



2022 Annual Report

Notice to readers

This English-version Annual Report is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Data query website related to this annual report
(MOPS) Market Observation Post System website: mops.twse.com.tw
Company website: www.sysgration.com

Published on March 21, 2023

I. Spokesperson and Deputy Spokesperson

- (1) Name of Spokesperson: Hsieh, Tung-Fu
- (2) Title: General Manager
- (3) Name of Deputy Spokesperson: Dai, Yi-Ying
- (4) Title: Secretary of the Board of Directors
- (5) Tel. (02)2790-0088
- (6) E-mail: sys5309@sysgration.com

II. Headquarters and Plant

- (1) Headquarters Address: 6F., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City
Tel. (02)2790-0088
- (2) Nankang Plant Address: No. 26, Gongye N. Rd. (Nankang Industrial Park), Nantou City,
Nantou County
Tel. (049)226-3627

III. Share Transfer Agent

- (1) Name: Grand Fortune Securities Co., Ltd.
- (2) Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City
- (3) Website: www.gfortune.com.tw
- (4) Tel. (02)2371-1658

IV. Auditor

- (1) Name of Auditor: Chih, Ping-Chiun, Chiu, Chao-Hsien
- (2) Name of Accounting Firm: PricewaterhouseCoopers Taiwan
- (3) Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
- (4) Website: www.pwc.com.tw
- (5) Tel. (02)2729-6666

V. Overseas Securities Exchanges

The Company does not issue foreign securities.

VI. Corporate Website: www.sysgration.com

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I. Letter to Shareholders

Dear Shareholders,

The Company's operating results in 2022 and operating outlook in 2023 are reported as follows:

1. 2022 Annual Operating Result Report

1.1 Operating situation

In 2022, we recorded a parent company only operating revenue of NTD3,189,385 thousand, an increase by 50.44% from NTD2,120,074 thousand in 2021. We also recorded a after-tax net profit of NTD338,499 thousand, an increase from the after-tax net profit of NTD95,347 thousand in 2021, with a difference of NTD243,152 thousand. Our parent company only after-tax basic earnings per share in 2022 was NTD2.14.

In 2022, we recorded a consolidated operating revenue of NTD3,404,355 thousand, an increase by 38.69% from that of NTD2,454,678 thousand in 2021. We also recorded a consolidated after-tax net profit attributable to owners of the parent company of NTD338,499 thousand, an increase from the consolidated after-tax net profit of NTD95,347 thousand in 2021, with a difference of NTD243,152 thousand. Our consolidated after-tax basic earnings per share in 2022 was NTD2.14.

1.2 Financial revenue, expenditure, and profitability analysis:

Parent Company Only Financial Statement

Unit: NT\$1,000

Item		Year			
		2022	2021	Growth rate (%)	
Financial revenue and expenditure	Operating revenue	3,189,385	2,120,074	50.44	
	Operating margin	648,213	363,854	78.15	
	Net profit (loss) after tax	338,499	95,347	255.02	
Profitability analysis	Return on assets (%)	11.12	4.12	169.90	
	Return on shareholder's equity (%)	21.50	8.39	156.26	
	Ratio to paid-up capital (%)	Net operating profit (loss)	14.26	3.18	348.43
		Net profit (loss) before tax	20.15	6.13	228.71
	Net profit (loss) ratio (%)	10.61	4.50	135.78	
	Net profit (loss) per share (NT\$)	2.14	0.62	245.16	

Consolidated Financial Statement

Unit: NT\$1,000

Item		Year		Growth rate (%)	
		2022	2021		
Financial revenue and expenditure	Operating revenue	3,404,355	2,454,678	38.69	
	Operating margin	804,551	488,525	64.69	
	Net profit (loss) after tax – attributable to parent company	338,499	95,347	255.02	
Profitability analysis	Return on assets (%)	10.55	3.98	165.08	
	Return on shareholder's equity (%)	21.50	8.39	156.26	
	Ratio to paid-up capital (%)	Net operating profit (loss)	18.10	5.37	237.06
		Net profit (loss) before tax	20.15	6.13	228.71
	Net profit (loss) ratio (%)	9.94	3.88	156.19	
	Net profit (loss) per share (NT\$)	2.14	0.62	245.16	

1.3 Research and development

R&D Product	Summary description (product specification or function)
The multi-frequency universal wireless tire pressure monitoring system	TPMS to be compatible with more than 99% of vehicles of the United States, Europe, and Japan 315~433MHz original factories by single design, for customers to greatly reduce their inventory and financial pressure.
BLE wireless tire pressure monitoring system	Intelligent TPMS for fleet management applications such as OE front-mounted and new-energy electric vehicles, motorcycles, pickup trucks, heavy trucks, and buses.
Camping RV intelligent electronic control system	Industrial IoT technology is used to integrate the traditional distributed electromechanical control system of the camping RV into a wireless digital central control system. It can also remotely monitor the status of camping RVs and control the surrounding electrical appliances through the 3G/4G cloud system.
DATA center power management system	Cloud server power management-related system.
Energy storage product	Development and integration of semiconductor factory backup Lithium battery and relevant industrial engineering equipment.

2. Summary Of 2023 Annual Operation Plan

In recent years, Sysgration Ltd. has been committed to the development of a tire pressure monitoring system (TPMS) as a vehicle safety component. In addition to actively expanding the US and Europe RF replacement market, Sysgration Ltd. globally initiated the Bluetooth BLE TPMS with multinational patents, successfully breaking into the OE market, and gradually mass-produced and shipped to internationally well-known vehicle manufacturers. In 2023, the Company will continue to expand its RF replacement market in the US and Europe, as well as continuously expand BLE TPMS applications in the US and Europe OE market, including such fleet management applications as new-energy electric vehicles, motorcycles, pickup trucks, heavy trucks, and buses. Since the Mainland Chinese government has required tire pressure detectors as a standard product for general passenger cars, and the US is also planning to install tire pressure detectors on trucks and large vehicles in the foreseeable future, the TPMS market has considerable room for development. Therefore, Sysgration Ltd. is also actively developing relevant agency partners in the United States, Europe, Japan, and Mainland China and promoting the market to major automakers and other fleet management applications around the world.

Furthermore, Sysgration Ltd. has combined industrial IoT technology and experience and applied it to automotive electronics, leading to the successful development of a recreational vehicle (RV) control system. Its technical components include industrial computers, in-car electronic control systems, smart home appliances control, mobile APPs, and cloud services. This system enables users to control all the appliances and equipment in the RV through the cloud and central control tablet. Looking forward to 2023, in addition to actively cooperating with US camping vehicle manufacturers to expand the market share, Sysgration Ltd. will also expand this industrial computer and intelligent IoT technology to other industries, such as marine electronic control systems, sports and fitness equipment, agribusiness fleet management, and virtual reality/augmented reality (VR/AR) equipment.

With regard to energy products, the Company's cumulative advantage in the power management and industrial energy storage technology will be expanded to widely promote the centralized power supply system (PSS) and battery backup system (BBS) to Data Center customers, while extending the electric vehicle's lithium battery pack experience to such industrial applications as semiconductor plant uninterrupted power systems, community energy storage systems, and power plant energy storage & voltage stabilizing systems.

3. Future R&D Direction Of The Company:

- (1) Enhance the product function of multi-frequency single-machine universal tire pressure monitoring system.
- (2) Expand the application of the world's initiative low-power Bluetooth BLE tire pressure detector in new-energy electric vehicles, motorcycles, heavy trucks, and buses.
- (3) Extend the camping vehicle control IoT system to navigation, virtual reality (VR/AR), and other intelligent industrial applications.
- (4) Enhance such lithium energy storage technology as the battery management system (BMS) and energy management system (EMS), and expand their applications in data centers,

semiconductor factories, residential areas, power plants, and other industries.

The company will continue to actively cultivate and solicit R&D talents, be committed to product and quality system conformity with the requirements of international laws and regulations and international certifications, and follow the current laws and regulations related to the operating process of Taiwan and foreign investment countries, in the hope of responding to market condition changes and fully grasping changes in relevant laws and regulations in the face of the external competitive environment to prepare and implement appropriate measures. The management team is also aware of any changes in policies and regulations that may affect the Company's financial and business operations. In the face of rapid changes and challenges in both the domestic and foreign environments, the Company will pay more attention to the development and sales of new products and the acquisition of patent rights in order to contribute the maximum interest to shareholders. In this regard, we hope that shareholders can give us even more support and encouragement. All the staff must also work harder to respond to the Company and adhere to the business philosophy of integrity and earnestness, so that the Company can still grow in the changing environment. The management team will also handle variables with the most responsible attitude and the most active and prudent thinking, as in the past, to improve the performance and profit of the Company.

Finally, we would once more like to thank all the shareholders for their support, trust, and encouragement.

Chairman: Lee, Yi-Ren

General Manager: Hsieh, Tung-Fu

CFO: Tsai, Hsiu-Mei

II. Company Profile

1. Date Of Incorporation

The Company was established on October 14, 1977.

2. Company Milestones

- (1) Company mergers and acquisitions: None.
- (2) Reinvestment to affiliated enterprises: None.
- (3) Restructuring: None.
- (4) Mass transfer or replacement of shares belonging to directors, supervisors, or major shareholders holding more than 10% of the shares: None.
- (5) Change of management rights, a major change in operation mode or business content, and other important matters affecting the shareholders' equity and their impact on the Company: None.

(6) Other Information:

October	1977 -	The Company "Sysgration Ltd." was incorporated
December	1988 -	The Xindian Plant No. 2 workshop was purchased.
December	1989 -	The industrial land located in Neihu and Nankang was purchased. The Neihu industrial land covers an area of 160 ping, and the Nankang industrial land covers an area of 6,000 ping which is earmarked for future business use.
December	1991 -	Building of the workshop on the Nankang Industrial Land commenced.
April	1993 -	Nankang Plant No. 1 was completed.
November	1994 -	Nankang Plant No. 2 was completed.
March	1996 -	The Company's stocks were listed on TPEx on March 18, 1996.
July	1997 -	The subsidiary Sysgration (Cayman) Ltd. was incorporated.
October	1997 -	Nankang Plant No. 3 was completed.
December	1997 -	Sysgration Technology (Shenzhen) Co., Ltd. was incorporated.
July	1998 -	The subsidiary Sysgration (B.V.I.) Ltd. was incorporated.
September	1998 -	The subsidiary Sysgration (SAMOA) Ltd. was incorporated.
September	1999 -	Sysgration (USA) Inc. was closed for business.
February	2003 -	The subsidiary Sysgration USA Inc. was incorporated.
December	2005 -	Merged with Origitech Co., Ltd., The Company was the surviving company, and Origitech was the dissolved company.
April	2007 -	Sysgration (B.V.I.) Ltd. was closed for business.

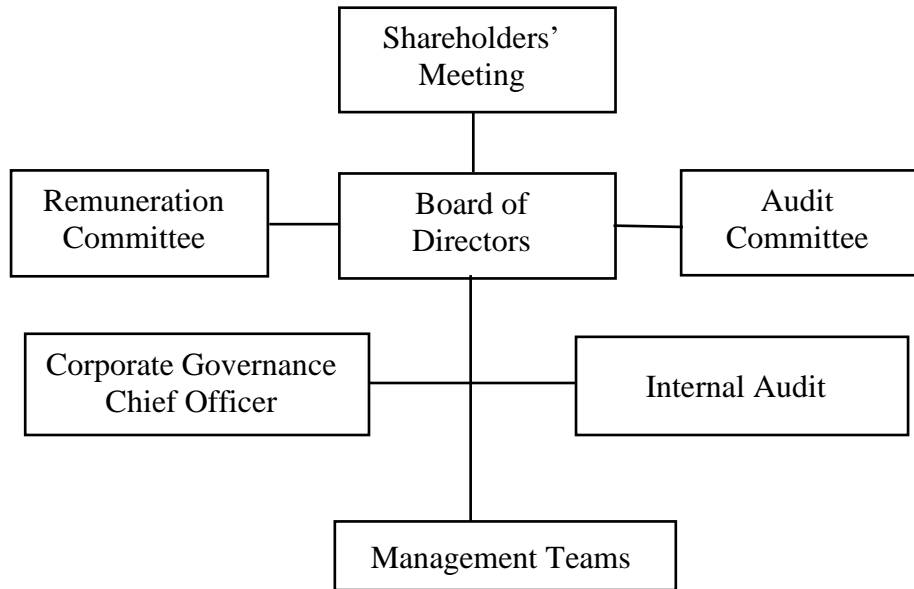
September	2012 -	To facilitate company operation and management, purchased from other shareholders the remaining 8.7% shareholding of Sysgration Technology (Shenzhen) Co., Ltd. through Sysgration (Cayman) Ltd. to reach 100% shareholding held.
October	2012 -	The Board of Directors decided to set up subsidiaries, Sysgration Technology (Samoa) Ltd., and Sysgration Technology (Zhenjiang) Co., Ltd. in Zhenjiang City, Jiangsu Province, China.
December	2013 -	Acquired 28.93% shareholdings of Etasis Electronics Corp.
May	2014 -	Acquired 98% shareholding of the subsidiary, Ancher Technology Co., Ltd.
May	2014 -	Merged with Ancher Technology Co., Ltd. The Company was the surviving company, and Ancher Technology was the dissolved company
May	2014 -	Sysgration Technology (Huizhou) Co., Ltd. was incorporated.
March	2015 -	Invested in Etasis (Dongguan) Co., Ltd.
August	2015 -	Invested in Leadman Electronics USA, Inc.
November	2017 -	Merged with Etasis Co., Ltd.
August	2018 -	The paid-up capital, after the capital reduction to make up for losses, was NT\$1,511,547,090.
January	2020 -	Disposed all shareholdings of the key subsidiary, Leadman Electronics USA, Inc.
August	2020 -	Employee stock option conversion was exercised, with capital increased to NT\$1,512,597,090.
October	2020 -	Issued the fourth domestic secured convertible corporate bond of NT\$ 500 million.
November	2020 -	Employee stock option conversion was exercised, with the capital increased to NT\$1,524,847,090.
January	2021 -	Employee stock option conversion was exercised, with the capital increased to NT\$1,540,805,090.
June	2021 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,545,533,660.
February	2022 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,555,489,640.
May	2022 -	Employee stock option conversion was exercised, with the capital increased to NT\$1,555,879,640.
September	2022 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,563,339,520.
November	2022 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,568,104,650.
November	2022 -	Issued common shares through private placement, with capital increased to NTD1,670,604,650.
February	2022 -	Employee stock option and convertible bonds conversion were exercised, with the capital increased to NT\$ 1,680,231,880.

III. Corporate Governance Report

1 Organization

1.1 Organizational Chart

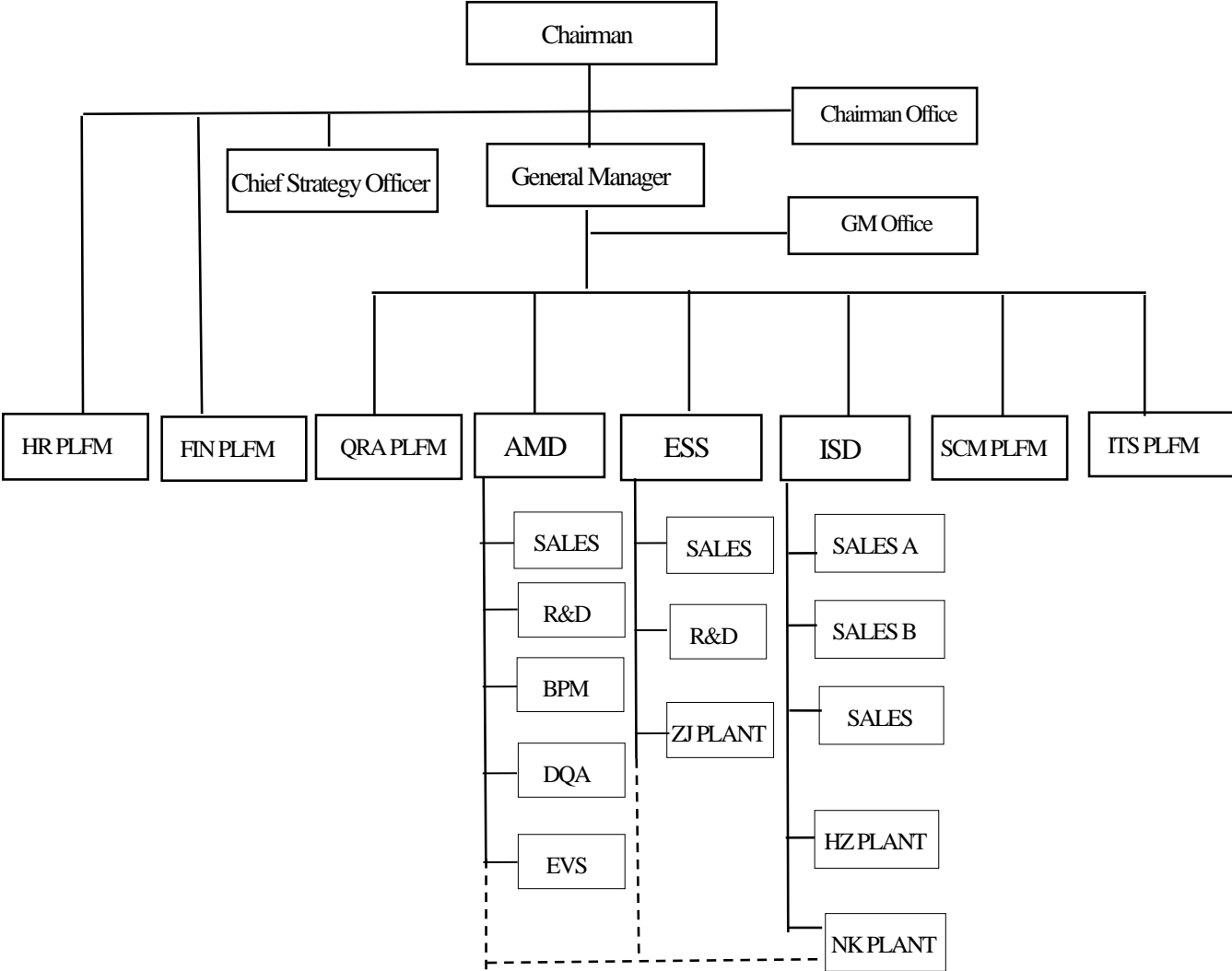
Company Governance Structure



Sysgration has long been committed to implement company management and operating strategies into our corporate governance. In order to enhance company’s overall operation and board of directors’ function, information transparency, we sets up remuneration committee, audit committee to strengthen its supervision and management functions with highly disciplined and prudent attitude to exercise its duties and create best interests for all shareholders.

