
	<u>\$ 566,548</u>	<u>(\$ 11,315)</u>	<u>\$ 555,233</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 156,970	(\$ 4,324)	\$ 152,646
Work in progress	785	(785)	-
Finished goods	115,494	(4,721)	110,773
	<u>\$ 273,249</u>	<u>(\$ 9,830)</u>	<u>\$ 263,419</u>
	Year ended December 31, 2022	Year ended December 31, 2021	
Cost of goods sold	\$ 972,050	\$ 1,681,984	
Valuation loss (gain)	1,485	(9,966)	
Others	-	(19)	
	<u>\$ 973,535</u>	<u>\$ 1,671,999</u>	

For the year ended December 31, 2021, the Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the sale of inventories whose net realisable value was lower than its cost.

(5) Investments accounted for under the equity method

	December 31, 2022	December 31, 2021
Subsidiaries:		
Castlenet Technology (BVI) Inc.	<u>\$ 40,294</u>	<u>\$ 39,527</u>

A. Refer to Note 4(3) in the consolidated financial statements for the years ended December 31, 2022 for the information on the Company's subsidiaries.

B. Refer to Note 13 for the information on the Company's subsidiaries in Mainland China.

- C. In line with the plan for operational changes in the subsidiary, the Board of Directors during its meeting on December 18, 2020 resolved to sell land use right and property, plant and equipment of the subsidiary, CastleNet Technology Inc. – Kunshan. The transfer process was completed on July 13, 2021. Refer to Note 6(7) in the Company's consolidated financial statements for the year ended December 31, 2021 for details.
- D. To utilise idle funds, the Board of Directors of the Company during its meeting on November 11, 2021 resolved the capital reduction and return of capital of the Company's subsidiaries, Castlenet Technology (BVI) Inc. and CastleNet Technology Inc. – Kunshan, with the effective date set on December 16, 2021. The registration has been completed. On December 24, 2021, the Company received USD 8.5 million as return of capital.
- E. The Board of Directors of the Company during its meeting on March 9, 2022 resolved the liquidation of the Company's subsidiaries, Castlenet Technology (BVI) Inc. and CastleNet Technology Inc. – Kunshan.

(6) Property, plant and equipment

	<u>Machinery</u>	<u>Test equipment</u>	<u>Molding</u>	<u>Implements equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 314	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,172	\$61,973
Accumulated depreciation and impairment	(259)	(26,458)	(3,383)	(463)	(2,042)	(32,605)
	<u>\$ 55</u>	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,130</u>	<u>\$29,368</u>
<u>2022</u>						
Opening net book amount as at January 1	\$ 55	\$ 12,404	\$ 8,015	\$ 4,764	\$ 4,130	\$29,368
Additions	-	7,945	869	1,620	838	11,272
Disposals	-	(3,495)	-	(19)	(319)	(3,833)
Depreciation charge	(32)	(4,235)	(5,915)	(1,466)	(1,393)	(13,041)
Closing net book amount as at December 31	<u>\$ 23</u>	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,256</u>	<u>\$23,766</u>
<u>At December 31, 2022</u>						
Cost	\$ 314	\$ 24,798	\$ 11,459	\$ 6,707	\$ 5,733	\$49,011
Accumulated depreciation and impairment	(291)	(12,179)	(8,490)	(1,808)	(2,477)	(25,245)
	<u>\$ 23</u>	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,256</u>	<u>\$23,766</u>

	<u>Machinery</u>	<u>Test equipment</u>	<u>Molding</u>	<u>Implements equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1, 2021</u>						
Cost	\$ 314	\$ 38,321	\$ 2,264	\$ 140	\$ 6,906	\$ 47,945
Accumulated depreciation and impairment	(228)	(22,899)	(1,127)	(82)	(1,565)	(25,901)
	<u>\$ 86</u>	<u>\$ 15,422</u>	<u>\$ 1,137</u>	<u>\$ 58</u>	<u>\$ 5,341</u>	<u>\$ 22,044</u>
<u>2021</u>						
Opening net book amount as at January 1	\$ 86	\$ 15,422	\$ 1,137	\$ 58	\$ 5,341	\$ 22,044
Additions	-	2,988	10,590	5,087	241	18,906
Depreciation charge	(31)	(6,006)	(3,712)	(381)	(1,452)	(11,582)
Closing net book amount as at December 31	<u>\$ 55</u>	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,130</u>	<u>\$ 29,368</u>
<u>At December 31, 2021</u>						
Cost	\$ 314	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,172	\$ 61,973
Accumulated depreciation and impairment	(259)	(26,458)	(3,383)	(463)	(2,042)	(32,605)
	<u>\$ 55</u>	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,130</u>	<u>\$ 29,368</u>

The Company has no property, plant and equipment pledged to others as collateral for borrowings.