The general manager office is the principle coordinating unit for corporate governance related matters, with the corporate governance chief officer as well as internal audit unit to assist the general office in preparing and implementing corporate governance programs. In addition, to enhance interests of shareholders, information transparency and to assist the Board of Directors and functional committee performing their duties.

Organizational Chart



1.2 Major corporate functions

Department	Functions and Responsibilities
Internal Audit	To audit or spot check compliance of the Company's operation, management, and operation treatment to ensure internal control management compliance.
Chairman Office	To perform duties under the orders of the Chairman.
General Manager Office	To perform duties under the orders of the General Manager.
HR PLFM	Human resource management and organization development, provision for employee welfare, and building harmonious labor relations.
FIN PLFM	Financial analysis, accounting, statement preparation, variation analysis, capital scheduling and planning of the Company's tax, financial affairs, and investments, and monitoring the operations of the branches and subsidiaries.
SCM PLFM	Responsible for the supply chain planning and coordination to improve the Company's competitive advantage.
QRA PLFM	Responsible for the promotion, implementation, and review of quality policies to ensure the quality and reliability of products.
ITS PLFM	To construct the whole Company's safe high-speed information network system, towards the goal of the whole Company's operation automation.
AMD	Responsible for the development and marketing of the intelligent electronic control system of camping vehicles and actively cooperating with other camping vehicle manufacturers in the USA to expand market share.
ESS	Responsible for the development and marketing of power supply products and battery packs and the provision of Total Solution.
ISD	To lead ISD team, operate TPMS business, expand the market share, and create the highest profit for the Company.
Nankang Plant	Responsible for the production, incoming inspection, process inspection, process improvement, and production technology upgrade of electronic, power supply, and tire pressure monitoring system products.
Huizhou Plant	Responsible for tire pressure monitoring system production, incoming inspection, process inspection, process improvement, and production technology upgrading.
Zhenjiang Plant	Responsible for the power management system's battery module production, incoming material inspection, process inspection, process improvement, and upgrade of production technology.

2 Directors, Supervisors, And Management Teams

2.1 Directors and Supervisors

Information of Directors and Supervisors (1)

Unit: share, February 27, 2023

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note2)	Date Elected	Term of Office	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 4)	Other Position	Executives, Directors, or Supervisors who are spouses or within second degree of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Lee, Yi- Ren	Male Age 60-70	20200430	3 years	20030610	12,661,210	8.38	12,180,210	7.23	2,782,097	1.65	6,804,673	4.04	MBA, JFK. Univ. Chairman, Hipro Elec. Co. Vice Chairman & General Manager, Chicony Elec. Co. Chairman, Winmate Inc.	Chairman, Sysgration (Zhenjiang) Director, Sysgration (Huizhou)	Director	Lee, Cheng- Han	Father and son	None
Director	Taiwan	Hsieh, Tung-Fu	Male Age 50-60	20200430	3 years	20130930	459,892	0.30	799,892	0.47	0	0.00	0	0.00	Ph.D., E.E., National Chiao Tung Univ. V.P., Altek Corp. V.P., Lite-On Technology Corp.	President, Sysgration Ltd. Supervisor, Sysgration (Zhenjiang) Chairman, Sysgration (Huizhou)	None	None	None	None
Director	Taiwan	Lee, Cheng- Han	Male Age 30-40	20200430	3 years	20140620	434,126	0.29	644,126	0.38	0	0.00	0	0.00	Master, Science in E.E. Univ. of Southern California Special Assistant of GM, Sysgration Ltd.	BU GM, Sysgration Ltd Director, Sysgration (Zhenjiang) Supervisor, Sysgration (Huizhou)	Chairman	Lee, Yi- Ren	Father and son	None
Director	Taiwan	Chen, Chih-Pin	Male Age 50-60	20200430	3 years	20200430	3,537	0.00	3,537	0.00	707	0.00	0	0.00	Ph.D. program, Shanghai Univ. of Finance and Economics MBA, St. Edward's Univ., Austin, Texas. V.P. & Spokesman Acon Investment Holding Co.	Independent Director, Hengs Solar V.P., Acon Holding Co. Chairman, Dezhen Tech. Chairman, Acon Green Energy Tech. Director, Acon Pure Co. Director, Eco Gas Tech Co.	None	None	None	None
Independent Director	Taiwan	Lin, Kuan- Chao	Male Age 70-75	20200430	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	Master, Accounting National Chengchi Univ. Chief, PKF Taiwan	Supervisor, Prospect Tech. Independent Director, Luminescence Tech. Co.	None	None	None	None

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note2)	Date Elected	Term of Office	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note 4)	Other Position	Executives, Directors, or Supervisors who are spouses or within second degree of kinship			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Taiwan	He, Ju- Hsiang	Male Age 70-75	20200430	3 years	20200430	0	0.00	0	0.00	0	0.00	0	0.00	MBA, International Exchange Program Customer Service Deputy Manager, Taiwan Life Insurance Co.	Independent Director, Polylite Taiwan	None	None	None	None
Independent Director	Taiwan	Wei, Che- Chen	Male Age 60-70	20200430	3 years	20170619	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor, Accounting National Chengchi Univ. Doctoral program, Guangzhou Sun Yat- Sen Univ. COO & Consultant, H&D Asset Manage- ment Co. Chairman, Taiwan Life Ins. Securities Investment Trust Co. Chairman, Taiwan Int'l Securities Consulting Corp. President, TIS Securities Co.	Independent Director, EPS Bio-Tech. Co. Independent Director, Tradetool Auto Independent Director, Denso Corp.	None	None	None	None

Note 1: The corporate shareholder shall list the names and representatives of the corporate shareholders respectively (if it is a representative of the corporate shareholder, the name of the corporate shareholder shall be indicated) and shall fill in the following Table 1.

Note 2: Please list actual age in interval mode, such as 41~50 years old or 51~60 years old.

Note 3: The duration of first serving as the Director or Supervisor of the Company should be stated with a note if there is any interruption.

Note 4: If the experience is relevant to the current position, such as having worked in a certified accounting firm or at an affiliated company during the previous reporting period, his/her title and position of responsibility should be stated.

Note 5: If the Chairman and General Manager or the equivalent (top manager) are the same person, or they are spouses or first-class relatives, the Company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors should not be the employees or managers, etc.).

Table 1: Major shareholders of the institutional shareholders: Not applicable.

Table 2: Major shareholders of Table 1 institutional shareholders: Not applicable.

Information of Directors and Supervisors (2)

Directors' qualification and independent directors' independence condition disclosure:

Criteria Name	Professional qualification and experiences (Note 1 and Note 4)	Independence condition (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lee, Yi-Ren	Chairman of Hipro Elec. Co. (1990-2002) Chairman of Winmate Technologies Co., Ltd. (2003-2017) Chairman of Sysgration Ltd. (2003 to now)	Lee, Yi-Ren Chairman is assigned by the company and assumes affiliate enterprise's director, and himself, spouse or by nominee arrangement of others, holding of shares reach 12.92% of issued shares and is one of top 10 shareholders of the Company.	None
Hsieh, Tung-Fu	Vice president of Lite-On Technology Corp, Ltd. (1999-2010) Vice president of Altek Corporation (2010-2012) General Manager of Sysgration Ltd. (2013 to now)	Hsieh, Tung-Fu director is assigned by the company and assumes affiliate enterprise's director, and himself holding of shares reach 0.47% of issued shares.	None
Lee, Cheng-Han	Vice president, product marketing, of Etasis Co., Ltd. (2010-2013) Vice president of Sysgration Ltd. (2013 to now)	Lee, Cheng-Han director is assigned by the company and assumes affiliate enterprise's director, himself holding of shares reach 0.38% of issued shares.	None
Chen, Chih-Pin	Executive vice president of Sheng Feng Securities Co., Ltd. (2004-2008) BU General Manager of Sysgration Ltd. (2009-2017) Vice president and spokesperson of Acon Investment Holding Co., Ltd. (2019 to now)	Director Chen, Chih-pin himself holding of shares less than 0.01% of issued shares.	1
Lin, Kuan-Chao	Certified Public Accountant (1980 to now) Chief of Accounting firm PKF, Taiwan (2011 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", which is conformed to independence condition.	1
He, Ju-Hsiang	Internal audit manager of BNP Paris (1984-1989) Vice president of American Commercial Banks Advance Department (1989-1994) Special assistant for Chairman of Taiwan Life Insurance Co., Ltd. (2000-2016)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", which is conformed to independence condition.	1
Wei, Che-Chen	Chairman of TLG Asset Management Co., Ltd. (2009-2011) Special committee Member of Taiwan Life Insurance Co., Ltd. (2011-2015) Chief Operation Officer of He Ding Asset Management Co., Ltd. (2016 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", which is conformed to independence condition.	3

Note 1: Professional qualification and experience: describe individual director and supervisor's professional qualification and experience, and please also state the accounting or financial backgrounds of audit Committee members, if have. Furthermore, clarify whether the aforementioned persons having conditions that stated in the Company Acts Article 30.

Note 2: Please describe independent director's condition, including but not limited to himself or herself, spouse, relative within second degree of kinship, whether serving as the Company or its affiliate enterprise's director, supervisor or employees; number of shares and ratio of himself or herself, spouse, relative within second degree of kinship (or using the names of others); whether serving as director, supervisor or employee of any company which has specific relations with the Company (please refer to sub-item 5~8 of Item in Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); the amount of reward he or she gets in recent 2 years from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.

Note 3: Please refer to the best practical reference example in Taiwan Stock Exchange Corporate Governance Center website for the manner of disclosure.

Note 4: All the aforesaid directors do not have conditions that stated in the Company Acts Article 30.

Diversification and independence of Board of Directors:

A. Diversity of the Board of Directors:

Our Corporate Governance Best-Practice Principles requires diversity in the composition of the Board of Directors, where no more than one-third of the total number of directors may serve concurrently as managers, and where all directors must possess the knowledge, skills, and competencies necessary for different professional backgrounds, job areas and performance of their duties. To achieve the ideals and goals of corporate governance, diversity and the following abilities are required for the Board of Directors:

1. Ability in operational judgment.
2. Ability in accounting and financial analysis.
3. Ability in business management.
4. Ability in crisis management.
5. Industrial knowledge.
6. An international market vision.
7. Leadership ability.
8. Decision-making ability.
9. Ability in risk management.
10. Experience in corporate governance.

Implementation of the policy for diversity of the members of the Board of Directors:

Title	Chairman	Director	Director	Director	Independent director	Independent director	Independent director
Name	Lee ,Yi-Ren	Hsieh ,Tung-Fu	Lee, Cheng-Han	Chen, Chih-Pin	Lin, Kuan-Chao	Wei, Che-Chen	He, Ju-Hsiang
Gender	Male	Male	Male	Male	Male	Male	Male
Age	61-70	51-60	31-40	51-60	71-75	61-70	71-75
An employee of Sysgration	✓	✓	✓				
Length of service as independent director					4-6	4-6	1-3
Education and Work Experience Background							
Accounting/Finance/Management	✓			✓	✓	✓	✓
Electronics/Electromechanics/Technology	✓	✓	✓				
International marketing	✓	✓	✓	✓			
Securities/Finance				✓		✓	✓
CPA					✓		
Professional and Industrial Experience							
Ability in operational judgment	✓	✓	✓	✓	✓	✓	✓
Ability in accounting and finance	✓			✓	✓	✓	✓
Ability in business management	✓	✓	✓	✓	✓	✓	✓
Ability in crisis management	✓	✓	✓	✓	✓	✓	✓
Industrial knowledge	✓	✓	✓	✓			
International market vision	✓	✓	✓	✓			
Leadership ability	✓	✓	✓	✓	✓	✓	✓
Decision-making ability	✓	✓	✓	✓	✓	✓	✓
Ability in risk management	✓	✓	✓	✓	✓	✓	✓
Ability in corporate governance	✓	✓	✓	✓	✓	✓	✓

Management goals and current status of achievement :

Members of the Board of Directors of Sysgration are nominated and elected pursuant to the Articles of Incorporation under a candidate nomination system, where the educational and work experience of each candidate will be evaluated in accordance with the diversity policy stipulated by the “Regulations for Election of Directors” and the “Corporate Governance Best-Practice Principles” to ensure diversity and independence regarding the professional and industrial experience of every director. The goals we have set for diversity of the Board of Directors are that there must be at least one director who is professional or experienced in each of the areas of industry, finance, accounting, business management and international market vision, and that all directors are required to possess abilities in operational judgment, crisis management, leadership, decision-making, risk management and corporate governance. We also aim for independent directors accounting for at least one-third of all directors.

Based on our current operational scale and developmental needs, we have elected seven directors (including three independent directors), who are experts with professional backgrounds including electronics, technology, finance, accounting and business management, fulfilling the policy of diversity in the composition of the members of the Board of Directors. The following is the status of achievement of the goals of diversity of the Board of Directors:

- (1) All of the seven current members of the Board of Directors have experience in serving as directors and supervisors at TWSE/TPEX listed companies and possess abilities in operational judgment, crisis management, leadership, decision-making, risk management and corporate governance, in line with the goal of abilities required for directors.
- (2) Chairman Lee Yi-Ren, the director Chen Chih-Pin and the independent directors Lin Kuan-Chao, Wei Che-Chen and He Ju-Hsiang have educational experience in accounting or business administration, with the independent director Lin Kuan-Chao holding a CPA license. All of them possess abilities in accounting and finance, fulfilling the original goal that there must be at least one director experienced in each of the areas of accounting and finance.
- (3) Chairman Lee Yi-Ren and the directors Hsieh Tung-Fu, Lee Cheng-Han and Chen Chih-Pin have over 15 years of experience in the electronics industry and used to serve as top managers for the relevant business. They are professional and experienced in the areas of business management ability and international market vision, thus fulfilling the goal that there must be at least one director experienced in each of the areas of business management ability and international market vision.
- (4) Chairman Lee Yi-Ren and the directors Hsieh Tung-Fu and Lee Cheng-Han have educational experience in electromechanics and electronics, and they are professional and experienced in the industry and products of Sysgration, fulfilling the goal that there must be at least one director experienced in the area of industrial knowledge.
- (5) Independent directors account for 43% of all directors, fulfilling the original goal of having independent directors accounting for at least one-third of all directors. One of the independent directors has served for no more than 3 years, while the other two have served for 4–6 years.
- (6) The directors Lee Yi-Ren, Hsieh Tung-Fu and Lee Cheng-Han are also the employees of Sysgration, accounting for 43% of all directors.

In the future, we will make timely amendment to the diversity policy depending on the operations of the Board of Directors and our operational pattern and developmental needs, and we will move toward the goals of having at least one female director and adding directors who are professional and experienced in sustainable development, occupational safety and health, labor rights and law in order to strengthen diversity and supervise how Sysgration responds to the international trend in sustainable development.

B. Independence of Board of Directors:

The Company’s Board of Directors consists of 7 directors, namely 3 independent directors, which accounts 43% of the seats. Currently not more than 2 members of the Board are with spousal relationship or relative relationship within the second degree of kinship and none of circumstances stated in Article 26-3, paragraph 3, item 3 and item 4 of Securities and Exchange Act are existed among board members. The board of directors devotes to supervise the company to observe the laws, keep financial transparency, disclose important information in real time, and make objective and independent judgments on company financials and operations. The Board’s members’ qualifications are already in compliance with regulatory requirements at the time of election.

2.2 Management Team

Unit: share, % As of February 27, 2023

Title (Note1)	Nationality	Name	Gender	Date Effected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note2)	Other Position	Managers who are spouses or within second degrees of kinship			Remark (Note3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Strategy Officer	Taiwan	Lee, Yi-Ren	Male	20220510	12,180,210	7.23	2,782,097	1.65	6,804,673	4.04	MBA, JFK. Univ. Chairman, Hipro Elec. Co. Vice Chairman & General Manager, Chicony Elec. Co. Chairman, Winmate Inc.	Chairman, Sysgration (Zhenjiang) Director, Sysgration (Huizhou)	V.P.	Lee, Cheng-Han	Father and son	None
General Manager	Taiwan	Hsieh, Tung-Fu	Male	20130102	799,892	0.47	0	0.00	0	0.00	Ph.D., EE of National Chiao Tung Univ. V.P., Altek Corp. V.P., Lite-On Technology Corp	Supervisor, Sysgration (Zhenjiang) Chairman, Sysgration (Huizhou)	None	None	None	None
V.P.	Taiwan	Lee, Cheng-Han	Male	20160329	644,126	0.38	0	0.00	0	0.00	Master, Science in E.E., Univ. of Southern California Special Assistant of GM, Sysgration Ltd.	Director, Sysgration (Zhenjiang) Supervisor, Sysgration (Huizhou)	Chairman	Lee, Yi-Ren	Father and son	None
V.P.	Taiwan	Yeh, Chia-Fu	Male	20170724	34,000	0.02	0	0.00	0	0.00	Bachelor, Chemistry NTU Director of Tongda Tech. Director, Lite-On Clean Energy Tech. Co.	President, Sysgration (Zhenjiang)	None	None	None	None
V.P.	Taiwan	Li, Fang-Mao	Male	20101105	125,075	0.07	0	0.00	0	0.00	Bachelor, Mechanics NTU of Sci. & Tech. GM, Zyxel Corp.Wuxi Plant	Director and President, Sysgration (Huizhou)	None	None	None	None
V.P.	Taiwan	Li, Yi-Chia (Note 4)	Male	20171101	11,000	0.01	0	0.00	0	0.00	Lunghwa Univ. Sci. and Tech. GM, Ancher Tech. Co. GM, Etasis Elec. Corp.	None	None	None	None	None
V.P.	Taiwan	Hsing, Chien	Male	20190909	0	0.00	0	0.00	0	0.00	Bachelor, Info. Management, Ming Chuan Univ. GM, Jorjin Tech. Inc. V.P., Ubiqconn Tech. Inc. BU Head, Advantech Co. V.P., Advanced Digital Tech. Co.	None	None	None	None	None
V.P.	Taiwan	Wang, Yen-Cheng (Note 5)	Male	20220401	0	0.00	0	0.00	0	0.00	Department of International Marketing, California State University, Fullerton Senior Sales Director, Dexin Corporation Vice President, Ancher Technology Inc. Senior Director, Darfon Electronics Corp. COO, C-Tech United Corp.	None	None	None	None	None
Director Manager	Taiwan	Wang, Hua-Wei	Male	20110701	61,378	0.04	400	0.00	0	0.00	Bachelor of Mechanics, Hwa Hsia Univ. of Tech. R&D Director, Sysgration Ltd.	None	None	None	None	None
Director Manager	Taiwan	Wu, Jeng-Ru	Male	20150101	0	0.00	0	0.00	0	0.00	Bachelor of Electronics, Hwa Hsia Univ. of Tech. R&D Director, Shanghai Liyao Energy Co. Sr. R&D Manager, Lite-On Tech. Corp.	None	None	None	None	None

Title (Note1)	Nationality	Name	Gender	Date Effectuated	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education (Note2)	Other Position	Managers who are spouses or within second degrees of kinship			Remark (Note3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director Manager	Taiwan	Huang, Yao-Lun (Note 4)	Male	20180705	35,000	0.02	0	0.00	0	0.00	Master, Creative Design, NTU of Tech. Sr. R&D Manager, Liteon Tech. Corp.	None	None	None	None	None
Director Manager	Taiwan	Lo, Mei-Lien (Note 5)	Female	20220301	0	0.00	0	0.00	0	0.00	Department of Public Administration and Management, Chinese Culture University Director of Human Resources, Super Micro Computer, Inc. Director of Human Resources, Infotrend Technology, Inc.	None	None	None	None	None
Director Manager	Taiwan	Tsai, Hsiu-Mei	Female	20170717	63,000	0.04	0	0.00	0	0.00	MBA, Univ. of Washington CFO, Taiwan Chinsan Elec. Co. CFO, TaiSol Electronics Co.	None	None	None	None	None
Director Manager	Taiwan	Li, Tsung-Po (Note 4)	Male	20190401	0	0.00	0	0.00	0	0.00	Bachelor, Fu Jen Catholic Univ. Sr. manager, Winmate Inc.	None	None	None	None	None
Director Manager	Taiwan	Li, Mu- Sen	Male	20191216	24,000	0.01	0	0.00	0	0.00	Bachelor of E.E., National Taiwan University of Sci.& Tech. R&D Director, Jorjin Tech. Inc. CTO Automotive Products, Sef Tech Co. Manager, Wistron	None	None	None	None	None
Director Manager	Taiwan	Li, Tzu-Kuang (Note 5)	Male	20220822	0	0.00	0	0.00	0	0.00	MBA, Royal Roads University Director of Quality Assurance, Inventec Deputy CQO, Boe Technology Group Co., Ltd. CQO, Admiral Oversea Corporation	None	None	None	None	None

Note 1: The data for the General Manager, V.P., Director, heads of departments and branches should be included, and those whose positions are equivalent to a General Manager, V.P., Director, regardless of title, should also be disclosed.

Note 2: If the experience is relevant to the current position, such as having worked in the auditor's CPA firm or an affiliated company during the previous reporting period, his/her title and position of responsibility should be stated.

Note 3: If the General Manager or equivalent position to the top manager and the Chairman are the same person or are spouses or relatives within the first degree of kinship, the company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of independent directors and more than half of the directors should not be employees or managers, etc..)

Note 4: Mr. Li, Tsung-Po resigned on 2022/02/28, Mr. Huang, Yao-Lun resigned on 2022/03/15, and Mr. Li, Yi-Chia resigned on 2022/06/30.

Note 5: Mrs. Lo, Mei-Lien appointed on 2022/03/01, Mr. Wang, Yen-Cheng appointed on 2022/04/01, Mr. LI, Tzu-Kuang appointed on 2022/08/22, and Mr. Lee, Yi-Ren appointed on 2022/05/10.

2.3 If the Chairman and General Manager or the top manager are the same person or are spouses or relatives within the first degree of kinship, the Company should explain the reasons, reasonability, necessity, and corresponding measures:

The Company's Chairman and General Manager are not relatives within the first or second degree of kinship.

3 Remuneration Of Director, Supervisor, General Manager And Vice President In The Most Recent Years

3.1 Remuneration of general director and independent director (disclosure of individual name and remuneration method)

Unit: NT\$1,000; %;

For the Year 2022 ended December 31

Title	Name	Director Remuneration								Total Amount of Items A,B,C,D and Ratio to Net Profit After Tax		Relevant Remuneration Received by Directors Who are Also Employees						Total Amount of Items A,B,C,D,F,G and Ratio to Net Profit After Tax		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or the Parent Company		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit-Sharing of Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock		The company	All companies in the consolidated financial statements
Chairman	Lee, Yi-Ren	60	60	0	0	0	0	0	0	60	60	6,048	6,048	0	0	0	0	0	0	6,108	6,108	0
Director	Hsieh, Tung-Fu	60	60	0	0	0	0	0	0	60	60	4,205	5,266	108	108	0	0	0	0	4,373	5,434	0
Director	Lee, Cheng-Han	60	60	0	0	0	0	0	0	60	60	3,382	3,382	108	108	0	0	0	0	3,550	3,550	0
Director	Chen, Chih-Pin	480	480	0	0	0	0	0	0	480	480	0	0	0	0	0	0	0	0	480	480	0
Independent Director	Lin, Kuan-Chao	495	495	0	0	0	0	0	0	495	495	0	0	0	0	0	0	0	0	495	495	0
Independent Director	He, Ju- Hsiang	495	495	0	0	0	0	0	0	495	495	0	0	0	0	0	0	0	0	495	495	0
Independent Director	Wei, Che-Chen	495	495	0	0	0	0	0	0	495	495	0	0	0	0	0	0	0	0	495	495	0

Note 1: According to the Articles of Incorporation, regardless of any profit or loss, all directors performing duties for Sysgration may claim travel allowance and remuneration, which will be paid, as authorized, by the Board of Directors taking into account the standard in the industry. Among the current directors, those who are also employees will be paid a monthly amount of NTD5 thousand as remuneration. The ordinary and independent directors who are not employees will be paid a monthly amount of NTD50 thousand as remuneration due to the responsibilities and risks they bear and after giving consideration to the time they have invested in corporate governance and the fact that independent directors also serve as members of the Audit Committee and the Remuneration Committee, taking into account the standard in the industry.

Note 2: According to the Articles of Incorporation, where Sysgration has a profit in a year, it shall allocate no more than 3% thereof as the remuneration for directors, provided that an amount thereof is retained to offset any accumulated losses Sysgration still has. The remuneration for each director is based on the level of his/her participation in and his/her contribution to the operations of Sysgration. Pursuant to the "Regulations for Evaluation of the Performance of the Board of Directors," a performance evaluation is conducted each year to review the performance of directors comprehensively based on items including their understanding of the goals and missions of Sysgration, the awareness of their responsibilities, the level of their participation in the operations of Sysgration, management and communication regarding internal relationship, the professionalism and continuing training of directors, and internal control. In 2021 and 2022, the Remuneration Committee, Audit Committee and Board of Directors approved that no remuneration was distributed to directors.

Note 3: Severance Pay was defined contribution amount allocated, not the actual amount paid.

Remuneration Scale Table

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Consolidated Financial Statements H	The Company	Companies in the Consolidated Financial Statements I
Under NT\$1,000,000	Lee, Yi-Ren / Hsieh, Tung-Fu / Lee, Cheng- Han / Chen, Chih-Pin / Lin, Kuan- Chao / He, Ju-Hsiang / Wei, Che-Chen	Lee, Yi-Ren / Hsieh, Tung-Fu /Lee, Cheng- Han / Chen, Chih-Pin / Lin, Kuan- Chao/He, Ju-Hsiang/Wei, Che-Chen	Chen, Chih-Pin / Lin, Kuan-Chao / He, Ju-Hsiang / Wei, Che-Chen	Chen, Chih-Pin / Lin, Kuan-Chao / He, Ju-Hsiang / Wei, Che-Chen
NT\$1,000,000 ~ NT\$2,000,000	None	None	None	None
NT\$2,000,000 ~ NT\$3,500,000	None	None	Lee, Cheng-Han	Lee, Cheng-Han
NT\$3,500,000 ~ NT\$5,000,000	None	None	Hsieh, Tung-Fu	None
NT\$5,000,000 ~ NT\$10,000,000	None	None	Lee, Yi-Ren	Lee, Yi-Ren Hsieh, Tung-Fu
NT\$10,000,000 ~ NT\$15,000,000	None	None	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	7	7	7	7

Note 1: Director names must be listed separately (corporate shareholder is listed separately with legal representative), as well as general director and independent director, with payments being disclosed in a summary sheet. If a director is also the general manager or vice president, please fill the table (3-1), or (3-2-1) and (3-2-2) below.

Note 2: It means the remuneration of the director in the most recent year (including the director's salary, duty increment, severance pay, various bonuses, incentive payments, etc.).

Note 3: The remuneration for the director in the most recent year approved by the Board of Directors.

- Note 4: The relevant business execution expenses of the director in the most recent year (including the travel fees, special expenses, allowances, accommodation, vehicle distribution, etc.). In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, oil cost, and other payments. If there is a driver, please note the remuneration paid by the Company to the driver but not included in the director's remuneration.
- Note 5: The salary, duty increment, severance payment, various bonuses, incentive payments, travel expenses, special expenses, allowances, accommodation, vehicle distribution, and other material supplies received by directors concurrently (including concurrently as president, vice president, managers, and employees) in recent years. In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, fuel cost, and other payments. If there is a driver, please note the remuneration is paid by the Company to the driver but not included in the director's remuneration. In addition, the salary expenses recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of an employee stock option certificate, restricted employee rights new shares, and participation in cash capital increase for shares shall also be included in the remuneration.
- Note 6: The concurrent director (including concurrently as president, vice president, managers, and employees) getting the employee payment (including stocks and cash) in recent years, which should reveal the employee payment approved by the Board of Directors in the most recent fiscal year; if unable to estimate the amount, the proposed assigned amount in this year shall be calculated according to the actual assigned amount ratio of last year, and it should be included in the Attached Table 1-3.
- Note 7: The total remuneration paid to the directors of the Company by all companies (including the Company) in the consolidated report shall be disclosed.
- Note 8: The total remuneration paid to each director by the Company is disclosed in the class to which they belong.
- Note 9: The total remuneration paid by all companies (including the Company) to each director of the Company in the consolidated report shall be disclosed. The names of the directors shall be disclosed in the classes to which they belong.
- Note10: Net income refers to the net profit after tax for the most recent year. For those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement in the most recent year.
- Note11: a. This column shall clearly state the amount of remuneration received by the directors in connection with the transfer of investment other than from the subsidiary.
b. If a director of the Company receives any remuneration related to the reinvestment business other than from the subsidiaries, the remuneration received by the director of the Company from the reinvestment business other than from the subsidiaries shall be incorporated into Column I of the remuneration scale, and the domain name shall be changed to "all reinvestment businesses."
c. Remuneration means the remuneration, reward (including remuneration of employees, directors, and supervisors), business execution expenses, and other relevant remuneration received by the Company's directors as directors, supervisors, or managers of the business transferred other than from the subsidiaries.
- * The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Act. Therefore, the purpose of this form is for disclosure purposes only and not for taxation purposes.

3.2 Remuneration of the Supervisor: The Company has set up the audit committee, so there is no supervisor remuneration.

3.3 Remuneration of the General Manager and Vice President (individually disclose name and method of remuneration)

Unit: NT\$1,000 ; For the Year 2022 ended December 31

Title	Name	Salary (A)		Severance Pay (B) (Note 2)		Bonuses and Allowances (C)		Profit Sharing - Employee Bonus (D)				Total Amount of Items A,B,C,D and Ratio to Net Profit After Tax		Remuneration from an Invested Company Other than the Company's Subsidiary or the Parent Company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chief Strategy Officer	Lee, Yi-Ren (Note 1)	19,479	21,815	675	675	5,774	5,774	0	0	0	0	25,928 7.66%	28,264 8.35%	0
General Manager	Hsieh, Tung-Fu													
Vice President	Lee, Cheng-Han													
Vice President	Yeh, Chia-Fu													
Vice President	Li, Fang-Mao													
Vice President	Li, Yi-Chia (Note 1)													
Vice President	Hsing, Chien													
Vice President	Wang, Yen-Cheng (Note 1)													

*Those whose positions are equivalent to general manager or vice president (e.g.: president, CEO, chief supervisor, etc.) must be disclosed.

Note 1: Mr. Wang, Yen-Cheng appointed on 2022/04/01, Mr. Lee, Yi-Ren appointed on 2022/05/10, and Mr. Li, Yi-Chia resigned on 2022/06/30.

Note 2: Severance pay is defined contribution amount allocated, not the actual amount paid.

Note 3: The remuneration disclosed above is different from the concept of income in the Income Tax Law. Therefore, the information is only for disclosure purposes not for taxation purposes.

Note 4: A manager of Sysgration is responsible for managing its affairs based on the business policies and key matters determined by the Board of Directors, and his/her appointment and discharge shall be subject to a resolution of the Board of Directors according to the Articles of Incorporation. The remuneration for a manager includes a fixed salary and bonuses. The fixed salary is based on his/her job grade, experience, professional competence and length of service and the standard of peer companies, while bonuses are associated with our performance targets, including the set targets for our revenue and profit, individual KPI achievement and will be paid based on his/her performance and his/her contribution to our overall operations, subject to review and recommendation by the Remuneration Committee and a resolution of the Board of Directors.

3.4 Remuneration of the top five executives (disclosure of individual names and remuneration methods)

Unit: NT\$1,000 for the year 2022 ended December 31

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Profit Sharing - Employee Bonus (D)				Total Amount of Items A,B,C,D and Ratio to Net Profit After Tax		Remuneration from an Invested Company Other than The Company's Subsidiary or the Parent Company
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chief Strategy Officer	Lee, Yi-Ren	4,631	4,631	0	0	1,417	1,417	0	0	0	0	6,048 1.79%	6,048 1.79%	0
General Manager	Hsieh, Tung-Fu	2,510	3,571	108	108	1,695	1,695	0	0	0	0	4,313 1.27%	5,374 1.59%	0
Vice President	Lee, Cheng-Han	2,851	2,851	108	108	531	531	0	0	0	0	3,490 1.03%	3,490 1.03%	0
Vice President	Yeh, Chia-Fu	2,502	3,139	108	108	516	516	0	0	0	0	3,126 0.92%	3,763 1.11%	0
Vice President	Hsing, Chien	2,731	2,731	108	108	444	444	0	0	0	0	3,283 0.97%	3,283 0.97%	0

Note 1: Severance pay is the allocation amount, not the actual amount paid.

Note 2: The remuneration disclosed in this table is different from the income concept under the Income Tax Law. Therefore, this table is for information disclosure purpose only, and is not for taxation purpose.

Note 3: A manager of Sysgration is responsible for managing its affairs based on the business policies and key matters determined by the Board of Directors, and his/her appointment and discharge shall be subject to a resolution of the Board of Directors according to the Articles of Incorporation. The remuneration for a manager includes a fixed salary and bonuses. The fixed salary is based on his/her job grade, experience, professional competence and length of service and the standard of peer companies, while bonuses are associated with our performance targets, including the set targets for our revenue and profit, individual KPI achievement and will be paid based on his/her performance and his/her contribution to our overall operations, subject to review and recommendation by the Remuneration Committee and a resolution of the Board of Directors.

Remuneration Scale Table

Range of Remuneration	Name of General Manager and Vice President	
	The Company	All companies in the consolidated financial statements
Under NT\$1,000,000	None	None
NT\$1,000,000 ~ NT\$2,000,000	Li, Yi-Chia / Wang, Yen-Cheng	Li, Yi-Chia / Wang, Yen-Cheng
NT\$2,000,000 ~ NT\$3,500,000	Lee, Cheng-Han / Hsing, Chien / Li, Fang-Mao / Yeh, Chia-Fu	Lee, Cheng-Han / Hsing, Chien / Li, Fang-Mao
NT\$3,500,000 ~ NT\$5,000,000	Hsieh, Tung-Fu	Yeh, Chia-Fu
NT\$5,000,000 ~ NT\$10,000,000	Lee, Yi-Ren	Lee, Yi-Ren/ Hsieh, Tung-Fu
NT\$10,000,000 ~ NT\$15,000,000	None	None
NT\$15,000,000 ~ NT\$30,000,000	None	None
NT\$30,000,000 ~ NT\$50,000,000	None	None
NT\$50,000,000 ~ NT\$100,000,000	None	None
Over NT\$100,000,000	None	None
Total	8	8

Note 1: The names of General Manager and Vice President shall be listed separately, to disclose the payments in a summary manner. If a director serves as both General Manager or Vice President for the Company, please fill the sheet below and above (1-1) or (1-2-1) and (1-2-2).

Note 2: The salary, duty increment, severance pay of the General Manager and Vice President in the most recent year.

Note 3: The salary, duty increment, severance payment, various bonuses, incentive payments, travel expenses, special expenses, allowances, accommodation, vehicle distribution, and other material supplies received by the General Manager and Vice President in recent years. In the case of the provision of housing, motor vehicles, and other means of transport or personal expenses, the disclosure shall be made of the nature and cost of the assets provided, according to actual or fair market rent, oil cost, and other payments. If there is a driver, please note the remuneration paid by the Company to the driver but not included in the 'director's remuneration. In addition, the salary expenses recognized in accordance with IFRS 2, "Share-based Payment", including the acquisition of employee stock option certificate, restricted employee rights new shares, and participation in cash capital increase for shares shall also be included in the remuneration.

Note 4: The employee payment (including stocks and cash) of the General Manager and Vice President in recent years, which approved by Board of Directors; if unable to estimate the amount, the proposed assigned amount in this year shall be calculated according to the actual assigned amount ratio of last year, and it should be included in the Attached Table 1-3. net income refers to the net profit after tax in the most recent year. For those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement in the most recent year.

Note 5: The total amount of remuneration paid to the General Manager and Vice President of the Company by all companies (including the Company) in the consolidated report shall be disclosed.

Note 6: The total amount of remuneration paid to each General Manager and Vice President by the Company is disclosed in the class to which they belong.

Note 7: The total amount of remuneration paid by all companies (including the Company) in the consolidated report shall be disclosed, and the names of the General Manager and Vice President shall be disclosed in the classes to which they belong.

Note 8: Net income refers to the net profit after tax in the most recent year. For those who have adopted IFRS, the net income refers to the income of parent company only financial statement in the most recent year.

Note 9: a. This column shall clearly state the amount of remuneration received by the General Manager and Vice President in connection with the transfer of investment other than from the subsidiaries

b. If a General Manager and Vice President of the Company receives any remuneration related to the reinvestment business other than from the subsidiaries, the remuneration received by the General Manager and Vice President of the Company from the reinvestment business other than from the subsidiaries shall be incorporated into Column E of the remuneration scale. The domain name shall be changed to "all reinvestment businesses."

c. Remuneration means the remuneration, reward (including remuneration of employees, directors, and supervisors), business execution expenses, and other relevant remuneration received by the Company's General Manager and Vice President as directors, supervisors, or managers of the business transferred other than from the subsidiaries.