(7) Leasing arrangements – lessee

- A. The Company leases various assets including buildings, office and warehouse. Rental contracts are typically made for periods of 2-5 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.
- B. Short-term leases with a lease term of 12 months or less comprise part of office. Low-value assets comprise parking space and other office equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings, office and warehouse	<u>\$ 5,073</u>	<u>\$ 8,050</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings, office and warehouse	<u>\$ 2,977</u>	<u>\$ 2,976</u>

- D. For the years ended December 31, 2022 and 2021, there were no additions to right-of-use assets.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 136	\$ 196
Expense on short-term lease contracts	1,674	1,000
Expense on leases of low-value assets	546	692

F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$5,461 and \$4,936, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2022	Borrowing period	Interest rate	Collateral
Bank unsecured borrowings	\$ 66,000	2022/7/14~2023/1/14	2.00%	None
"	64,000	2022/10/14~2023/4/14	2.00%	"
"	50,000	2022/12/9~2023/1/9	2.35%	"
"	50,000	2022/10/26~2023/4/24	1.87%	"
"	25,000	2022/10/11~2023/4/9	2.10%	"
	<u>\$ 255,000</u>			

Type of borrowings	December 31, 2021	Borrowing period	Interest rate	Collateral
Bank unsecured borrowings	<u>\$ 66,000</u>	2021/11/15~2022/3/15	1.50%	Note8

Interest expense recognised in profit or loss amounted to \$2,453 and \$520 for the years ended December 31, 2022 and 2021, respectively.

(9) Other accounts payable

	December 31, 2022	December 31, 2021
Wages and bonuses payable	\$ 29,048	\$ 23,374
Payable on service fees	10,821	9,406
Payable on machinery and equipment	4,466	2,309
Payable on commissions	2,366	1,213
Unused compensated absences payable	2,087	1,874
Payable on spare parts	831	7,300
Others	10,597	7,279
	<u>\$ 60,216</u>	<u>\$ 52,755</u>

(10) Pensions

A. Defined benefit plans

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan,

two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 9,227	\$ 12,062
Fair value of plan assets	(20,808)	(21,146)
Net defined benefit liability		
(shown as other non-current assets, others)	(\$ 11,581)	(\$ 9,084)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
At January 1	\$ 12,062	\$ 21,146	(\$ 9,084)
Interest expense (income)	90	159	(69)
	<u>12,152</u>	<u>21,305</u>	<u>(9,153)</u>
Remeasurements:			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	1,629	(1,629)
Change in financial assumptions	(590)	-	(590)
Experience adjustments	(209)	-	(209)
	<u>(799)</u>	<u>1,629</u>	<u>(2,428)</u>
Pension fund contribution	(2,125)	(2,125)	-
At December 31	<u>\$ 9,228</u>	<u>\$ 20,809</u>	<u>(\$ 11,581)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2021</u>			
At January 1	\$ 13,884	\$ 20,777	(\$ 6,893)
Interest expense (income)	<u>48</u>	<u>72</u>	<u>(24)</u>
	<u>13,932</u>	<u>20,849</u>	<u>(6,917)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	297	(297)
Change in demographic assumptions	615	-	615
Change in financial assumptions	(470)	-	(470)
Experience adjustments	<u>(2,015)</u>	<u>-</u>	<u>(2,015)</u>
	<u>(1,870)</u>	<u>297</u>	<u>(2,167)</u>
Pension fund contribution	-	-	-
At December 31	<u>\$ 12,062</u>	<u>\$ 21,146</u>	<u>(\$ 9,084)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Discount rate	1.40%	0.75%
Future salary increases	4.50%	4.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 231	(\$ 239)	(\$ 226)	\$ 220
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	\$ 298	(\$ 309)	(\$ 293)	\$ 284

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$0.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	709
1-5 year(s)		1,848
5-10 years		1,877
Over 10 years		2,133
	\$	<u>6,567</u>

B. Defined contribution plans

- (a) 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.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$4,273 and \$3,765, respectively.

(11) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2019.8.30	8,508	7 years	Note
Employee stock options	2020.12.25	1,663	7 years	Note
Employee stock options	2021.11.24	1,337	7 years	Note

Note: Employee stock options are 50% vested after 2 years of service, 75% vested after 3 years of service and 100% vested after 4 years of service.

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

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	9,075	\$ 12.13	8,448	\$ 13.56
Options granted	-	-	1,337	10.80
Options forfeited	(460)	-	(710)	-
Options outstanding at December 31	<u>8,615</u>	<u>\$ 12.13</u>	<u>9,075</u>	<u>\$ 12.13</u>
Options exercisable at December 31	<u>5,136</u>	<u>\$ 12.43</u>	<u>3,058</u>	<u>\$ 12.60</u>

C. 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 (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2019.08.30	2026.08.29	5,819	\$ 12.60	6,115	\$ 12.60
2020.12.25	2027.12.24	1,544	11.45	1,623	11.45
2021.11.24	2028.11.23	1,252	10.80	1,337	10.80

- D. The fair value of stock options granted on August 30, 2019, December 25, 2020 and November 24, 2021 are measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (Year)	Expected dividends (%)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2019.8.30	\$13.60	\$12.60	39.979~ 41.061%	3.25~ 4.375	-	0.522 ~ 0.543%	\$ 4.01~ 4.52
Employee stock options	2020.12.25	11.45	11.45	43.540~ 46.311%	3.25~ 4.375	-	0.177 ~ 0.197%	3.73~ 4.05
Employee stock options	2021.11.24	10.80	10.80	41.68%	4.875	-	0.46%	3.81~ 4.08

- E. For the years ended December 31, 2022 and 2021, the compensation cost arising from employee stock options amounted to \$7,064 and \$9,087, of which \$1,380 and \$3,162, respectively, pertain to share-based payments paid to the employees of the parent company, and \$5,684 and \$5,925, respectively, pertain to the compensation costs paid to the employees of the Company.
- F. On April 6, 2021, the Company's parent company transferred treasury shares to employees of its subordinate companies, and the number of shares granted to the employees of the Company was 638 thousand shares at an exercise price of \$10.31 (in dollars) per share. For the year ended December 31, 2021, the Company's compensation costs arising from the aforementioned share-based payment agreement amounted to \$1,780.