* The content of remuneration disclosed in this form is different from the concept of income in the Income Tax Act. Therefore, the purpose of this form is for the disclosure purpose only and not for taxation purposes.

Profit Sharing of Employee Bonuses to Executive Officers

December 31, 2022

	Title	Name	Employee Bonuses - in stock	Employee Bonuses - in Cash	Total	Ratio of Total Amount to net Profit After Tax (%)
Executive Officers	Chief Strategy Officer	Lee, Yi-Ren (Note 6)	0	0	0	0
	General Manager	Hsieh, Tung-Fu				
	Vice President	Lee, Cheng-Han				
		Yeh, Chia-Fu				
		Li, Fang-Mao				
		Li, Yi-Chia (Note 5)				
		Hsing, Chien				
		Wang, Yen-Cheng (Note 6)				
	Director Manager	Lo, Mei-Lien (Note 6)				
		Wang, Hua-Wei				
		Wu, Jeng-Ru				
		Huang, Yao-Lun (Note 5)				
		Tsai, Hsiu-Mei				
		Li, Tsung-Po (Note 5)				
Li, Mu-Sen						
	LI, Tzu-Kuan (Note 6)					

Note 1: The individual names and titles should be disclosed, but the profit distribution may be disclosed in a summary manner.

Note 2: The amount of remuneration (including stock and cash) approved by the Board of Directors to the managers in the most recent year. If it is impossible to estimate, the proposed distribution for this year will be calculated in proportion to the actual distribution from last year. Net income means the net profit after tax in the most recent year; for those who have adopted IFRS, the net income refers to the net profit after tax of parent company only financial statement for the most recent year.

Note 3: The scope of application for managers is as follows, in accordance with the Letter TCZSZ No. 0920001301 dated March 27, 2003:

- (1) President and equivalent level
- (2) Vice President and equivalent level
- (3) Director manager or equivalent level
- (4) Supervisor of a financial department
- (5) Supervisor of an accounting department
- (6) Other person who has the right to manage and sign for the Company

Note 4: If directors, Vice President, and Vice Presidents receive the employee remuneration (including shares and cash), they should fill in this form in addition to Attached Table 1-2.

Note 5: Mr. Li, Tsung-Po resigned on 2022/02/28, Mr. Huang, Yao-Lun resigned on 2022/03/15, and Mr. Li, Yi-Chia resigned on 2022/06/30.

Note 6: Mrs. Lo, Mei-Lien appointed on 2022/03/01, Mr. Wang, Yen-Cheng appointed on 2022/04/01, Mr. Lee, Yi-Ren appointed on 2022/05/10, and Mr. Li, Tzu-Kuang appointed on 2022/08/22.

3.5 Comparative analysis of the ratios of total remuneration paid to the Company's Directors, Supervisors, General Manager, and Vice Presidents by the Company and all the companies in the consolidated financial statements for the most recent two years to net profit after tax, and description of the policies, standards, and combinations of compensation, procedures for determining the compensation, and their relevance to business performance and future risks.

Unit: NT\$1,000

Year	2022				2021					
Title	Total Remuneration		Net Profit After Tax	Ratio of Total Remuneration to Net Profit After Tax (%)		Total Remuneration		Net Profit After Tax	Ratio of Total Remuneration to Net Profit After Tax (%)	
	the Company	All companies in the consolidated financial statements		the Company	All companies in the consolidated financial statements	the Company	All companies in the consolidated financial statements		the Company	All companies in the consolidated financial statements
Directors	2,145	2,145	338,499	0.63	0.63	6,440	6,440	95,347	6.75	6.75
General Manager and Vice Presidents	25,928	28,263		7.66	8.35	25,130	27,417		26.36	28.75
Total	28,073	30,408		8.29	8.98	31,570	33,857		33.11	35.50

- (1) According to the Articles of Incorporation, regardless of any profit or loss, all directors performing duties for Sysgration may claim travel allowance and remuneration, which will be paid, as authorized, by the Board of Directors taking into account the standard in the industry. Among the current directors, those who are also employees will be paid a monthly amount of NTD5 thousand as remuneration. The ordinary and independent directors who are not employees will be paid a monthly amount of NTD50 thousand as remuneration due to the responsibilities and risks they bear and after giving consideration to the time they have invested in corporate governance and the fact that independent directors also serve as members of the Audit Committee and the Remuneration Committee, taking into account the standard in the industry.
- (2) According to the Articles of Incorporation, where Sysgration has a profit in a year, it shall allocate no more than 3% thereof as the remuneration for directors, provided that an amount thereof is retained to offset any accumulated losses Sysgration still has. The remuneration for each director is based on the level of his/her participation in and his/her contribution to the operations of Sysgration. Pursuant to the "Regulations for Evaluation of the Performance of the Board of Directors," a performance evaluation is conducted each year to review the performance of directors comprehensively based on items including their understanding of the goals and missions of Sysgration, the awareness of their responsibilities, the level of their participation in the operations of Sysgration, management and communication regarding internal relationship, the professionalism and continuing training of directors, and internal control. In 2021 and 2022, the Remuneration Committee, Audit Committee and Board of Directors approved that no remuneration was distributed to directors.
- (3) The relevant remuneration received by any director who is also an employee will be based on his/her job grade, the scope of his/her business and the result of periodic evaluation of his/her performance, with the salary, bonus or other employee remuneration received by him/her subject to approval by the Remuneration Committee and the Board of Directors.
- (4) A manager of Sysgration is responsible for managing its affairs based on the business policies and key matters determined by the Board of Directors, and his/her appointment and discharge shall be subject to a resolution of the Board of Directors according to the Articles of Incorporation. The remuneration for a manager includes a fixed salary and bonuses. The fixed salary is based on his/her job grade, experience, professional competence and length of service and the standard of peer companies, while bonuses are associated with our performance targets, including the set targets for our revenue and profit, and will be paid based on his/her performance and his/her contribution to our overall operations, subject to review and recommendation by the Remuneration Committee and a resolution of the Board of Directors.
- (5) Remunerations paid to the Company's Directors, general manager, and vice presidents by the Company in the last two years remain stable at the same level, even after big increase of net profit in 2022.

4 Operation of Corporate Governance

4.1 Operation of the Board of Directors

(1) Board of Directors

In the most recent year (2022), the Board of Directors held six (6) meetings (A). The attendance of the directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Chairman	Lee, Yi-Ren	6	0	100	None
Director	Hsieh, Tung-Fu	5	1	83	None
Director	Lee, Cheng-Han	6	0	100	None
Director	Chen, Chih-Pin	5	1	83	None
Independent Director	Lin, Kuan-Chao	6	0	100	None
Independent Director	He, Ju-Hsiang	6	0	100	None
Independent Director	Wei, Che-Chen	6	0	100	None

Other items:

- A. Matters listed in Article 14-3 of the Securities and Exchange Act and resolutions of the Board of Directors' meetings which are opposed or subject to qualified opinions by the Independent Directors and recorded or declared in writing, shall be stated with the date, sessions, contents of the motion, all Independent Directors' opinions, and the Company's response to the Independent Directors' opinions:

The Company's 2022 Board of Directors' meeting motions relating to the matters set forth in Article 14-3 of the Securities and Exchange Act are as follows:

Meeting Date	Motion Content	Opinions of Independent Directors and the Company's Response
2022.01.18 The 13 rd Meeting of 14 th Session	1. Approval of amendment to the "Corporate Social Responsibility Best-Practice Principles." 2. Approval of the record date for capital increase from conversion of employees' stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new shares.	Approved Unanimously by All Independent Directors in Attendance.

Meeting Date	Motion Content	Opinions of Independent Directors and the Company's Response
2022.03.17 The 14 th Meeting of 14 th Session	<ol style="list-style-type: none"> 1. Approval of the “Evaluation of the Effectiveness of Internal Control System” and the “Statement of Internal Control System” for 2021. 2. Approval of 2021 profit appropriation proposal. 3. Approval of amendment to the “Articles of Incorporation.” 4. Approval of the proposal for private placement of common shares. 5. Approval of appointment of the chief auditor. 6. Approval of appointment of senior managers. 7. Approval of establishment of the EVS Business Unit and appointment of senior managers. 	Approved Unanimously by All Independent Directors in Attendance.
2022.05.10 The 15 th Meeting of 14 th Session	<ol style="list-style-type: none"> 1. Approval of change of CPAs as required by an internal adjustment of PricewaterhouseCoopers Taiwan. 2. Approval of application for a credit limit on transactions of derivatives. 3. Approval of the record date for capital increase from conversion of employees’ stock warrants to common shares. 4. Approval of amendment to the “ Delegation of Authority List”. 5. The proposal for investment in the shares of Transound Electronics Co., Ltd. for capital increase by cash. 6. Approval of participation in the acquisition of Fu Yo Limited Partnership with Privately Placed Shares. 7. Approval of investment in Ion Electronic Materials Co., Ltd. 8. Approval of appointment of senior managers. 9. Approval of adjustment to the travel allowance and remuneration for directors. 	Except in the case of (V) where all attending directors decided against investment, all attending independent directors approved the remaining proposals.
2022.08.09 The 16 th Meeting of 14 th Session	<ol style="list-style-type: none"> 1. Approval of the record date for capital increase from conversion of employees’ stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new shares. 2. Approval of accounts receivable of significant amounts as of the end of June 2022, whose duration exceeded the normal loan period for over three months due to business dealings and which were not considered as loaned funds. 3. Approval of appointment of the chief auditor. 	Approved Unanimously by All Independent Directors in Attendance.

Meeting Date	Motion Content	Opinions of Independent Directors and the Company's Response
2022.10.18 The 17 th Meeting of 14 th Session	<ol style="list-style-type: none"> 1. Approval of the record date for capital increase from conversion of employees' stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new shares. 2. Approval of amendment to the "Regulations for Evaluation of the Performance of the Board of Directors." 3. Approval of amendment to the "Procedures Governing the Prevention of Insider Trading." 4. Approval of the actual price and payment period for private placement shares. 5. Approval of the issuance of employees' stock warrants. 6. Approval of appointment of senior managers. 	Approved Unanimously by All Independent Directors in Attendance.
2022.11.10 The 18 th Meeting of 14 th Session	<ol style="list-style-type: none"> 1. Approval of the 2023 audit plan. 2. Approval of the proposal to establish a wholly owned subsidiary in the US. 	Approved Unanimously by All Independent Directors in Attendance.

B. If directors withdraw motions in conflict of interest, state with the names of the directors, the content of the motion, the reasons for avoidance, and the voting result.

Meeting Date	Name of Director	Motion content	Reasons for Avoidance and Voting Result
2022.01.18 The 13 th Meeting of 14 th Session	Lee, Yi-Ren Hsieh, Tung-Fu Lee, Cheng-Han	Distribution of 2021 year-end bonuses to managers.	Except for Chairman Lee, Yi-Ren, Director Hsieh, Tung-Fu, and Director Lee, Cheng-Han, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wei, Che- Chen, asked the other directors present and approved the motion without objection.
2022.05.10 The 15 th Meeting of 14 th Session	Lee, Yi-Ren	Appointment of senior managers.	Except for Chairman Lee, Yi-Ren, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wei, Che- Chen, asked the other directors present and approved the motion without objection.

Meeting Date	Name of Director	Motion content	Reasons for Avoidance and Voting Result
2022.05.10 The 15 th Meeting of 14 th Session	Hsieh, Tung-Fu Lee, Cheng-Han	Distribution of operational bonuses to managers.	Except for Director Hsieh, Tung-Fu, and Director Lee, Cheng-Han, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.
	Lee, Yi-Ren	Adjustment to the remuneration and benefits for managers.	Except for Chairman Lee, Yi-Ren, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wei, Che- Chen, asked the other directors present and approved the motion without objection.
	Lin, Kuan- Chao Wei, Che- Chen He, Ju- Hsiang Chen, Chih-Pin	Adjustment to the remuneration and travel allowance for directors.	Except for Independent Director Lin, Kuan- Chao, Independent Director Wei, Che- Chen, Independent Director He, Ju- Hsiang and Director Chen, Chih-Pin, who had other interests and needed to withdraw from the discussion and voting, the Chairman asked the other directors present and approved the motion without objection.
2022.08.09 The 16 th Meeting of 14 th Session	Lee, Yi-Ren Hsieh, Tung-Fu	Distribution of operational bonuses to managers.	Except for Chairman Lee, Yi-Ren, and Director Hsieh, Tung-Fu, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Wei, Che- Chen, asked the other directors present and approved the motion without objection.
2022.11.10 The 18 th Meeting of 14 th Session	Lee, Yi-Ren Hsieh, Tung-Fu Lee, Cheng-Han	Distribution of operational bonuses to managers.	Except for Chairman Lee, Yi-Ren, Director Hsieh, Tung-Fu, and Director Lee, Cheng-Han, who had other interests and needed to withdraw from the discussion and voting, the acting chairman, Independent Director Lin, Kuan- Chao, asked the other directors present and approved the motion without objection.

Note 1: Where directors and supervisors are institutional legal entities, they shall disclose the names of the corporate shareholders and their representatives.

Note 2: (1) If a director or supervisor resign before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of Board meetings and the actual attendance during his/her term in office.

(2) Before the end of the year, if there are any director or supervisor re-election, it should fill the new and former director or supervisor in the columns and indicate that the director or supervisor is former, new, or re-elected and the date of election in the remarks column; the actual attendance rate (%) is calculated based on the number of Board meetings and the actual attendance number during his/her term in office.

C. Information on the Board of Directors' self-assessment (or peer assessment), the scope, method, and content of the assessment:

Cycle of evaluation	Period of evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
Once a year	January 1, 2022 to December 31, 2022	An evaluation of the performance of the Board of Directors, individual directors and the functional committees.	The methods of internal evaluation include the self-evaluation of directors, the internal self-evaluation of the Board of Directors and the functional committees, and the resolutions of the Board of Directors.	<p>The scope of evaluation of the performance of the Board of Directors includes the following five aspects consisting of 40 items:</p> <ol style="list-style-type: none"> 1. Level of participation in the operations of Sysgration. 2. Improvement of the quality of decision-making by the Board of Directors. 3. Composition and structure of the Board of Directors. 4. Election and continuing training of directors. 5. Internal control. <p>The scope of evaluation of the performance of individual directors includes the following six aspects consisting of 23 items:</p> <ol style="list-style-type: none"> 1. Understanding of the goals and missions of Sysgration. 2. Awareness of the responsibilities of a director. 3. Level of participation in the operations of Sysgration. 4. Management and communication regarding internal relationship. 5. Professionalism and continuing training of directors. 6. Internal control. <p>The scope of evaluation of the performance of the Audit Committee and the Remuneration Committee includes, respectively, 22 and 20 items under the following five aspects:</p> <ol style="list-style-type: none"> 1. Level of participation in the operations of Sysgration. 2. Awareness of the

Cycle of evaluation	Period of evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
				responsibilities of the Audit Committee. 3.Improvement of the quality of decision-making by a committee. 4.Composition and election of members of a committee. 5.Internal control.

Results of comprehensive evaluation:

We have completed the self-evaluation of the performance of the Board of Directors for 2022, and the result of evaluation was submitted in a report to the Board of Directors on January 9, 2023 as a basis for review and improvement. The overall average score of the self-evaluation of the performance of the Board of Directors was 4.96 (out of 5), and the overall average score of the self-evaluation of the performance of individual directors was 4.96 (out of 5), indicating that the overall performance of the Board of Directors has been good.

The overall average scores of the self-evaluation of the performance of the Audit Committee and the Remuneration Committee were, respectively, 4.96 and 4.94 (out of 5), indicating that their overall performance has been good. For 2022, the results of the self-evaluation and comprehensive evaluation of the performance of the Board of Directors, individual directors and the functional committees were all at or above the level of “Excellent” and have met our expectations.

- D. The objectives to strengthen the functioning of the Board of Directors (e.g., setting up the audit committee, improving the information transparency, etc.) in current and recent years, and the assessment of the implementation:
- a. The Board of Directors of the Company operates in accordance with the laws and regulations, the Articles of Incorporation of the Company, and the resolutions of Shareholders’ meeting to exercise its functions and powers. In addition to having the professional knowledge, skills, and qualities necessary for performing their duties, all the directors shall follow the principle of loyalty, integrity, and duty of care to create the maximum benefits for all shareholders.
 - b. The Company has set up the Audit Committee and Remuneration Committee to assist in performing the duties and supervision of the Board of Directors. To improve the supervision function and strengthen the management function, the "Rules of Procedure for Board of Directors’ meeting" has been formulated, containing the main discussion contents, procedures, items to be stated, announcements, and other matters that should be followed to establish a good system for the Board of Directors.
 - c. According to the Regulations for Evaluation of the Performance of the Board of Directors, an evaluation shall be conducted by an external independent professional organization or an external team of experts or academics at least every three years. Our most recent external evaluation of performance was conducted in 2022, when we engaged “Da Lih Financial Consulting Co., Ltd.” to conduct an evaluation of the effectiveness (including performance) of the Board of Directors. The company and its experts had not engaged in any business dealing with us and were independent, and it issued a report on the evaluation

of the effectiveness of the Board of Directors on January 12, 2023. The result of the foregoing external evaluation was submitted in a report to the Board of Directors on March 9, 2023, and its implementation is detailed as follows:

- (a) Period of evaluation: January 1 to December 31, 2022.
- (b) Method of evaluation: The aforementioned company reviewed the required documents provided by us for the evaluation. On January 9, 2023, experts from the company arrived at Sysgration for a field visit, during which they interviewed the directors Lee Yi-Ren, Chen Chih-Pin and Lee Cheng-Han, the independent director Lin Kuan-Chao, the chief corporate governance officer and the chief auditor.
- (c) Content and scope of evaluation: The evaluation reviewed the operations of the Board of Directors in seven aspects, i.e., the members and structure of the Board of Directors, the quality of decision-making by the Board of Directors, the authority of the Board of Directors, the supervision of the Board of Directors, communication and delivery of information by the Board of Directors, risk management, and other.
- (d) Summary of the result of external evaluation of the performance of the Board of Directors

I. Conclusion:

- 1. There are seven directors, and such number is appropriate. All directors are men, without any female director. There are three independent directors, accounting for at least one-third of all directors. The directors are professional in the areas of finance, accounting, technology and industry. The directors possess diverse backgrounds and specialties in educational and job experience, which have a positive effect on the quality of decision-making by the Board of Directors.
- 2. During January to December 2022, the Board of Directors held six meetings based on actual operational needs and necessity, with an attendance rate of 95%.
- 3. Regarding the supervision of subsidiaries, The Board of Directors have regularly obtained relevant financial information for examination and review, or we have conducted audits of subsidiaries.
- 4. Sysgration has established functional committees including the Audit Committee and the Remuneration Committee to strengthen the operations of the Board of Directors.
- 5. To improve our risk control, Sysgration has introduced a corporate risk management mechanism (including an intellectual property rights management policy) and established the “Policy and Procedures for Risk Management.”. Sysgration also has established the Information Security Committee to ensure the confidentiality and security of our assets, and periodically reported to the Board of Directors regarding the status of risk management and information security.

Overall, the performance of the Board of Directors is excellent.

- II. Recommendation: When an election is held upon expiration of the term of directors in the future, it is recommended that the election of a director with a background in law, technology or risk can be considered. In addition, for gender diversity in the Board of Directors, it is recommended that members of the next term of the Board of Directors consist of at least one woman.
- III. Response: We will stay committed to increasing the proportion of female directors and diversity in the Board of Directors.

4.2 Operation of the Audit Committee:

The professional qualifications of the members of the Audit Committee are as follows:

Name	Professional Qualifications and Experience
Lin Kuan-Chao	Master of Accounting, National Chengchi University Taipei City Licensed CPA (since 1980) Chairman, PKF Taiwan (since 2001)
Wei Che-Chen	Bachelor, Department of Accounting, National Chengchi University Chairman, Taiwan Life Asset Management (2009 to 2011) Senior Specialist, Taiwan Life Insurance Co., Ltd. (2011 to 2015) COO, H&D Asset Management Co., Ltd. (since 2016)
He Ju-Hsiang	MBA, Asia Management College Manager for Internal Audit, BNP Paribas Taiwan (1984 to 1989) Vice President for Loans, Bank of America in Taiwan (1989 to 1994) Special Assistant to the Chairman, Taiwan Life Insurance Co., Ltd. (2000 to 2016)

The Audit Committee is composed of three independent directors, all of whom have educational experience in accounting or financial management. Lin Kuan-Chao is a practicing CPA holding a CPA license. Wei Che-Chen used to be the Chairman of Taiwan Life Asset Management. He Ju-Hsiang served as the Vice President for Loans at Bank of America in Taiwan and the Manager for Internal Audit at BNP Paribas Taiwan. All three members possess the work experience and professional skills necessary for finance and accounting-related business as required by law.

The Audit Committee has been established for the purpose of strengthening the supervisory functions of the Board of Directors and is responsible for supervising the fair presentation of our financial statements, the appointment (discharge), independence and performance of CPAs, the effective implementation of our internal control system, compliance with applicable laws and regulations, and the control of existing or potential risks. The main powers of the Audit Committee include:

1. Establish or amend the internal control system in accordance with Article 14 (1) of the Securities and Exchange Act.
2. Assess the effectiveness of the internal control system.
3. Formulate or amend the procedures for the acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others, and the procedures of major financial business activities in accordance with Article 36-1 of the Securities and Exchange Act.
4. Handle the matters involving the director's interests.
5. Handle the material transaction of assets or derivatives.
6. Handle the loans, endorsements, or provide guarantees for material assets.
7. Raise, issue or place the private placement securities.
8. Appoint and dismiss auditors.
9. Appoint or dismiss the finance, accounting, or internal audit directors.
10. Approve the annual audited financial report and approve the second quarterly financial report if certified and audited by the accountant.
11. Address other major matters stipulated by the Company or the competent authority.

In the most recent year (2022), the Audit Committee has held 6 meetings (A). The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Independent Director	Lin, Kuan-Chao	6	0	100	None
Independent Director	He, Ju-Hsiang	6	0	100	None
Independent Director	Wei, Che-Chen	6	0	100	None

Other matters:

1. If the operation of Audit Committee has any of the following circumstances, the meeting date, session and content of audit committee meeting, independent director's opposition or subject to qualified opinions or major suggestion, as well as audit committee's resolutions and the Company's response to the opinion of the Audit Committee shall be stated.

(1) The matters listed in Article 14-5 of the Securities Exchange Act.

(2) Other matters, other than those mentioned above, which have not been approved by the Audit Committee but have been approved upon by more than two-thirds of all the directors.

The motions of the Company's Audit Committee in 2022 related to Article 14-5 of the Securities Exchange Act are listed below. The Audit Committee had communicated with the relevant attended personnel on the relevant motions. All the motions were approved by the present members. There was no opposition or subject to qualified opinions, and there was also no motion not approved by the Audit Committee and subject to consent by more than two-thirds of all the directors.

Meeting Date	Motion Contents	Independent Director's opposition or subject to qualified opinions or major suggestion	Opinions of Committee and the Company's Response
2022.03.17 The 11 th Meeting of 2 nd Session	1. Adopted the "Evaluation of the Effectiveness of Internal Control System" and the "Statement of Internal Control System" for 2021. 2. Adopted the 2021 financial statements and business report. 3. Adopted the 2021 earnings appropriation Proposal. 4. Adopted issuance of private placement of common shares. 5. Adopted appointment of the chief auditor.	None	Approved by all members in attendance.
2022.05.10 The 12 th Meeting of 2 nd Session	1. Adopted change of CPAs as required by an internal adjustment of PWC Taiwan. 2. Adopted amendment to the "Delegation of Authority List".	None	Approved by all members in attendance.
2022.08.09 The 13 th Meeting of 2 nd Session	1. Adopted consolidated financial statements for Q2 of 2022. 2. Adopted accounts receivable of significant amounts as of the end of June 2022, whose duration exceeded the normal loan period for over three months due to business dealings and which were not considered as loans to others. 3. Adopted appointment of the chief auditor.	None	Approved by all members in attendance.

Meeting Date	Motion Contents	Independent Director's opposition or subject to qualified opinions or major suggestion	Opinions of Committee and the Company's Response
2022.10.18 The 14 th Meeting of 2 nd Session	Adopted issuance of employees' stock warrants.	None	Approved by all members in attendance.
2022.11.10 The 15 th Meeting of 2 nd Session	1. Adopted the 2023 audit plan 2. Adopted proposal to establish a wholly owned subsidiary in the US.	None	Approved by all members in attendance.

2. If Independent Directors withdraw motions in conflict of interest, shall state the Independent Director's name, content of the motion, reason for the withdrawal, and the voting situation: no such situation exists.
3. Communication between the Independent Directors and the internal audit supervisor, and the CPAs (including the key issues of financial and business status of the Company, methods, and results of the communication).
 - (1) The Audit Committee of the Company shall be composed of all independent directors. It shall hold at least one meeting a quarter and may be convened at any time as necessary.
 - (2) Communication between the internal audit supervisor and the Audit Committee:
The Company's Audit Committee maintains good communication with internal audit supervisor. The main communication and interactions are as follows:
 - A. The internal audit supervisor shall attend each Audit Committee and Board meeting to report on the findings of the audit and the improvement progress of abnormal matters during the period, reply to any questions raised by the Independent Directors, and strengthen the audit work according to the instructions, to ensure the effectiveness of the internal control system and give full play to the supervision function.
 - B. Internal audit supervisor shall regularly report on any abnormal matters found in the audit to the Audit Committee, review the internal rules and regulations, and moderately revise the relevant measures to continuously optimize the operating process.
 - C. The meeting dates and matters communicated by the Independent Directors and the internal audit supervisor through the Audit Committee in 2022 were as follows. In addition to providing the audit progress report and deficiency tracking report to the Independent Directors for reference, the internal audit supervisor also report and reply to any questions raised by the Independent Director make improvements and follow up according to the suggestions made by the Independent Directors.

Date	Attendants	Communication items	Results
2022/1/22 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Kuo, Zhen-Lin	1. 2021 October - December internal audit report. 2. Mainland subsidiary's 2021Q4 internal audit report.	The independent directors suggested the relevant departments make improvements to the deficiencies of the subsidiary in Zhenjiang, China and provide timely reports of the results of their implementation. The chief auditor has implemented the suggestion. Approved without objection.

Date	Attendants	Communication items	Results
2022/3/17 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Wu, Chia Jung	Discussion on Effectiveness assessment on 2021 internal control system and statement.	Approved without objection.
2022/5/10 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Wu, Chia Jung	1.2022 January - March internal audit report. 2.Mainland subsidiary's 2022Q1 internal audit report. 3.The 2021 annual audit plan implementation status and deficiency tracking report improvement	Approved without objection.
2022/08/09 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Liu, Hsueh-Ju	1.2022 April to June internal audit report. 2.Mainland subsidiary's 2022Q2 internal audit report.	Approved without objection.
2022/10/18 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Liu, Hsueh-Ju	1.2022 July and September internal audit reports. 2.Mainland subsidiary's 2022Q3 internal audit report.	Approved without objection.
2022/11/10 Special Report	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Liu, Hsueh-Ju	1.2023 audit plan discussion. 2.overseas subsidiary's internal audit status. 3.Other communication items.	1.Items 1 and 2 were approved without objection. 2.Other items: a. Director He suggested that the permanent files of subsidiaries be properly retained. b. Director Lin suggested that documents concerning legal issues or documents from competent authorities should inform the chief auditor. If any major concerns occurred that the status of its handling shall be reported to the Audit Committee. The chief auditor already implemented accordingly.
2022/11/10 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Chief Auditor: Liu, Hsueh-Ju	The 2023 audit plan.	Approved without objection.

(3) Communication between the CPAs and the Audit Committee:

The Company has organized meetings for the independent directors and auditing CPAs regularly every year, to communicate at completion stage annually or semi-annually, and to report to the independent directors as for auditing procedures, internal control deficiency findings, significant adjustment, and other material communication matters in financial statements

Date	Attendants	Communication items	Results
2022/03/17 Pre-meeting Conference	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Auditor CPA Chiu, Chao-Hsien	<ol style="list-style-type: none"> 1. The type of audit activities conducted with regard to each constituent entity, and the level and materiality of participation in the audit activities conducted by auditors with regard to each constituent entity. 2. The type of audit report issued in 2021 was one with unqualified opinions. 3. The assessment of key audit matters, the audit procedures of CPAs and the audit result. 4. Any material adjustment entries 5. Other matters for communication. 	The audit result was considered fair and was Approved without objection.
2022/03/17 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Auditor CPA Chiu, Chao-Hsien	CPAs' auditing results on consolidated and parent company only financial reports of 2021.	Approved without objection.
2022/05/10 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Auditor CPA Chih, Ping-Chiun	CPAs' review results on consolidated financial reports of 2022Q1.	approved without objection.
2022/08/09 Pre-meeting Conference	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Auditor CPA Chih, Ping-Chiun	<ol style="list-style-type: none"> 1. Audit scope for each composition of Sysgration group and participation level of auditing teams. 2. The review report issued for 2022Q2 was of an unqualified opinion. 3. Assessment on key audit matters and CPAs' auditing procedures and results. 4. Any significant adjustment entries. 5. Other communication items. 	The audit result was considered fair and was approved without objection.
2022/08/09 Audit Committee Meeting	Independent Directors: Lin, Kuan-Chao Wei, Che-Chen He, Ju-Hsiang Auditor CPA Chih, Ping-Chiun	CPAs' review results on consolidated financial reports of 2022Q2.	approved without objection.

Note 1: Before the end of a year, and if any independent director resigns, shall note his or her term date, actual attendance (%), which is calculated by audit committee meeting frequencies and his or her engagements during the term of office in remark column.

Note 2: Before the end of a year, and if any independent director is reelected, shall list the former and present independent directors and note separately with reelection date in remark column, whose actual attendance (%) is calculated by audit committee meeting frequencies and his or her engagements during the term of office.

4.3 The difference between the operation of corporate governance and the Code of Practice on Corporate Governance for Listed Companies and the reasons

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Corporate Governance for Listed Companies
	Y	N	Explanation	
1. Has the Company established and disclosed the code of practice on corporate governance in accordance with the Code of Practice on Corporate Governance for Listed Companies?	✓		The Company has established and disclosed the code of practice on corporate governance on its website, as well as relevant regulations for shareholders' equity safeguard, board of directors' function reinforcement, perform of audit committee function, regard of interested parties' rights, and promotion of information transparency.	Compliance with the Code of Practice on Corporate Governance without significant differences.
2. Company's equity structure and shareholders' equity				
(1) Has the Company established the internal operating procedures to deal with shareholder suggestions, doubts, disputes, and lawsuits and implemented them in accordance with the procedures?	✓		The Company has various internal operating procedures. Shareholders may contact the Company at any time by telephone, e-mail, or mail correspondence if they have any suggestions or doubts. If any dispute or lawsuit is true, they may notify the Company in accordance with the legal procedures. The Company will request its appointed legal counsel to assist in managing the matter.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(2) Does the Company keep a list of the major shareholders who control the Company and the ultimate controllers of the major shareholders?	✓		The Company keeps a list of the major shareholders and the ultimate controllers of the major shareholders and shall report relevant information according to the provisions.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(3) Has the Company established and implemented the risk control and firewall mechanism with affiliated enterprises?	✓		The Company has also set up proper organizational control framework, to supervise and manage subsidiary's major financial and business operations at all times and make regular checks on its relevant affairs in accordance with internal control system for maintaining effective corporate risk control and firewall mechanism.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(4) Has the Company adopted the internal regulations to prohibit its insiders from trading securities by undisclosed information in the market?	✓		We have established the "Procedures for Management of Material Internal Information" and the "Procedures Governing the Prevention of Insider Trading," which specifically prohibit insiders from using non-public market information to trade securities. On October 18, 2022, the Board of Directors approved an amendment to the "Procedures Governing the Prevention of Insider Trading," adding the requirement that none of our directors may trade our shares during the closure period 30 days prior to publication of an annual financial report or 15 days prior to publication of a quarterly financial report. We also organize relevant awareness training sessions and sending alert emails each year.	Compliance with the Code of Practice on Corporate Governance without significant differences.
3. Composition and duties of the Board of Directors				
(1) Has the Board of Directors drawn up and implemented a diversity policy on the composition of its members?	✓		The Company has formulated and implemented the "Code of Practice on Corporate Governance" to draw up and implement a diversity policy on the Board's membership. Furthermore, the nomination and selection of the Board members shall be conducted following the provisions of the Articles of Incorporation of the Company. In addition to assessing the candidates' academic experience and qualifications, the "Code of Practice on Corporate Governance" and the "Method for Election of Directors" shall be observed to ensure the diversity and independence of the directors. The Company's board of directors shall possess abilities of operation judgement, accounting and financial analysis, operating management, crisis management, industry knowledge, global market view, leadership, decision-making capacity, risk management, corporate governance experience, and etc. to implement company's diversity principles, including gradually add board of directors members with corporate governance, environment sustainability, enterprise social responsibility, legal aspects concepts and backgrounds for better supervising and guiding the company's development under international trend. Furthermore, the company's directors have achieved diversity requirements, and it will continuously review and strengthen during re-election to meet the needs of future development.	Compliance with the Code of Practice on Corporate Governance without significant differences.

(2) In addition to the Remuneration Committee and Audit Committee, does the Company voluntarily set up other functional committees?		✓	The Company does not set up any other functional committees except the Remuneration Committee and Audit Committee.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(3) Has the Company formulated the performance evaluation methods and evaluation measures, conducted the annual performance evaluation, and reported performance evaluation results to the Board of Directors for reference in the salaries and remuneration of individual directors and the nomination for renewal of office?	✓		<p>On January 14, 2021, the Board of Directors adopted the “Regulations for Evaluation of the Performance of the Board of Directors,” requiring that an internal evaluation be conducted at least annually and an external evaluation be carried out every three years. The results of self-evaluation of the performance of the Board of Directors and the functional committees and the actions taken for improvement in 2022:</p> <ol style="list-style-type: none"> 1.Period of evaluation: January 1 to December 31, 2022. 2.The result of evaluation of the performance of individual directors: The performance of directors has met our expectations. 3.The result of evaluation of the overall performance of the Board of Directors and the functional committees: The overall performance of the Board of Directors, the Remuneration Committee and the Audit Committee has met our expectations. 4.The results of evaluation of the performance of the Board of Directors, the Remuneration Committee and the Audit Committee were submitted in a report to the Board of Directors on January 9, 2023. <p>External evaluation of the performance of the Board of Directors in 2022: In 2022, we engaged “DALEE Finance Consulting Co., Ltd.” to conduct an external evaluation of the effectiveness (including performance) of the Board of Directors. The company and its experts had not engaged in any business dealing with us and were independent. A report on the external evaluation of the Board of Directors was submitted to the Board of Directors on March 9, 2023, for review of its result and suggestions for improvement. The above results of evaluation will be used as reference for the remuneration for individual directors and their nomination for re-election.</p>	Compliance with the Code of Practice on Corporate Governance without significant differences.
(4) Does the Company regularly evaluate the independence of the auditing CPAs?	✓		<p>The Company evaluates the independence and competence of the auditing CPAs appointed and submits to the Audit Committee and the Board of Directors for approval annually. On January 10, 2023 the Audit Committee and the Board of Directors evaluated the independence and competence of CPAs Chiu, Chao-Hsien, and Chih, Ping-Chiun of PricewaterhouseCoopers Taiwan. The main assessment procedures include:</p> <ol style="list-style-type: none"> 1. Company evaluation: The Company, in reference to the framework of the “Audit Quality Indicators” (AQI), evaluated 13 indicators covering 5 scopes: professionalism, quality control, independence, monitoring, and creativity of the CPA, had the audit firm communicate with and report to the Audit Committee with regard to relevant data covered: <ol style="list-style-type: none"> A. <i>Audit Professionals</i>: including experience, training and continuing education, manpower turnover and professional support. B. <i>Audit Quality</i>: including workload, use of the work of specialists, Audit firms' internal quality review and planning capability C. <i>Independence</i>: including ratio of non-auditing service fee to auditing fee and familiarity with client. D. <i>Enforcement and litigation</i>: including regulatory compliance and enforcement, and record of monitoring and remediation. E. <i>Innovation</i>: including competence, project management and commitment. <p>In addition, we reviewed whether each of those two attesting CPAs meets each of the 16 evaluation items stipulated in the “Evaluation Form for the Independence and Suitability of the Attesting CPA” of the Company, and submitted the forms and results to the Audit Committee and the Board of Directors for their review.</p> <ol style="list-style-type: none"> ① Is currently employed by the client to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof. ② Has previously served for the client as a director, supervisor, managerial officer, or an employee with material influence over attestation, and has been separated from the position for less than two years. ③ Has a financial and business relationship other than the CPA business with the client. ④ Is a spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the client. ⑤ Himself or herself, or the spouse or a minor child thereof, has invested in the client, or shares in financial gains therewith. ⑥ Himself or herself, or the spouse or a minor child thereof, possesses shares, corporate bonds, or other negotiable securities of the client. ⑦ Himself or herself, or the spouse or a minor child thereof, has lent or borrowed funds to or from the client. ⑧ Provides management consulting or other non-attestation services that affect his or her independence. ⑨ Other relationships with related persons pursuant to the applicable regulations governing the preparation of financial reports 	Compliance with the Code of Practice on Corporate Governance without significant differences.