(12) 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 and the paid-in capital was \$1,886,180 with a par value of \$10 (in dollars) per share.
- B. To meet the Company's long-term business development needs, replenish working capital and invest in projects that are beneficial to the Company's business development, the stockholders at their stockholders' meeting on November 13, 2019 adopted a resolution to raise additional cash through private placement. On the same date, the Board of Directors resolved to set the effective date of private placement capital increase on November 27, 2019 at the subscription price of \$13.44 (in dollars) per share. The amount of capital raised through the private placement was \$1,377,600, which had been registered. The ordinary shares raised through the private placement must follow the Securities and Exchange Act that they will be able to issue and offer 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.

(13) 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 overdue dividends unclaimed by shareholders shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.
- C. Movements in the capital surplus are as follows:

	2022			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,340	\$ 25,561	\$ 2,795	\$ 130,696
Share-based payments	(1,380)	7,064	-	5,684
Employee stock options forfeited	1,068	(1,068)	-	-
Overdue dividends unclaimed by shareholders	-	-	131	131
At December 31	<u>\$ 102,028</u>	<u>\$ 31,557</u>	<u>\$ 2,926</u>	<u>\$ 136,511</u>

	2021			
	Share premium	Employee stock options	Others	Total
At January 1	\$ 110,454	\$ 14,694	\$ 2,462	\$ 127,610
Capital surplus used to cover accumulated deficit	(4,952)	-	-	(4,952)
Share-based payments	(3,162)	10,867	-	7,705
Overdue dividends reclaimed by shareholders	-	-	(21)	(21)
Overdue dividends unclaimed by shareholders	-	-	337	337
Others	-	-	17	17
At December 31	<u>\$ 102,340</u>	<u>\$ 25,561</u>	<u>\$ 2,795</u>	<u>\$ 130,696</u>

(14) Retained earnings (accumulated deficit)

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with the unappropriated earnings of prior years and current adjustments on unappropriated earnings shall be proposed by the Board of Directors based on actual needs. While, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares.

- B. If the Company distributed all or partial of appropriated dividends and bonus, capital surplus or the legal reserve in the form of cash, they should be resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of the directors, and be reported to the shareholders. Abovementioned dividends distribution should consider factors of finance, business and operations to appropriate distributable earnings for the period. Cash dividends shall account for at least 10% of the total of cash and stock dividends distributed.
- C. 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.
- D. 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.
- E. On August 20, 2021, the shareholders at their annual meeting approved the proposal for the 2020 deficit compensation to cover deficit of \$4,952 by using capital surplus. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 30, 2021.
- F. On June 7, 2022, the shareholders at their annual meeting approved the proposal not to distribute earnings for the year of 2021, since the Company had an accumulated deficit. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 9, 2022.
- G. On March 9, 2023, the Board of Directors resolved not to distribute earnings for the year of 2022, since the Company had an accumulated deficit..

Information on the appropriation of the Company's deficit compensation as resolved by the shareholders and the Board of Directors are posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(15) Operating revenue

	Year ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 1,145,661	\$ 1,692,313

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Year ended December 31,	
	2022	2021
Revenue from external customer contracts		
Asia	\$ 751,296	\$ 1,400,466
America	369,572	268,741
Europe	24,785	23,106
Oceania	8	-
	\$ 1,145,661	\$ 1,692,313

B. Contract assets and liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:			
Contract liability – unearned revenue	\$ 11,289	\$ 20,202	\$ 9,886

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 10,331	\$ 8,251

(16) Other gains and losses

	Year ended December 31,	
	2022	2021
Foreign exchange losses	(\$ 565)	(\$ 3,919)
Gains on financial assets at fair value through profit or loss	39,093	1,209
Others	-	(5)
	\$ 38,528	(\$ 2,715)

(17) Expenses by nature

	Year ended December 31,	
	2022	2021
Employee benefit expense	\$ 130,588	\$ 120,671
Depreciation charges (Note)	16,018	14,558
Amortisation charges on intangible assets	1,069	596
	<u>\$ 147,675</u>	<u>\$ 135,825</u>

Note: Including depreciation charges on property, plant and equipment and right-of-use assets.

(18) Employee benefit expense

	Year ended December 31,	
	2022	2021
Wages and salaries	\$ 115,399	\$ 106,710
Labour and health insurance fees	7,859	7,037
Pension costs	4,205	3,741
Other personnel expenses	3,125	3,183
	<u>\$ 130,588</u>	<u>\$ 120,671</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and not be higher than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, earnings should first be reserved to cover accumulated deficit.
- B. Due to the accumulated deficit, no employees' compensation and directors' and supervisors' remuneration was accrued for the years ended December 31, 2022 and 2021.
- C. 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.