		<p>adopted by the competent authority for the relevant industry.</p> <p>⑩ Other situations where, pursuant to the regulations of laws or as proven by factual evidence, either party directly or indirectly controls the personnel, financial, or business affairs of the other party.</p> <p>⑪ Practices under the name of another CPA.</p> <p>⑫ Takes advantage of one’s position as a CPA to engage in improper industrial or commercial competition.</p> <p>⑬ Solicits business in an improper means.</p> <p>⑭ Discloses the Company’s financial and business secrets, or disclose other attestation clients’ financial and business secrets to the Company.</p> <p>⑮ Was disciplined by the competent authority in the past two years such that it could tarnish his or her reputation.</p> <p>⑯ Was involved in a pending or concluded lawsuit in the past two years that could tarnish his or her reputation.</p> <p>2. Self-assessment by the accounting firm: Through the certified public accountant law and rule of internal independence of the accounting firm, the inspectors in charge of the self-assessment and accountants shall assess themselves in compliance with the independent provisions. The firm shall issue the written documents to verify the independence of the accountant with respect to its evaluation contents and the results and submit them to the Audit Committee and the Board of Directors as the basis for evaluation. After evaluation, the situation where the Company did not change the attesting CPA for 7 consecutive years or where the attesting CPA was disciplined or losing independence does not exist.</p>																		
<p>4. Does the listed company configure the corporate governance personnel of competency and in the appropriate number, and specifies the corporate governance director responsible for corporate governance-related matters (including but not limited to providing required data for directors and supervisors to perform business, assisting the directors and supervisors in following the law, carrying out the matters related to the meeting of the Board of Directors and Shareholders in accordance with the law, and making the minute records for the meetings of Board of Directors and Shareholders, etc.)?</p>	✓	<p>On May 11, 2021, the Board of Directors approved the appointment of the CFO Tsai Hsiu-Mei as the chief corporate governance officer, the top manager responsible for corporate governance affairs. As the top manager responsible for corporate governance affairs, she has at least three years of experience in serving as the manager in charge of financial affairs and shareholder services at a public company and has thus met the criteria of qualification. Her main responsibilities include managing affairs for Board of Directors meetings and shareholders’ meetings as required by law, coordinating and directing the preparation of minutes for Board of Directors meetings and shareholders’ meetings, assisting directors in taking office and continuing training, providing the information required for directors to perform their duties, assisting directors in ensuring compliance, and other matters stipulated by the Articles of Incorporation or contracts.</p> <p>The status of governance in 2022 and as of February 28, 2023, is as follows:</p> <ol style="list-style-type: none"> 1. She managed affairs for 8 Board of Directors meetings and the 2022 annual shareholders’ meeting as required by law, and promptly provided the minutes of the Board of Directors meetings and the shareholders’ meeting to all directors after the meetings. 2. She made amendments to the “Sustainable Development Best-Practice Principles,” the “Procedures Governing the Prevention of Insider Trading” and the “Regulations for Evaluation of the Performance of the Board of Directors.” 3. In 2022, she assisted 7 directors in attending training courses for a total of 97 hours. 4. She assisted directors in performing their duties and provided the information required by them. <p>The status of continuing training of the chief corporate governance officer in 2022:</p> <table border="1" data-bbox="914 1371 2516 1556"> <thead> <tr> <th>Training institution</th> <th>Date</th> <th>Course title</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Accounting Research and Development Foundation</td> <td>July 28, 2022</td> <td>Latest development in the laws governing profit-seeking enterprise income tax and business strategies.</td> <td>3</td> </tr> <tr> <td>July 28, 2022</td> <td>Latest development in corporate ESG sustainability and a practical analysis of sustainability report.</td> <td>3</td> </tr> <tr> <td>July 29, 2022</td> <td>Application of information security in businesses and an analysis of relevant legal responsibilities.</td> <td>3</td> </tr> <tr> <td>July 29, 2022</td> <td>IFRS requirements related to reorganization and a practical analysis of financial and accounting treatment.</td> <td>3</td> </tr> </tbody> </table>	Training institution	Date	Course title	Hours	Accounting Research and Development Foundation	July 28, 2022	Latest development in the laws governing profit-seeking enterprise income tax and business strategies.	3	July 28, 2022	Latest development in corporate ESG sustainability and a practical analysis of sustainability report.	3	July 29, 2022	Application of information security in businesses and an analysis of relevant legal responsibilities.	3	July 29, 2022	IFRS requirements related to reorganization and a practical analysis of financial and accounting treatment.	3	<p>Compliance with the Code of Practice on Corporate Governance without significant differences.</p>
Training institution	Date	Course title	Hours																	
Accounting Research and Development Foundation	July 28, 2022	Latest development in the laws governing profit-seeking enterprise income tax and business strategies.	3																	
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	July 29, 2022	IFRS requirements related to reorganization and a practical analysis of financial and accounting treatment.	3																	
<p>5. Has the Company established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and designated section for stakeholders on the Company website to respond to key CSR issues concerned by interested parties properly?</p>	✓	<p>The Company has a spokesperson and deputy spokesperson system, and a specific section for stakeholders on the Company website. Shareholders, employees, customers, suppliers, and any important corporate responsibility issues or opinions are responded to by dedicated personnel to serve as a channel for communication with stakeholders. Brief descriptions of stakeholders’ concerned issues and communication channels are as described in summary (12) below.</p>	<p>Compliance with the Code of Practice on Corporate Governance without significant differences.</p>																	

6. Does the Company appoint a professional shareholder service agency to handle the shareholders' affairs?	✓		The Company's stock affairs and matters related to the shareholders' meeting are entrusted to professional shareholder agency, Grand Fortune Securities Co., Ltd. to handle.	Compliance with the Code of Practice on Corporate Governance without significant differences.
7. Information disclosure				
(1) Has the company set up a website to disclose the information on its financial standing and corporate governance?	✓		The Company has a website in both Chinese and English, where it discloses the financial, business, and corporate governance information related to the Company.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(2) Does the Company implement other ways of disclosing information (such as setting up an English website, assigning a special person to collect and disclose the Company's information, implementing a spokesman system, and webcasting investor conferences) ?	✓		The Company sets an English website to disclose financial, business, as well as corporate governance information, and also designates specific persons to collect and disclose company information, with its own spokesperson to state company financial and business conditions to the outside. Besides, corporate briefing information is published on company website as prescribed for investors' understanding.	Compliance with the Code of Practice on Corporate Governance without significant differences.
(3) Does the company announce and report its annual financial report within two months after the end of each fiscal year, and announce and report the financial report of the first, second, and third quarters and the operating situation of each month before the prescribed time ?	✓		The Company publishes the financial reports for the first, second, and third quarters and the annual financial reports and the operating situation of each month within the prescribed time limit.	Compliance with the Code of Practice on Corporate Governance without significant differences.
8. Is there other important information that helps to understand the status of the corporate governance operation of the Company (including, but not limited to, the employees' rights and interests, employee care, relations of investors and suppliers, rights of stakeholders, directors' and supervisors' further education, risk management policy and execution of risk measurement, execution of customer policy, and purchase of liability insurance for directors and supervisors of the Company, etc.) ?	✓		Other important information to help to understand the operation of corporate governance is described in the following summary.	Compliance with the Code of Practice on Corporate Governance without significant differences.
<p>Summary :</p> <p>(1) Employee rights and interests: The Company holds regular labor and management meetings so that the employees' opinions can be valued and communicated effectively.</p> <p>(2) Employee care: The Company has established a good relationship of mutual trust with its employees through various welfare systems, including education and training, and various activities organized from time to time.</p> <p>(3) Investor relations: The Company's website indexes the public data observation station, through which the investors can understand the Company's relevant information, and it has a spokesperson and deputy spokesperson system as the way to contact the Company.</p> <p>(4) Supplier relations: The Company communicates with suppliers smoothly and communicates with integrity.</p> <p>(5) Rights of stakeholders: The Company lists relevant contact information and windows on its website to protect the rights and stakeholders and maintain smooth communication channels.</p> <p>(6) Continuing education for Directors: To strengthen the implementation of corporate governance, the Company actively encourages the directors to participate in continuing their education and discloses the</p>				

information in the corporate governance area of the Open Information Observatory. Continuing Education for Directors of the Company in the Most Recent Year.

Title	Name	Organizer	Training course	Training hours	Total training hours	In compliance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”?
Director	Lee, Yi-Ren	Taiwan Investor Relations Institute Association	A practical analysis of ESG and tax affairs.	3	6	Yes
			The core ESG issues a board of directors should be concerned with.	3		
Director	Hsieh, Tung-Fu	Taiwan Corporate Governance Association	Prevention is better than cure: the importance of corporate risk management.	3	6	Yes
			ESG-related legal issues that must be considered by a board of directors.	3		
Director	Li, Cheng- Han	Accounting Research and Development Foundation	Latest corporate governance strategies and analysis of corporate governance evaluation.	3	6	Yes
			Trend in ESG information disclosure and the relevant requirements.	3		
Director	Chen, Chih- Pin	Taiwan Institute for Sustainable Energy	Elite Training Program for Corporate Sustainability – Basic Courses – 44th Batch.	8.5	32	Yes
			Elite Training Program for Corporate Sustainability – Advanced Courses – 37th Batch.	8.5		
			Elite Training Program for Corporate Sustainability – Prospective Courses – 17th .Batch.	4		
			M&A Professionals Training Program: Business Leaders – Master Level.	6		
		Taiwan Corporate Governance Association	The responsibilities of directors and supervisors under the Securities and Exchange Act and legal practices concerning business merger and acquisition.	3		
Gretai Securities Market	Conference on Awareness of the Industrial Themes in the Sustainable Development Roadmap.	2				
Independent Director	He, Ju- Hsiang	Taiwan Corporate Governance Association	How a start-up plans its shareholding and designs its organizational structure.	3	6	Yes
			Net zero emissions, carbon neutrality and corporate compliance.	3		
Independent Director	Lin, Kuan- Chao	CPA Associations R.O.C. (Taiwan)	Physical and Online Workshop on “Introduction to Controlled Foreign Corporations (CFC)”.	3	9	Yes
			Latest international trend in anti-money laundering.	3		
			Accounting and financial studies on ESG.	3		
Independent Director	Wei, Che- Chen	Taiwan Corporate Governance Association	Unlawful cases of securities and the responsibilities of directors and supervisors.	3	6	Yes
			Corporate governance and the obligations and responsibilities of a corporate owner.	3		

(7) Implementation of risk management policies and risk measurement standards :

The Company’s Board of Directors had adopted its risk management organizational framework and “Risk Management Policies and Procedures” on 2021/10/26. The Company reported its 2022 implementation of risk management to the Board of Directors on 2022/11/10 meeting.

In 2022, after identification, measurement and assessment, the primary sources and scope of possible risks include supply chain risks, operational risks and information security risks. The following measures have been taken for management of such risks:

A. Supply chain risks

Our primary measures include building safety stock with suppliers, keeping constant track of the status of production by suppliers, concluding purchase contracts and MOUs guaranteeing supplies, engaging in direct transactions, allocating materials for the factories in Taiwan and Mainland China on a flexible basis, and making early preparations according to customer needs. These measures, designed to ensure smooth supplies, keep stable purchase prices and control supply chain risks in response to the problems of raw materials shortage and rising costs faced by us, are described as follows:

1. Direct transactions: We establish a relationship with the main suppliers of key parts and components for direct transaction and acquisition of resources.
2. Ensuring stable supply of raw materials: To ensure smooth supplies, we conclude relevant contracts and MOUs guaranteeing supplies and, at the same time, search for alternative supply sources and market sources of available goods.
3. Ensuring stable prices of raw materials: To ensure stable prices of raw materials, we obtain customer commitments for stock or price difference with regard to materials of special specifications or high unit prices.

4. Building safety stock and placing early orders: For key parts and components and our main models, we maintain safety stock that lasts 1.5 to 2 months; for materials with a long delivery time, we place orders with our suppliers based on a forecast of demand for the next 3 to 6 months.
5. Keeping constant track of the status of production by suppliers: We follow up on daily output reports and coordinate with the customers and OEMs via periodic conference calls to ensure stable production.

B. Operational risks

1. The policy of “dual control” limiting electricity and energy consumption in Mainland China: In the Yuxin Science Park, where the Huizhou Factory is located, 1,000kVA power generation equipment has been installed, while production using equipment with high power consumption, such as production equipment using the surface mount technology (SMT), will instead take place during off-peak hours at night shifts supported by an uninterruptible power supply (UPS). The Zhenjiang Factory has adjusted its production lines through shift changes.
2. Risk of COVID-19 infection due to crowd gathering: Each week, we distribute questionnaires to our employees for a survey regarding COVID-19 prevention to keep track of their health condition, and we have prepared adequate materials for COVID-19 prevention in response to any emergency situation.
3. Shortage of labor: We have continued to work with external employment agencies to employ short-term workers as a solution, and we have been seeking an additional workforce through various channels, e.g. the 104 Job Bank, government employment programs, cooperative education programs at universities, the labor market in Mainland China, referral by employees and indirect support from employees. Moreover, we have gradually introduced automated production lines and made optimized adjustments to our salary structure and employee benefits to attract more talents, aiming to solve the problem of labor shortage with a multi-pronged approach.

C. Information security risks

We have completed measures including the establishment of a group-wide system for automatic backup, review and management of externally sent emails, the introduction of a cloud-based operating environment, the control of mobile storage equipment, and the logging of web activities and instant messages, as well as the automatic backup of servers and update of the anti-virus systems at certain operating locations. In the future, we will continue to create independent backup network segments for all operating locations and ensure automatic backup and recovery of data on all servers, and we will carry out plans for document encryption, scanning of server vulnerabilities and remote backup. With a rigorous approach, we will keep improving the management of information security and comprehensively strengthening the protection of our information. In order to enhance our employees’ awareness of information security and reduce our information security risks, we have organized periodic training and communication sessions on information security and continued to improve and maintain our information security protection mechanism, with the aim to strengthen information security through training and provide more secure and reliable services.

1. Information security training and communication

- (1) We organized training sessions on information security attended by five persons (including online learning).
- (2) We organized 10 sessions for communication of our information security policies and regulations, information security awareness and prevention against phishing websites.

2. Information security protection

- (1) 10 incidents of system breach and 10 instances of effective blocking.
- (2) 100% rate of effective blocking of threats of external breach.
- (3) 2,382 instances of effective blocking of virus threats to office equipment/server systems, with 0 cases of virus infection.

D. Management of intellectual property

To maintain the competitive advantages of our products and protect our R&D results, we have established a comprehensive set of intellectual property management system and R&D roadmap for our products in line with our operating goals. Through the implementation of an internal review mechanism and a reward system, the management of trademarks and the training of talents, we seek to protect our R&D results and keep our technologically leading position. As of the end of 2022, the cumulative number of patents approved worldwide is 680, along with 62 patent applications and 20 approved trademarks.

1. Through the Intellectual Property Committee, we have established a system for review and approval based on the quality of patent applications and the strategies of patent planning, enabling us to continue receiving high-quality patent protection and gradually create solid intellectual property rights.
2. To encourage bold attempts and innovations on the part of our employees, we have established the “Regulations for Patent Application and Reward” to offer timely rewards to patent applicants and employees who have received patents.
3. To ensure the validity of our trademark rights, we have categorized and created a list of all trademarks owned by us for periodic review of their relevant legal durations and their maintenance and assessment.
4. To increase our employees’ awareness of trade secrets, information protection and patent rights and strengthen the management of our intellectual property, attendance in online or physical internal training sessions on intellectual property management had reached 263 person hours as of the end of 2022.

- (8) Implementation of consumer protection policies: The Company has sale force team responsible for providing services to customers to ensure a timely response to customers' needs.

(9) Situation of the Company-purchased liability insurance for the directors: The Company has purchased the liability insurance for the directors.

Item	Insured Object	Insurance Company	Insured period
1	All the directors	Nan Shan General Insurance Company	From July 1, 2021, to July 1, 2022
2	All the directors	Nan Shan General Insurance Company	From July 1, 2022, to July 1, 2023

(10) Succession planning for the members of the Board of Directors and important management:

The Company pays close attention to the succession planning for the members of the Board of Directors who have professional competence and expertise in various fields. Succession planning for key management levels is to select the grassroots managers with development potential, cultivate their decision-making and judgment ability, and cultivate talent to obtain the work challenge and learning opportunities to achieve succession planning. In In 2022, to train officers who are likely to become members of the management in the future, we organized training sessions for a total of 170 hours covering a variety of topics including corporate governance, corporate sustainable management, quality management, legal affairs, the management of intellectual property rights, the requirements for insiders' shareholdings, trade secrets and the Responsible Business Alliance Code of Conduct.

(11) Training of insiders on laws governing securities trading:

1. On August 2, 2022, we communicated the document of "Common Types of Violation of the Securities and Exchange Act in the Application for Change in the Shareholdings of Insiders" via email to remind insiders that they must apply for change in their shareholdings in accordance with the law.
2. On December 9, 2022, we organized a 2-hour training session on "Prevention of Short-Swing Trading and Insider Trading by Insiders" attended by a total of 171 persons.