(19) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2022	2021
Current tax:		
Prior year income tax estimation	\$ -	\$ -
Total current tax	<u>\$ -</u>	<u>\$ -</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2022	2021
Tax calculated based on profit (loss)		
before tax and statutory tax rate	\$ 3,261	(\$ 30,113)
Expenses disallowed by tax regulation	92	8
Temporary differences not recognised as deferred tax assets	(1,382)	97
Taxable loss not recognised as deferred tax assets	588	25,174
Change in assessment of realisation of deferred tax assets	(2,559)	4,834
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 68,518	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Filed	129,909	129,909	129,909	2031
2022 Estimated	2,939	2,939	2,939	2032
	<u>\$ 374,312</u>	<u>\$ 349,285</u>	<u>\$ 321,550</u>	

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 81,314	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Filed	44,885	44,885	44,885	2030
2021 Filed	125,870	125,870	125,870	2031
	<u>\$ 367,334</u>	<u>\$ 342,307</u>	<u>\$ 327,368</u>	

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 13,063</u>	<u>\$ 17,991</u>

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

(20) Earnings (loss) per share

	Year ended December 31, 2022		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,306	188,618	\$ 0.09
	Year ended December 31, 2021		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 150,566)	188,618	(\$ 0.80)

(21) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 11,272	\$ 18,906
Add: Opening balance of payable on equipment	2,309	747
Less: Ending balance of payable on equipment	(4,466)	(2,309)
Cash paid during the year	\$ 9,115	\$ 17,344

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company is controlled by Kinpo Electronics Inc. (KPO), which owns 68.9% of the Company's shares.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kinpo Electronics, Inc.	Parent company
Cal-Comp Electronics & Communications Co., Ltd.	Sister company
Cal-Comp Electronics (Thailand) Public Company Limited	Sister company
SaveCom International Inc.	Other related company
Compal Electronics, Inc. and its subsidiaries	Other related company

(3) Significant related party transactions

A. Operating revenue:

	Year ended December 31,	
	2022	2021
Sales of finished goods and raw materials:		
Other related company	\$ -	\$ 45,041
Sales of services:		
Other related company	-	1,392
	<u>\$ -</u>	<u>\$ 46,433</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, all sales to the aforementioned related parties are made at prices available to third parties. The credit terms are 1-6 months to third parties and 2-3 months to related parties.

B. Purchases:

	Year ended December 31,	
	2022	2021
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 961,574	\$ 1,694,877
Other related company	-	2,377
	<u>\$ 961,574</u>	<u>\$ 1,697,254</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, the Company makes purchases from the aforementioned related parties at the prevailing market price. The payment terms are 1-4 months to third parties and 3-4 months to related parties.

C. Other expense:

	December 31, 2022	December 31, 2021
Human support service fee:		
Sister company		
-Cal-Comp Electronics &		
Communications Co., Ltd.	<u>\$ 4,742</u>	<u>\$ -</u>

D. Accounts receivable:

	December 31, 2022	December 31, 2021
Accounts receivable:		
Other related company	<u>\$ -</u>	<u>\$ 44,825</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 60 to 90 days after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

E. Other receivables:

	December 31, 2022	December 31, 2021
Receivables from raw material purchases on behalf of others:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 109,365	\$ 44,573

F. Payables to related parties:

	December 31, 2022	December 31, 2021
Accounts payable:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 403,476	\$ 694,579
	403,476	694,579
Other payables — other:		
Parent company	3	1
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	7,491	2,703
-Others	786	-
	8,280	2,704
	\$ 411,756	\$ 697,283

(a) Accounts payable arise mainly from purchase transactions and are due 90 to 120 days after the date of purchase. The payables are non-interest bearing.

(b) Receivables and payables arising from purchases on behalf of related parties amounted to \$5,135,814 and \$1,613,314, respectively, and only the net amount is reported as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities.

(4) Key management compensation

	Year ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 21,512	\$ 20,800
Post-employment benefits	216	206
	\$ 21,728	\$ 21,006

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Pledged demand deposits (shown as other current assets)	\$ 5,006	\$ 2,000	Collateral for bank borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies:

None.

(2) Commitments:

None.

10. Significant Disaster Loss:

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Due to the Covid-19 pandemic, there is a lot of uncertainty in the global economy since 2020. Based on the Company's assessment, the pandemic has no material impact on the Company in terms of going concern assumption, impairment of assets and related financing risks. The Company continues to expand its customer base and improve its product research and development capabilities to strengthen market competitiveness. However, the Company will continue to closely monitor the subsequent development of the pandemic and assess the impact on the Company

(2) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximize shareholders' equity by maintaining an optimal capital structure.

The Company's key management examines the capital structure which comprise the cost of capital and related risk. In order to maintain the capital structure, the Company may pay dividends, issue new shares, repurchase stock and increase or repay debt.

(3) Financial instruments

A. Financial instruments by category

For information and amounts related to the Company's financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable (including related parties), other receivables (including related parties), other current financial assets, guarantee deposits paid, short-term borrowings, accounts payable (including related parties), other payables and lease liabilities, refer to the parent company only balance sheets and Note 6.

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. The Company's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Company financial position and financial performance.

Risk management is carried out by the Company's treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). 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		Book value
	amount		
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 15,645	30.71	\$ 480,458
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,293	30.71	\$ 561,778

	December 31, 2021		
	Foreign currency		Book value
	amount (In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,899	27.68	\$ 827,604
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 26,417	27.68	\$ 731,223

iii. The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Company amounted to \$565 and \$3,919 for 2022 and 2021, respectively.

(b) Price risk

The Company's investments in equity securities comprise hybrid instrument issued by the foreign enterprise. The prices of hybrid instrument would change due to the change of the future value of investee companies. If the prices of these hybrid instrument 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 \$14,682 and \$14,554, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(c) Cash flow and fair value interest rate risk

The short-term loans for short-term capital revolving requirements are mostly at floating rates, their major risks can be offset by the cash position at floating rates.

(d) 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.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only banks with good credit and financial institutions with sufficient investment grades or above are deemed acceptable for investing. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the 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 assesses expected credit loss on individual significant defaulted accounts receivable, and classifies remaining customers' accounts receivable in accordance with characteristics of customer types. The Company applies different loss rate methodology or provision matrix as basis to estimate expected credit loss on different groups.
- iv. The Company uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Company does not expect any significant default possibility of accounts receivable.
- v. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days	Total
<u>At December 31, 2022</u>			
Expected loss rate	0.10%	0.10%	
Total book value	\$ 208,283	\$ 61,273	\$ 269,556
Loss allowance	(\$ 209)	(\$ 61)	(\$ 270)

<u>At December 31, 2021</u>			
Expected loss rate	0.05%	0.05%	
Total book value	\$ 685,970	\$ 23,131	\$ 709,101
Loss allowance	(\$ 343)	(\$ 12)	(\$ 355)

- vi. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
At January 1	\$ 355	\$ 87
Provision for impairment	-	268
Reversal of impairment loss	(85)	-
At December 31	<u>\$ 270</u>	<u>\$ 355</u>

(e) 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 while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

- ii. 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.

As of December 31, 2022 and 2021, the Company's non-derivative financial liabilities (including short-term borrowings, accounts payable, accounts payable to related parties and other payables) will expire within 1 year.

<u>December 31, 2022</u>	<u>Less 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 2,893	\$ 2,533	\$ 5,426
<u>December 31, 2021</u>	<u>Less 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	\$ 3,243	\$ 5,426	\$ 8,669

(4) 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.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 3.

- A. The carrying amounts of the Company's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties) and other payables are approximate to their fair values.

C. The related information on 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 at December 31, 2022 and 2021 is as follows:

(a) The related information on the nature 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>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 1,468,178	\$ 1,468,178
<hr/>				
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	\$ -	\$ -	\$ 1,455,382	\$ 1,455,382

(b) The fair values of convertible bonds as of December 31, 2022 and 2021 were measured using the binomial model (one of the lattice models) and lattice model, respectively. The main assumptions used were as follows:

	<u>Fair value at December 31, 2022</u>	<u>Expected duration</u>	<u>Risk-free rate of interest</u>	<u>Expected price volatility (%)</u>
Convertible bonds	\$ 1,468,178	1.99 years	3.79%	43.26%
<hr/>				
	<u>Fair value at December 31, 2020</u>	<u>Expected duration</u>	<u>Risk-free rate of interest</u>	<u>Expected price volatility (%)</u>
Convertible bonds	\$ 1,455,382	2.99 years	1.79%	42.31%

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

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

	<u>2022</u>	<u>2021</u>
	<u>Hybrid instrument</u>	<u>Hybrid instrument</u>
At January 1	\$ 1,455,382	\$ 1,479,555
Gains recognised in profit or loss	39,093	1,209
Interest received	(26,297)	(25,382)
At December 31	\$ 1,468,178	\$ 1,455,382

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

G. The Company's fair value measurements categorised within Level 3 is valued through outsourced appraisal performed by the external valuer.

H. 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 December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	\$ <u>1,468,178</u>	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	- 13.62% 20%	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	\$ <u>1,455,382</u>	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	- 14.60% 20%	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used by external valuer to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on 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		
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,682	(\$ 14,682)
		December 31, 2021		
		Recognised in profit or loss		
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,554	(\$ 14,554)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.
- 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: Refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to table 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Refer to table 5.

14. Segment Information

None.

Castlenet Technology Inc.

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

December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Castlenet Technology Inc.	SPI. Convertible Bond	None	Non-current financial assets at fair value through profit or loss	-	\$ 1,468,178	-	\$ 1,468,178	

Castlenet Technology Inc.
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 2 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 (Note)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Subsidiary of the Company's parent, Kinpo Electronics Inc.	Purchases	\$ 961,574	58%	90-120 days after monthly billings	Available to third parties	90-120 days after monthly billings	(\$ 403,476)	74%	Note

Note: The abovementioned accounts payable to related parties mainly pertain to accounts payable for purchases of finished goods from sister companies.