(12) Information regarding communication with stakeholders was submitted in a report to the Board of Directors on November 10, 2022. The issues concerning each type of stakeholders and the channels of communication with them are described as follows:

Stakeholders	Issues of concern	Form and frequency of communication	Channels of communication	Our responses
Shareholders and investors	1. Corporate governance 2. Risk management 3. Economic performance	1.Shareholders' meeting (annual) 2.Investor conference (quarterly) 3.Publication of operating revenue (monthly) 4.Market Observation Post System (MOPS, real-time update) 5.Our website (real-time update) 6.Sustainability report	1.annual shareholders' meeting held. 2. investor conferences held. 3.Our financial and business information is periodically disclosed on the MOPS and our website. 4.We have appointed a spokesperson and a deputy spokesperson to give timely responses regarding the issues concerning investors. 5.We have published the Chinese and English versions of the 2021 ESG report on the MOPS and our website. 6.Contact: Deputy Spokesperson Dai Yi-Ying Telephone: (02) 2790-0088 Email: sys5309@sysgration.com	1.We have continued to improve our operating performance, and we have achieved a positive return on investment for two consecutive years. 2.We will continue to communicate our business growth strategies and prospects of profitability to investors at each quarterly investor conference.
Customers	1.Customer privacy and information security 2.Innovation and R&D 3.Product quality and production volume 4.Sustainable development	1.Customer visits and review meetings (non-periodic) 2.Customer satisfaction survey (annual) 3.Our website (non-periodic) 4.Customer and supplier meeting (non-periodic)	1. We completed 1 annual survey of the satisfaction of important customers. 2. We disclose the latest product technologies on our website. 3. We attend the technology forums of important customers to give reports on our R&D results. 4. We regularly attend the customer and supplier meeting each year. 5. In accordance with the requirements and audits of our customers for products, environment and labor rights, we cooperate with them in preventing relevant risks and are committed to continually enhancing our ESG activities. 6. Contact: Telephone: (02) 2790-0088 Email: sales@sysgration.com	1. We will provide timely services for design, engineering and customization to help our customers quickly acquire complete, timely information. 2. We have added 2 automated production lines to increase the production volume of our products and the stability of their quality. 3. We will continue to engage in R&D and enhance the protection of our product patents. 4. We will enhance our investment in and management of information security software and hardware to ensure proper protection of the privacy and information of our customers.
Employees	1.Friendly workplace 2.Occupational health and safety 3.Employee training and development	1.Labor-management committee meeting (quarterly) 2.Employee Welfare Committee meeting (non-periodic) 3.Training (non-periodic) 4.Communication with departments and working meetings (non-periodic) 5.Publication of internal information (non-periodic) 6.Employee complaint hotline (promptly) 7.Occupational Safety and Health Committee meeting (quarterly)	1.4 labor-management committee meetings were held. 2.3 regular Employee Welfare Committee meetings were held. 3.3,929 training sessions were organized for a total of 498 hours. 4.We held 50 weekly management meetings to understand our operations and improve the effectiveness of communication. 5.0 employee complaint call was received. 6.14 Occupational Safety and Health Committee meetings were held. 7.Contact: Telephone: (02) 2790-0088 ext.1830 Email: opinion@sysgration.com	1. We have strengthened our internal channels of communication for our employees to understand the prospects of our development. 2. We organize training sessions on health and safety and periodically provide information on health and healthcare to build a friendly workplace. 3. We periodically maintain equipment and conduct fire safety checks.
Suppliers/Contractors	1.Risk management 2.Economic performance 3.Quality management	1.Supplier audit (non-periodic) 2.Requirements of supplier code of conduct (annual) 3.Requirements of declaration on non-use of conflict minerals (non-periodic) 4.Supplier meeting (annual)	1. We hold a supplier meeting each year to communicate with our suppliers regarding the development of our operating strategies and our ESG goals in line with key requirements of major international brand manufacturers and the trend in their development. 2. We conduct supplier audits on a non-periodic basis. 3.100% of our suppliers have signed a declaration on non-use of conflict minerals. 4.1 supplier meeting was held. 5.Contact: Telephone: (02) 2790-0088 ext.2020 Email: scm@sysgration.com	1. We will improve the safety and health of the supply chain environment and honor outstanding suppliers. 2. We have planned digital courses and required our suppliers to complete the online training of "Courses on the Requirements of Supplier Code of Conduct" each year.
Competent government authorities	1.Ethical management 2.Compliance 3.Corporate governance	1.Responding to the requirements of government agencies with official documents (promptly) 2.Updating the information on our website and the MOPS	1. We periodically provide relevant reports and respond to questions in accordance with government laws and regulations. 2.Contact:	1. In the 2021 corporate governance evaluation, Sysgration was ranked among the top 6%-20% of TPEX-listed companies.

		(monthly) 3.Questionnaires and interviews (non-periodic) 4.Undergoing evaluation by government agencies (annual) 5.Participating in the activities of government agencies (non-periodic)	Telephone: (02) 2790-0088 ext.1854 Email: sys5309@sysgration.com	2.We will continue to strengthen information disclosure, with the aim to be ranked among the top 5% companies participating in corporate governance evaluation.
Media	1.Economic performance 2.Innovation and R&D 3.Customer relationship management	1.Investor conference (quarterly) 2.Investor interview (promptly) 3.Press release (promptly) 4.Media interview (non-periodic)	1.4 investor conferences were held. 2.26 interviews were conducted with 28 institutional investors. 3.14 press release issued. 4.media interviews. 5.Contact: Deputy Spokesperson Dai Yi-Ying Telephone: (02) 2790-0088 Email: sys5309@sysgration.com	1.We have continued to improve our operating performance, and we have achieved a positive return on investment for two consecutive years. 2.We will continue to communicate our business growth strategies and prospects of profitability to investors at each quarterly investor conference.
Communities and non-profit organizations	1.Care for vulnerable groups 2.Community services 3.Industry-academia collaboration	1.Donation (non-periodic) 2.Industry-academia collaboration (non-periodic) 3.Social services (non-periodic)	1.We gave charitable donations totaling NTD100 thousand to one charitable organization. 2.We engaged in industry-academia collaborations with 3 universities for joint R&D of green energy products. 3.We donated 40 concert tickets to a youth welfare organization for physical and mental relaxation to the youth. 4.Contact: Telephone: (02) 2790-0088 ext.1830 Email: hr@sysgration.com	By providing funds, materials and services, we have engaged in charitable programs focusing on care for vulnerable groups and promotion of diversified education, and we will continue to invest resources in closing urban-rural gaps and improving the economic condition of vulnerable groups.
Academies	1.Green products 2.Circular economy 3.Industry-academia collaboration	1.Industry-academia collaboration projects and progress meetings (non-periodic) 2.Presentation of the results of industry-academia collaboration (annual)	1.We engaged in industry-academia collaboration with 3 universities and provided a total of NTD3,950 thousand as R&D funds for joint R&D of green energy products. 2.21 industry-academia collaboration meetings were held in 2022 for a total of 42 hours for discussion of R&D, with 89 attendees from Sysgration and 60 attendees from universities. 3.Contact: Telephone: (02) 2790-0088 ext.5214 Email: alierhsu@sysgration.com	In light of the latest technologies and trend of the industry, we will initiate collaboration with universities in technology, experiment and R&D, and we will continue to improve our energy management activities in response to the challenge of climate change.

(13) Intellectual Property Management Policy:

The Company adheres to “quality and innovation” as its product development concept, and establishes a complete management system of product intellectual property and a R&D road map combining company’s goals to maintain its advanced technologies and differentiate from other products, thus maintaining competitiveness advantages of company product as well as R&D achievements. 2022 intellectual property management had been reported to the Board of Directors on 2022/01/18 and 2022/11/10.

Internal educations and trainings related to intellectual property management in 2022 are as below:

Date	Content	Training Hours	Employees Trained
2022/06/23	Introduction to patents	1 hour	10 persons
2022/06/23	Product innovation and optimization	4 hours	25 persons
2022/07/07	Proposals and contracts	2 hours	30 persons
2022/07/11	Proposals and contracts	7 hours	25 persons
2022/07/15	Product innovation and process optimization	7 hours	25 persons
2022/09/07	Contract management	1 hour	25 persons
2022/12/07	Trade secrets	4 hours	123 persons

9. Please state the improved situation based on the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange in the recent year and prioritize the improvement issues and measures for those who have not been improved.

Sysgration has strengthened the disclosure of our financials, business, and corporate governance through our website and public information observatory. Sysgration has increased the transparency of corporate information to comply with the Code of Practice on Corporate Governance.

Note: Operation conditions, check whether “Yes” or “No”, shall describe in abstract field.

4.3 Composition, responsibilities, and operation of the Remuneration Committee

The Remuneration Committee of the Company is responsible for evaluating the salary and compensation of the directors and managers of the Company. It provides the Board of Directors with the performance evaluations and compensation decisions of the directors and managers. The composition and operation of the Remuneration Committee for the most recent year and up to the date of the Annual Report are as follows:

1. Professional qualifications and independence analysis of Remuneration Committee members

Information on the members of the Remuneration Committee

February 28, 2023

Identity (Note 1)	Qualification Name	Professional Qualification and Experience (Note 2)	Independence Condition (Note 3)	Number of concurrent positions as members of the remuneration committee of other public offering companies
Convener	Wei, Che-Chen	Chairman, TLG Asset Management Co., Ltd. (2009-2011) Special committee member, Taiwan Life Insurance Co., Ltd. (2011- 2015) COO, He Ding Asset Management Co., Ltd. (2016 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of Public Company Independent Director Provision and Compliance, which is conformed to independence condition.	3
Committee Member	He, Ju-Hsiang	Internal audit manager, BNP Paris (1984-1989) Deputy general manager, American commercial Banks (1989-1994) Chairman Special assistant, Taiwan Life Insurance Co., Ltd.(2000- 2016)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of Public Company Independent Director Provision and Compliance, which is conformed to independence condition.	1
Committee Member	Lin, Kuan-Chao	Chief of Accounting Firm PKF, Taiwan (2011 to now)	Without items that stipulated in sub-item 1~9 of item 1 in Article 3 of Public Company Independent Director Provision and Compliance, which is conformed to independence condition.	1

Note 1: Please state each remuneration committee member's period of service, professional qualification and experience as well as independence condition in the table, and remark if he or she is an independent director (if he or she is the convener, please note).

Note 2: Professional qualification and experience: describe individual remuneration committee member's professional qualification and experience.

Note 3: Please refer to the best practical reference example in Taiwan Stock Exchange Corporate Governance Center website for the manner of disclosure.

2. Operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) The term of the current members: From April 30, 2020, to April 29, 2023.

The Remuneration Committee held 6 meetings (A) in the most recent year. The attendance record of Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remark
Convener	Wei, Che-Chen	6	0	100	None
Committee member	He, Ju-Hsiang	6	0	100	None
Committee member	Lin, Kuan-Chao	6	0	100	None

Other items:

- a. If the Board of Directors does not accept or amend the suggestion of the Remuneration Committee, it should state the meeting date of the Board of Directors, session, motion content, resolution of the Board of Directors, and response of the Company to the Remuneration Committee opinion (if the remuneration approved by the Board of Directors is superior to the suggestion of the Remuneration Committee, it shall state the difference and reason): No such situation exists.
- b. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: No such situation exists.

The Company's Remuneration Committee's resolutions and results of the most recent year and as of the annual report publication date are as follows: All the resolutions have been approved by the members present without objection or qualified opinion.

Meeting date	Motion content	Resolutions of the Remuneration Committee's meetings and response of the Company to the Remuneration Committee's opinions
2022/01/18 9 th meeting of 4 th Session	1.Amendment to the "Regulations Governing Operational Bonuses". 2.Adjustment to the remuneration and benefits for managers. 3.Distribution of 2021 year-end bonuses to managers.	Approved by all committee members in attendance.
2022/03/17 10 th meeting of 4 th Session	1.Salaries for newly appointed managers and chief auditor. 2.Distribution of 2021Q4 and 2021 annual operational bonuses for the ISD Business Unit.	Approved by all committee members in attendance.
2022/05/10 11 th meeting of 4 th Session	1.Distribution of operational bonuses to managers. 2.Compensations for managers. 3.Adjustment to the remuneration and travel allowance for directors.	Approved by all committee members in attendance.
2022/08/09 12 th meeting of 4 th Session	1.Adjustment to the remuneration and benefits for managers. 2.Distribution of 2022Q2 operational bonuses for the ISD Business Unit.	Approved by all committee members in attendance.
2022/10/18 13 th meeting of 4 th Session	Adjustment to the remuneration and benefits for managers.	Approved by all committee members in attendance.
2023/01/09 15 th meeting of 4 th Session	1.Distribution of 2022Q4 business bonuses to managers. 2.Distribution of 2022Q4 operational bonuses to managers. 3.Distribution of 2022 year-end bonuses to managers. 4.List of managers granted employees' stock warrants and amount of stock options. 5.Compensations for managers.	Approved by all committee members in attendance.
2023/03/09 16 th meeting of 4 th Session	1.Matters relating to the distribution of the remuneration of employees and directors of the Company for 2022. 2.Distribution of the operational bonuses to managers.	Approved by all committee members in attendance.

Note: (1) If a member of the Remuneration Committee leaves before the end of the year, the resignation date shall be indicated in the remarks column, and the attendance rate (%) shall be calculated based on the number of meetings of the Remuneration Committee and the attendance in person times during his/her term in office.

(2) Before the end of the year, if any member of the Remuneration Committee is re-elected, the new member and the former member shall be filled in. The former member, new member, or re-elected member and the re-election date shall be indicated in the remark column. The attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during his/her term of office and his/her attendance in person.

3. Responsibilities of the Remuneration Committee

The Remuneration Committee of the Company evaluates the remuneration and compensation policies and systems for the directors and executive managers of the Company professionally and objectively and makes recommendations to the Board for its decision making. The main responsibilities are as follows:

- (1) To formulate and regularly review the policies, systems, standards, and structures of performance evaluation and the remuneration of directors and managers.
- (2) To regularly evaluate and formulate the remuneration of directors and executive managers.
- (3) To regularly evaluate the achievement of performance objectives of the directors and managers of the Company, and to determine the contents and amounts of their individual salaries and remuneration.

4.4 Promotion of sustainable development, differences with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, the reasons for such differences, and the climate-related information which must be disclosed by a company meeting certain criteria: Sysgration has not met the criteria required for disclosure of climate-related information.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies										
	Y	N	Explanation											
1. Whether the Company has set up a sustainable development management structure, as well as relevant special (part- time) unit to follow up related matters under the supervision of executive managers authorized by Board of Directors.	✓		At Sysgration, the Board of Directors is responsible for supervising the promotion of sustainable development, and we have established an ESG organization that promotes sustainable development to be the department in charge of promoting and coordinating sustainability activities, with the President acting as the general coordinator and task forces formed according to relevant issues. Each task force consists of a leader and several members, with a total of 50 members. The organization and responsibilities of the ESG task forces:	Conform to Code of Practice on Sustainable Development, without significant difference.										
			<table border="1"> <thead> <tr> <th>Name of task force</th> <th>Work plan and responsibilities</th> </tr> </thead> <tbody> <tr> <td>Corporate Governance Team</td> <td>Ethical management, organizational strategy and vision, risk management, compliance, protection of shareholders' rights and interests, information transparency and economic performance.</td> </tr> <tr> <td>Employee Care Team</td> <td>Employee salary, employee welfare, competency management, labor-management relations, training, employment environment, human rights, compliance and complaint mechanism.</td> </tr> <tr> <td>Social Care Task Team</td> <td>Social care, community participation, charitable activities, corporate image, complaint</td> </tr> <tr> <td>Environmental Sustainability Team</td> <td>Environmental sustainability policies, management of corporate carbon reductions, promotion of environmental sustainability, management of raw materials/energy/water resources, greenhouse gas and</td> </tr> </tbody> </table>		Name of task force	Work plan and responsibilities	Corporate Governance Team	Ethical management, organizational strategy and vision, risk management, compliance, protection of shareholders' rights and interests, information transparency and economic performance.	Employee Care Team	Employee salary, employee welfare, competency management, labor-management relations, training, employment environment, human rights, compliance and complaint mechanism.	Social Care Task Team	Social care, community participation, charitable activities, corporate image, complaint	Environmental Sustainability Team	Environmental sustainability policies, management of corporate carbon reductions, promotion of environmental sustainability, management of raw materials/energy/water resources, greenhouse gas and
			Name of task force		Work plan and responsibilities									
			Corporate Governance Team		Ethical management, organizational strategy and vision, risk management, compliance, protection of shareholders' rights and interests, information transparency and economic performance.									
			Employee Care Team		Employee salary, employee welfare, competency management, labor-management relations, training, employment environment, human rights, compliance and complaint mechanism.									
Social Care Task Team	Social care, community participation, charitable activities, corporate image, complaint													
Environmental Sustainability Team	Environmental sustainability policies, management of corporate carbon reductions, promotion of environmental sustainability, management of raw materials/energy/water resources, greenhouse gas and													

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies						
	Y	N	Explanation							
			<table border="1"> <tr> <td></td> <td>and wastes management, environment investment.</td> </tr> <tr> <td>Customer Care Team</td> <td>Confidentiality of customer information, protection of consumer rights, maintenance of customer relationship, compliance and complaint mechanism.</td> </tr> <tr> <td>Supply Chain Team</td> <td>Supplier ESG policy and management, supplier meeting, identification of ESG risks, RBA compliance.</td> </tr> </table> <p>On September 28, 2022, we published the Chinese version of the 2021 sustainability report. On October 27, 2022, we published the English version of the sustainability report on the MOPS and our website. On November 10, 2022, we submitted a report to the Board of Directors and conducted a review regarding the plan and status of sustainability promotion at Sysgration in 2022, described as follows:</p> <p>A. In 2022, the ESG task forces held 18 meetings, with a total of 1,182 person-hours participating in discussion and preparation of the report.</p> <p>B. The plan and status of promotion:</p> <ol style="list-style-type: none"> 1. By the end of September we completed preparation of the Chinese and English versions of the 2021 sustainability report in accordance with the GRI Standards issued by the Global Reporting Initiative, for which we obtained an assurance report from the third party PricewaterhouseCoopers Taiwan based on the performance indicators in the Standard on Assurance Engagements No. 1. 2. All of our factories have received the certifications of ISO 14001 for environmental management system, ISO 9001 for quality management system, IATF 16949 for the quality management system of automotive-related industries, and IECQ QC 08000 for hazardous substance management system. 		and wastes management, environment investment.	Customer Care Team	Confidentiality of customer information, protection of consumer rights, maintenance of customer relationship, compliance and complaint mechanism.	Supply Chain Team	Supplier ESG policy and management, supplier meeting, identification of ESG risks, RBA compliance.	Conform to Code of Practice on Sustainable Development, without significant difference.
	and wastes management, environment investment.									
Customer Care Team	Confidentiality of customer information, protection of consumer rights, maintenance of customer relationship, compliance and complaint mechanism.									
Supply Chain Team	Supplier ESG policy and management, supplier meeting, identification of ESG risks, RBA compliance.									