Castlenet Technology Inc.
Information on investees
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment profit (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				December 31, 2022	December 31, 2021				the year ended	the year ended	
									December 31, 2022	December 31, 2022	
CastleNet Technology Inc.	Castlenet Technology (BVI) Inc.	British Virgin Islands	Investment holdings	\$ 302,692	\$ 302,692	8,708	100	\$ 40,294	(\$ 458)	(\$ 458)	Note

Castlenet Technology Inc.
Information on investments in Mainland China
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment profit (loss) recognised by the Company for the year ended December 31, 2022 (Note 3)	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
CastleNet Technology Inc. - Kunshan	Manufacture and design broadband communication products such as modem and sell selfproduced products	\$ 230,325 USD 7,500	2	\$ 230,325 USD 7,500	\$ -	\$ -	\$ 230,325 USD 7,500	(\$ 427)	100	(\$ 427)	\$ 33,138	\$ -
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
CastleNet Technology Inc. - Kunshan	\$ 230,325	\$ 230,325	\$ 1,120,890									

Note 1: The numbers in this table are expressed in New Taiwan Dollars. For the amounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate used in financial statements.

Note 2: 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 establishing Castlent Technology (BVI) Inc. in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 3: The investment income (loss) was recognised based on the financial statements audited by independent auditors for the year ended December 31, 2022.

Castlenet Technology Inc.
Major shareholders information
December 31, 2022

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Kinpo Electronics, Inc.	129,959	68.9%

6.6 Financial difficulties incurred by the company or its affiliated companies in the recent year up to the date of the publication of this annual report: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	2022/12/31		2021/12/31		Compared with the end of last year	
	Amounts	%	Amounts	%	Amounts	%
Assets						
Current assets	\$1,236,283	45	\$1,204,244	44	\$32,039	3
Non-current financial assets at fair value through profit or loss	1,468,178	53	1,455,382	54	12,796	1
Property, plant and equipment	23,766	1	29,368	1	(5,602)	(19)
Right-of-use assets	5,073	0	8,050	0	(2,977)	(37)
Other non-current assets	21,086	1	27,387	1	(6,301)	(23)
Total assets	\$2,754,386	100	\$2,724,431	100	\$29,955	1
Liabilities and equity						
Current liabilities	875,190	32	862,227	31	12,963	2
Total non-current liabilities	11,046	0	19,828	1	(8,782)	(44)
Total liabilities	886,236	32	882,055	32	4,181	0
Share capital	1,886,180	69	1,886,180	69	0	0
Capital surplus	136,511	5	130,696	5	5,815	4
Retained earnings	(110,696)	(4)	(129,430)	(4)	18,734	14
Other equity interest	(43,845)	(2)	(45,070)	(2)	1,225	3
Total equity	1,868,150	68	1,842,376	68	25,774	1
Total liabilities and equity	\$2,754,386	100	\$2,724,431	100	\$29,955	1

Changes in major items:

Total assets increased by \$29,955 thousand in 2022 compared to the same period last year, mainly due to the increase in shareholders' equity totaling \$25,773 thousand, including the increase in net income after tax and net pension actuarial gain and capital surplus - employee stock options for the period; The main reason for the rise in current assets is the increase in inventories; Right-of-use assets are mainly office leases declining with the lease term; The decline of other non-current assets is mainly due to the withdrawal of margin deposits; The decrease in other liabilities is mainly due to a decrease in the provision for RMA liabilities.

7.2 Analysis of Financial Performance

7.2.1 Analysis of Financial Performance last 2 years

Unit:NT\$ thousands

Item	2022		2021		Compared with last year	
	Amounts	%	Amounts	%	Amounts	%
Operating revenue	\$1,145,661	100	\$1,692,313	100	(546,652)	(32)
Operating costs	(973,535)	(85)	(1,671,999)	(99)	(698,464)	(42)
Gross profit from operations	172,126	15	20,314	1	151,812	747
Operating expenses	(195,668)	(17)	(175,921)	(10)	19,747	11
Net operating loss	(23,542)	(2)	(155,607)	(9)	(132,065)	(85)
Non-operating income and expenses	39,848	4	5,041	0	34,807	690
Profit (loss) before tax	16,306	2	(150,566)	(9)	166,872	111
Tax expense (income)	0	0	0	0	0	0
Profit (loss)	\$16,306	2	(150,566)	(9)	\$166,872	111

Changes in major items:

The revenue of the current period decreased due to the completion of the shipment of low-margin and high-volume products in the same period of last year in the first half of the year, and the operating profit increased due to the increase in the shipment of new high-margin products and service income; Operating expenses for the period increased due to the expansion of R&D personnel and equipment; Non-operating income is mainly due to the increase in foreign currency exchange rate parity benefit from the fair value of CB, which is an unrealized parity gain or loss.

7.2.2 Forecast sales for the next year, forecast basis, and reasons for continuous growth or decline:

1. Forecast sales for the next year and forecast basis.

Product	Forecast Sales(Unit/k)	Forecast Basis
Consumer Electronics	740	The estimate is calculated based on previous year's sales and market demand in 2023.

2. Potential impact: The requirement for working capital has increased.

3. Response Plan:

In addition to the existing capital support, if there is a requirement for additional funds, we will expand the bank's credit line in a timely manner or raise capital through capital increase and other financial instruments to meet future operational growth requirements.

7.3 Analysis of Cash Flow

7.3.1 Analysis of cash flow change in the Last Two years

Item \ Year	2021	2022	Variance (%)
Cash flow ratio (%)	0.00	0.00	0.00
Cash flow adequacy ratio (%)	76.22	49.84	-34.61
Cash flow reinvestment ratio (%)	0.00	0.00	0.00
Analysis of cash flow change of the year: Please refer to the note on Page 122 of this manual.			

7.3.2 Improvement plan for Liquidity shortfall: None.

7.3.3 Cash flow projection for next year

Unit: NT\$ thousand					
Cash and Cash Equivalents, Beginning of Year (1)	Net Cash From Operating Activities over the Year (2)	Net Cash Used over the Year (3)	Anticipated Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Liquidity Shortfall	
				Investment Plans	Financing Plans
152,255	82,200	30,000	122,255	-	-

7.4 Major Capital Expenditure Items and Impact on Finance and Business in the Recent Year

7.4.1 Major Capital Expenditure: None.

7.4.2 Impact of Major Capital Expenditure: None.

7.5 Reinvestment policy in the most recent year, main reasons for profit or loss, improvement plan and investment plan for the coming year

Please refer to the basic information of each affiliated company on page 249 of this annual report for the companies to which the Company has transferred investments in recent years and their major business items. It is expected that there will be no new investment plan in the next year.

7.6 Risk Management and Analysis

7.6.1 Organization and Policies of Risk Management:

1. The company's sustainable development committee selects members according to the functions and professional fields of each department to set up a "risk management team", which is responsible for the identification of various risk factors, so as to identify the relevant risks that may affect the sustainable development of the enterprise, and select the risk management category. Based on this, management policies are formulated and implemented and reported to the board of directors at least once a year.
2. The company has formulated "Risk Management Measures" to establish a risk warning system for risks that may endanger the company's operations, production and shipments, raw material supply, employee and asset safety, information security, etc., and to minimize the possible impact of risk occurrence through the implementation of risk control in the internal control system.

7.6.2 Risk Associated with Interest rate and Exchange rate fluctuation, and Inflation

1. Interest Rate: In addition to keeping close contact with financial institutions to keep abreast of current interest rate changes, the company will also refer to domestic and foreign economic trend research reports and observe fluctuations in domestic and foreign benchmark market interest rates to adjust the funding operation in a timely manner.
2. Exchange Rate: The company's products are mainly exported. In order to reduce the impact of exchange rate changes on revenue and profit, the specific measures taken are as follows:
 - (1) When the business unit makes quotations to customers, it should consider the possible impact of exchange rate changes, and adopt a relatively stable and conservative exchange rate as the basis for quotation to protect the company's reasonable profits.
 - (2) In addition to the natural hedging effect of foreign currency-denominated

purchases and sales, the remaining foreign currency portion will be exchanged in a timely manner with reference to relevant exchange rate market information and future trends to reduce foreign currency risks.

- (3) The company collects relevant information on exchange rate changes at any time, fully grasps the changes in the foreign exchange market, and adjusts the foreign currency asset-liability ratio in real time, so as to reduce the impact of exchange rate fluctuations.
- (4) Any foreign exchange operations (pre-purchase of foreign exchange, pre-sale of foreign exchange, foreign exchange, etc.) are only to avoid the exchange risk in operation, and the company does not engage in any speculative transactions.

3. Inflation: Inflation conditions do not have a material impact on the Company's operations and profitability. However, the Company will still pay attention to changes in the relevant economic environment and changes in market conditions to respond accordingly.

7.6.3 Risks Associated with High-Risk/High-Leveraged Investment; Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

- 1. High-risk and High-leveraged Investments: None.
- 2. Financings provided to others: None.
- 3. Endorsements/guarantees: None.
- 4. Policies of Financial Derivative Transactions:

The company is engaged in the trading of derivative financial products. Except for the projects approved by the board of directors, the main purpose is to avoid risks. The trading products are mainly used to avoid the risks generated by the company's business operations. The currency held must be the same as the currency used for actual import and export of the company. The foreign currency demand of the transaction is in line with the foreign currency receivables and payables of the company as a whole, so as to reduce the overall foreign exchange risk of the company.

7.6.4 Future Research & Development Projects and Corresponding Budget: Please refer to Page 98 and Page 103.

7.6.5 Risk Associated with Changes in Government Policies and Regulatory Environment

Important domestic and foreign policy and legal changes in recent years have no significant impact on the financial business of the company. The company will also pay attention to the information of important domestic and foreign policies and legal changes at any time, and evaluate their impact on the company.

7.6.6 Risks Associated with Change in Technology and Industry

The company continues to strengthen the lineup of R&D teams, develop and sell diversified products, and pay attention to industry changes and market demands at any time to maintain the company's competitiveness.

7.6.7 Risks Associated with the Impact of Change in Corporate Image on Crisis Management

The company operates with a prudent attitude and has a good corporate image. If there is an incident that threatens the corporate image, it will be promptly handled by the management team.

7.6.8 Risks Associated with Mergers and Acquisition: None.

7.6.9 Risks Associated with Facility Expansion: None.

7.6.10 Risks Associated with Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The main supplier for the period is CCET, the group's overseas EMS foundry, which accounts for about 78.52% of the purchase in 2021. CCET, a sister company of the company, is listed on the stock exchange of Thailand and issued TDR in Taiwan. It has a complete corporate governance system and professional production technology, so there is no expected possible risk.

The customers for the period are mainly world-renowned Netcom product operators. The transaction amount varies with market changes and customer needs. The payment status has always been well. There is no expected possible risk at present. However the company will still adhere to the consistent internal control operation process, and the business unit will maintain interaction with customers at any time and find out the status of its financial business activities, and the financial department will be responsible for regularly updating the customer's credit policy.

7.6.11 Risks Associated with Sales of Significant Numbers of Shares by Directors or Major Shareholders with 10% Ownership or More:None.

7.6.12 Risks Associated with Change in Management:None.

7.6.13 Major ongoing lawsuits, non-lawsuit or administrative lawsuit caused by Company, Directors, Supervisors, or Major stockholders with holdings over 10%: None.

7.6.14 Other Major Risks:Please refer to Pages 70-72 and Pages 115-117.

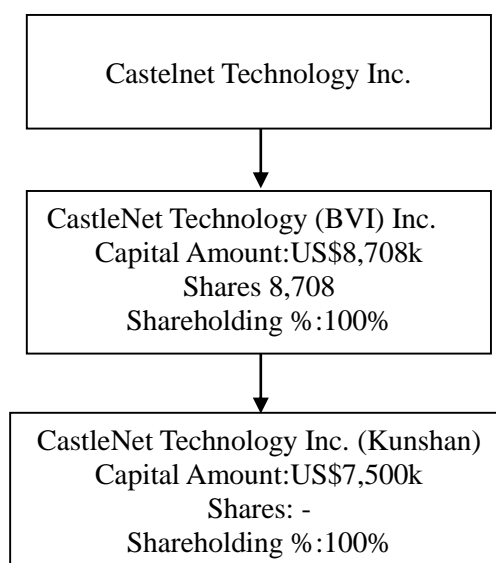
7.7 Other Matters of Materiality: None.

VIII. Affiliates Information and Other Special Items

8.1 Affiliates Information

8.1.1 Consolidated Business Report of Affiliates Company

1. Affiliates Company of Castelnat Technology Inc.



2. Information of Affiliated Companies

Unit: US thousand dollar

Company	Date of Incorporation	Address	Capital Amount	Major Business Activities
CastleNet Technology (BVI) Inc.	90.02	Trust Net Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD8,708	Investment, Holding and Product sales.
CastleNet Technology Inc. (Kunshan)	92.03	No.889, Zuchongzhi Middle Road, Bacheng Town, Kunshan City, Jiangsu	USD7,500	Production and design of broadband network products such as modems and sales of self-produced products.

3. Information on the same shareholders of those who are presumed to have control and affiliation: None.

4. Industries covered by the overall business of affiliated companies: Production and sales of consumer electronic products such as network communications.

5.Information of Directors, Supervisors, and Presidents of Affiliated Companies

Company	Title	Name/Representative	Shareholding	
			Shares	%
CastleNet Technology (BVI) Inc.	Director	Castlente Technology Inc. Representative: Yu, Chian-Huei	8,708	100%
	Director	Kinpo Electronics Inc Representative: Chen, Wei-Chang		
CastleNet Technology Inc. (Kunshan)	Director	CastleNet Technology (BVI) Inc. Representative: Chen, Wei-Chang, Huang, Yu-Hui, Shiau, Ching-Hwa	-	100%
	Supervisor	Wu, Li-Mei		
	President	Huang, Yu-Hui		

6.Operational Highlights of Affiliated Companies

Date: December 31, 2022

Unit: USD thousand, RMB thousand

Company	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (after tax)	EPS(NT\$) (after tax)
CastleNet Technology (BVI) Inc.	USD 8,708	USD 1,312	USD 0	USD 1,312	USD -14	USD -15	USD -16	-
CastleNet Technology Inc. (Kunshan)	RMB 56,470	RMB 7,623	RMB 108	RMB 7,515	RMB 0	RMB -97	RMB -96	-

8.1.2 Consolidate Financial Statements: Please refer to Pages 126-184.

8.1.3Affiliated Companies Report: None.

8.2 Private Placement of Securities in the Most Recent Year: None.

8.3 Company Share Held or Disposed by Subsidiaries in the Most Recent Year: None.

8.4 Other necessary matters to be supplemented and explained:

8.4.1 Unfulfilled IPO commitments:

IPO commitments	Implementation status
The company undertakes to prepare annual audit plan for the internal control system such as procurement, payment cycle and production cycle of CTI(Kunshan) every year after listing on the OTC, and the audit will be carried out by special personnel.	CTI(Kunshan) draws up an audit plan and implements it according to the plan every year.
The company undertakes that, if the financial report of CTI(Kunshan) is audited and certified by other accountants in the future and CTI(Kunshan) recognizes investment profits and losses or prepares consolidated financial statements on the basis of such audits, CTI(Kunshan)'s certified accountants need to issue an audit report on its financial statements without reference to the opinions of other accountants.	There is no such thing at present, and it will be handled according to the promise when it happens in the future.
The company undertakes that the center may request the applicant company to entrust an accountant or institution designated by the center to conduct external professional inspections according to the inspection scope designated by the center, and submit the inspection results to the center, and the applicant company shall bear the relevant expenses.	There is no such thing at present, and it will be handled according to the promise when it happens in the future.

9. If any event, which has a material impact on shareholders' rights and interests or securities prices as prescribed in Article 36-3-2 of the Securities and Exchange Act, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such matters shall be listed in clarity: None.

CastleNet Technology Inc.

Chairman: Chang, Ying