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
			<p>3. We respect and protect intellectual property. As of the end of 2022, the cumulative number of patents approved worldwide is 680, along with 20 approved trademarks and a total of 209 valid patents worldwide.</p> <p>4. We support the spirit and fundamental principles of human rights protection set forth in the “Universal Declaration of Human Rights,” “International Labor Conventions” and other international human rights conventions.</p> <p>5. We have engaged in industry–academia collaboration with National Taipei University of Technology, Lunghwa University of Science and Technology and National Taiwan University of Science and Technology for joint R&D of green energy products to increase our social influence.</p> <p>6. We have contracted Pojen General Hospital for its professional physicians and nurses to visit Sysgration to provide periodic health consultation for our employees and conduct annual health examination for them, while carrying out special examination of pulmonary functions for employees engaging in special activities.</p> <p>7. We constantly check the safety of the working environment, and all of our factories have received the certification of ISO 45001:2018 for occupational safety and health system. As of the end of 2022, there had been no case of occupational injury or illness.</p> <p>8. We value customer privacy and information security. During the past three years, we had not received any complaint regarding the violation of customer privacy or the loss of customer information.</p> <p>9. We have participated in community volunteer work and provided charitable donations of money and materials. We donated NTD100 thousand to [Taiwan Heavy Ion Radiation Foundation].</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
			<p>10. In the 2021 corporate governance evaluation, Sysgration was ranked among the top 6%–20% of TPEX-listed companies.</p> <p>11. We have established the “Ethical Corporate Management Best-Practice Principles,” the “Code of Ethical Conduct,” the “Procedures Governing the Prevention of Insider Trading” and relevant regulations for the Responsible Business Alliance Code of Conduct (RBA), and the Board of Directors, senior managers, the employees of our group and our suppliers are required to comply with them.</p> <p>12. All members of the Board of Directors have signed the documents for ethical management. All of our employees have signed the “Commitment to Ethics, Integrity, Environmental Protection and Social Responsibilities.” All of our new suppliers have signed the “Supplier Code of Conduct for Corporate Social Responsibilities and the Environment,” the “Declaration on Non-use of Conflict Minerals” and the “Commitment of Supplier to Ethics, Integrity, Environmental Protection and Social Responsibilities.”</p> <p>13. We conduct supplier evaluation and require our suppliers to fulfill their social responsibilities in relation to environmental sustainability, occupational safety and health, labor rights and ethical management. So far, Sysgration has not terminated cooperation with any supplier due to non-compliance with its requirements.</p> <p>C. Supervision by the Board of Directors over sustainable development:</p> <p>1. The Board of Directors hears periodic report from the management each quarter, while the management is required to propose strategies to the Board of Directors, which must assess the possibility of success of such strategies, regularly review their progress, and urge the management to make necessary adjustment.</p> <p>2. The Board of Directors hears report and holds discussion on material</p>	<p>Conform to Code of Practice on Sustainable Development, without significant difference.</p>

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
			<p>issues of sustainability at least once each year, including:</p> <p>(1) Discussing and amending the goals and policies related to sustainable management and implementation status at least once a year.</p> <p>(2) On January 18, 2022 reviewed intellectual property roadmap and legal concerns.</p> <p>(3) On January 18, 2022 management team reported the 2023 operation plan and Identifying issues concerning stakeholders and proposing action plans in response.</p> <p>(4) On January 18, August 9, and November 10, 2022 reviewed implementation status of monitoring greenhouse gas emission plan.</p> <p>(5) On November 10, 2022 the Board of Directors approved an amendment to the “Procedures Governing the Prevention of Insider Trading,” adding the requirement that none of our directors may trade our shares during the closure period 30 days prior to publication of an annual financial report or 15 days prior to publication of a quarterly financial report.</p> <p>(6) On November 10, 2022 reviewed ESG implementations on cyber security, ethic management, intellectual property management and communication with stakeholders. The Board of Directors expects Sysgration to continue to enhance the promotion of sustainable development and create its long-term values through core competencies and management and social engagement so that it can become a supporting force of the society.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
2. Whether the Company has conducted risk assessments on operating environment, society and governance issues according to materiality principles, and stipulated relevant risk management policies or strategies?	✓		<p>On October 26, 2021, the Board of Directors adopted the structure of the risk management organization and the “Risk Management Policy and Procedures,” which incorporate the operation-related risks of environmental, social and corporate governance issues into our operating strategy according to the materiality principle. On November 10, 2022, a report was given to the Board of Directors regarding the status of risk management in 2022.</p> <p>Our risk management seeks to clearly define the scope of operational risks through risk identification, risk assessment, risk measurement, risk monitoring, communication and other management processes, and take appropriate measures to efficiently allocate limited resources to relevant activities for management of operational risks. In order to define appropriate sources of possible risks and the primary scope of risk management, we have established operational risk indicators and a mechanism for reporting of operational risk events, compiled the information of all business activities, conducted independent analysis of relevant results and trends, and provided regular reports to the management on the monitoring of operational risks.</p> <p>1. For the status of our risk management, see “(VII) Implementation of risk management policies and risk measurement standards” under the summary of “Implementation of corporate governance, differences with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such differences.”</p> <p>2. For our risk management policies, see the detailed description in “(VII) Other important information useful for understanding the status of promotion of sustainable development” below.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
<p>3. Environmental issues</p> <p>(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?</p> <p>(2) Whether improve energy service efficiency and apply the low environmental load impact recycling materials?</p>	<p>✓</p> <p>✓</p>		<p>To protect the natural environment and maintain our policies of sustainable development and management, we have continued moving in an eco-friendly direction in terms of product design, R&D and production, and we have received the following certifications:</p> <p>1. In January 2020, we passed the external certification of URS and received the certification of ISO 14001:2015 for environmental management system (validity period: January 8, 2020 to January 7, 2023), the scope of which covers all of our products.</p> <p>2. We reduce or eliminate hazardous substances to ensure environmental sustainability. In March 2020, we passed the external certification of ARES and received certification for hazardous substance free process management system IECQ QC08000 (validity period: March 6, 2020 to March 5, 2023) with regard to the electrical and electronic parts and products of all organizations under the supply chain.</p> <p>We strictly adhere to domestic environmental laws and have participated in international campaigns for green products. Currently, renewable or reusable materials are given priority to be used as our packaging materials to reduce environmental burden.</p> <p>Following an assessment by the relevant internal departments of the likelihood of occurrence and the level of impact of climate-related risks and opportunities, we have identified the risk issues and opportunities below:</p>	<p>Conform to Code of Practice on Sustainable Development, without significant difference.</p> <p>Conform to Code of Practice on Sustainable Development, without significant difference.</p>

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies																		
	Y	N	Explanation																			
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(4) Whether the Company has counted greenhouse gas discharge amount, water consumption and total wastes amount of past two years, and formulated greenhouse gas and water consumption reduction or other wastes management policy?	✓		<p>Greenhouse gas (GHG) emissions during the most recent three years:</p> <table border="1"> <thead> <tr> <th>GHG emission</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope 1 (tCO₂e) (Note)</td> <td>27.83</td> <td>30.34</td> <td>25.59</td> </tr> <tr> <td>Scope 2 (tCO₂e) (Note)</td> <td>1,586.92</td> <td>1,968.05</td> <td>2,345.33</td> </tr> <tr> <td>Total emission (tCO₂e)</td> <td>1,614.75</td> <td>1,998.39</td> <td>2,370.92</td> </tr> <tr> <td>Emission intensity (tCO₂e/revenue of NTD million)</td> <td>1.22</td> <td>0.81</td> <td>0.69</td> </tr> </tbody> </table> <p>Note: 1. For the calculation of GHG emissions, the method of operational control is adopted for inventory. The calculation uses the data of activities, with the values of emission factor based on the Table for Management of Greenhouse Gas Emission Factors published by the Environmental Protection Administration. 2. The scope of data includes the Taipei HQ, the Nankang Factory, and the Zhenjiang Factory and Huizhou Factory in Mainland China.</p> <p>The calculation of our GHG emissions primarily focuses on Scope 2 (externally purchased power), accounting for 99% of the annual emission.</p>	GHG emission	2020	2021	2022	Scope 1 (tCO ₂ e) (Note)	27.83	30.34	25.59	Scope 2 (tCO ₂ e) (Note)	1,586.92	1,968.05	2,345.33	Total emission (tCO ₂ e)	1,614.75	1,998.39	2,370.92	Emission intensity (tCO ₂ e/revenue of NTD million)	1.22	0.81	0.69	Conform to Code of Practice on Sustainable Development, without significant difference
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			<p>With expansion of the size of our operations during the most recent three years, our GHG emissions have increased despite the improvement and replacement of relevant equipment for energy conservation and carbon reduction. However, the emission intensity per revenue of NTD million has significantly decreased.</p> <p>Since Sysgration is concerned with the impact of climate change to its operations, we have set a target for GHG reduction, with 2021 as the base year, to reduce GHG emission intensity by at least 40% within five years. Sysgration has implemented a variety of GHG reduction measures, including promoting of a paperless office, purchasing green products and raw materials, encouraging employees to bring their own flatware, and introducing automated production lines with good energy efficiency and adopting optimized production to replace old equipment at the Nankang Factory and Huizhou Factory. By taking the foregoing measures and actions, we aim to gradually reduce GHG emissions. In 2022, the GHG emission intensity per revenue of NTD million decreased from 0.81 tons in 2021 to 0.69 tons at a decrease rate of 14.8%, achieving 37% of the originally set target and indicating significant effectiveness of our GHG management. For the detailed information of our GHG management in 2020-2021, see pp. 51–52 of our 2021 sustainability report.</p> <p>Waste management:</p> <p>The waste currently generated by Sysgration consists of general industrial waste and hazardous industrial waste. General industrial waste mainly includes common office waste, wooden boxes used for international shipping of packaged parts and components, and electronic waste such as cables, accounting for 99% of the total waste, while hazardous industrial waste accounts for only 1% thereof and mainly includes waste circuit</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

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			<p>boards (accounting for 54% of hazardous industrial waste). Sysgration disposes of waste in accordance with the Waste Disposal Act and implements a recycling mechanism. Waste is disposed of through recycling and reuse by a qualified waste disposal company contracted by Sysgration. We sign a contract with a qualified disposal company to confirm the relevant requirements and methods of management, and the company will engage in periodic disposal of waste depending on its production. During the most recent year, the disposal company contracted by us had not violated the contract.</p> <table border="1"> <thead> <tr> <th>Categories of waste</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Hazardous industrial waste (tons)</td> <td>0</td> <td>0.92</td> <td>2.08</td> </tr> <tr> <td>Non-Hazardous industrial waste (tons)</td> <td>91.12</td> <td>126.31</td> <td>137.01</td> </tr> <tr> <td>Total waste disposed of (tons)</td> <td>91.12</td> <td>127.23</td> <td>139.09</td> </tr> <tr> <td>Waste intensity (tons/revenue of NTD million)</td> <td>0.069</td> <td>0.052</td> <td>0.041</td> </tr> </tbody> </table> <p>Note: For 2020 and 2021, the statistics of waste only cover the data of the Nankang Factory, while no such statistics have been made for the Zhenjiang Factory and Huizhou Factory. For 2022, such statistics include the data of the Nankang Factory, Zhenjiang Factory and Huizhou Factory.</p> <p>We will reduce waste at sources through process design, technological enhancement and continued promotion of reuse of materials, with 2021 as the base year, to achieve the target of reducing waste intensity per revenue of NTD million by at least 50% within five years. The measures implemented by us for waste reduction include:</p> <ol style="list-style-type: none"> 1. Continuing to promote waste sorting and reduction at sources, and implementing source management measures including the improvement of automated production lines and manufacturing processes, the reduction of raw materials and the recycling and reuse of packaging materials at factories, to reduce the amount of waste. 	Categories of waste	2020	2021	2022	Hazardous industrial waste (tons)	0	0.92	2.08	Non-Hazardous industrial waste (tons)	91.12	126.31	137.01	Total waste disposed of (tons)	91.12	127.23	139.09	Waste intensity (tons/revenue of NTD million)	0.069	0.052	0.041	Conform to Code of Practice on Sustainable Development, without significant difference.
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			<p>2. Implementing a recycling mechanism for factory waste as required by law.</p> <p>3. Implementing a recycling mechanism for waste batteries, toner cartridges, bottles and paper.</p> <p>4. Promoting the reduction of waste generated by all employees.</p> <p>In 2022, the waste intensity per revenue of NTD million decreased from 0.052 tons in 2021 to 0.041 tons at a decrease rate of 21.1%, achieving 42% of the originally set target and indicating good effectiveness of our waste reduction measures.</p> <p>Water resources management:</p> <p>Currently, all of our water comes from municipal water, and all water used by our factories is for domestic rather than industrial purposes. In accordance with local regulations, such water converges and is then discharged from the wastewater treatment plant in the industrial park where the relevant factory is located.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Taipei HQ (tons)</th> <th>Nankang Factory (tons)</th> <th>Huizhou Factory (tons)</th> <th>Zhenjiang Factory (tons)</th> <th>Total Water Used (tons)</th> <th>Water Use Intensity (tons /revenue of NTD million)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>2,234</td> <td>7,162</td> <td>6,138</td> <td>1,377</td> <td>16,911</td> <td>12.75</td> </tr> <tr> <td>2021</td> <td>2,756</td> <td>6,994</td> <td>6,659</td> <td>1,918</td> <td>18,327</td> <td>7.47</td> </tr> <tr> <td>2022</td> <td>2,772</td> <td>6,892</td> <td>5,832</td> <td>1,508</td> <td>17,004</td> <td>5.00</td> </tr> </tbody> </table> <p>In recent years, more frequent occurrence of extreme weather has led to a higher risk of shortage of water resources. Faced with the pressure of</p>	Year	Taipei HQ (tons)	Nankang Factory (tons)	Huizhou Factory (tons)	Zhenjiang Factory (tons)	Total Water Used (tons)	Water Use Intensity (tons /revenue of NTD million)	2020	2,234	7,162	6,138	1,377	16,911	12.75	2021	2,756	6,994	6,659	1,918	18,327	7.47	2022	2,772	6,892	5,832	1,508	17,004	5.00	Conform to Code of Practice on Sustainable Development, without significant difference.
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			<p>external water environment and in response to global shortage of water resources, Sysgration aims to, with 2021 as the base year, reduce the water use intensity per revenue of NTD million by at least 50% within five years, and has taken concrete actions for sustainable management of water resources through the following measures:</p> <ol style="list-style-type: none"> 1. Posting slogans for water conservation to get everyone into the habit of turning off water at any time. 2. Installing sensor faucets to properly save water. 3. Equipping sinks with water-saving devices to prevent the waste of large amount of water released. <p>In 2022, our water use intensity per revenue of NTD million decreased from 7.47 tons in 2021 to 5.00 tons at a decrease rate of 33.1%, achieving 66% of the originally set target and indicating significant increase in the efficiency of our water use.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.
4. Social issues				
(1) Has the Company formulated relevant management policies and procedures under the relevant laws and regulations and international human rights conventions?	✓		<p>Human rights policies: With reference to the spirit and fundamental principles of human rights protection set forth in the “Universal Declaration of Human Rights,” “UN Global Compact,” “International Labor Conventions,” “Responsible Business Alliance Code of Conduct” and other international human rights conventions, we strive to incorporate the principles and spirit of human rights into our values and culture as our commitment to human rights protection and to establish human rights policies applicable to Sysgration.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

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			<p>In order to fully prevent actions infringing upon and violating human rights, we provide a reasonable and safe workplace and ensure our employees are treated in a reasonable and dignified way.</p> <p>Assessment of human rights:</p> <p>Each year, we regularly review our operations, value chains and business activities through attention to major social issues, data monitoring and investigation to identify and assess the groups facing risks and the potential human rights risks. We develop a plan for control of human rights issues based on the potential risks and continue to supervise and improve the result of implementation of the plan.</p> <p>In 2022, human rights review and assessment were completed at all of our operating locations, including the Taipei HQ, the Nankang Factory and the Zhenjiang Factory and Huizhou Factory in Mainland China. Also, our group organizes periodic training on human rights to promote awareness of issues including the prevention of discrimination and sexual harassment, the management of working hours and occupational health and safety, and all new employees are required to complete courses on human rights awareness and compliance when they come on board.</p> <p>Measures for mitigation of human rights risks:</p> <p>We are committed to reasonably ensuring the safety of our employees and the working environment, that our employees feel respected and dignified, and that our operations contribute to environmental protection and are in compliance with the law and ethics. To fulfill the commitment, with integrity as our basis, we respect our employees in a legal manner and have appointed specialized personnel to carry out occupational safety and health activities for our employees as required by law. In addition, we have continued to organize awareness and educational sessions to</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

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			<p>human rights policies in daily operations, and we have established reasonable complaint channels.</p> <p>Our policies and specific plans for human rights management are summarized as follows:</p> <table border="1"> <thead> <tr> <th>Human rights management policy</th> <th>Specific management plan</th> </tr> </thead> <tbody> <tr> <td>Providing a safe and healthy working environment</td> <td> <ol style="list-style-type: none"> All companies under our group have received the certifications of ISO 14001 (environmental management system) and ISO 45001 (occupational safety and health management system), and are active in preventing pollution and protecting environmental safety to reasonably ensure a safe working environment. We provide a safe and healthy working environment in accordance with the law, and we have established a department and a committee organization dedicated to occupational safety and health and engaged professional physicians and nurses. Moreover, we organize periodic training sessions on safety, health and fire safety, and we take necessary measures to prevent occupational accidents and reduce hazardous factors in the working environment. </td> </tr> <tr> <td>Prohibition of child labor</td> <td> <ol style="list-style-type: none"> We expressly prohibit the hiring of any employee under the age of 16. For recruitment, a job applicant is required to submit a basic information form indicating his/her birth date, and he/she must present an identity document at the time of his/her arrival to be verified by our human resources department to ensure accuracy of the information. We have strictly adhered to the relevant requirements. As of the end of 2022, there was no child worker among our 541 employees. </td> </tr> <tr> <td>Prohibition of forced labor</td> <td> <p>We do not force or coerce any unwilling employee to engage in labor activities. All of our regulations governing the daily and weekly normal working hours and extended working hours, regular leave, annual leave and other types of leave for an employee are in compliance with the law. A function has been added in the attendance management system for any employee applying for overtime to be reminded that an overtime pay or compensatory leave will be provided after overtime work.</p> </td> </tr> </tbody> </table>	Human rights management policy	Specific management plan	Providing a safe and healthy working environment	<ol style="list-style-type: none"> All companies under our group have received the certifications of ISO 14001 (environmental management system) and ISO 45001 (occupational safety and health management system), and are active in preventing pollution and protecting environmental safety to reasonably ensure a safe working environment. We provide a safe and healthy working environment in accordance with the law, and we have established a department and a committee organization dedicated to occupational safety and health and engaged professional physicians and nurses. Moreover, we organize periodic training sessions on safety, health and fire safety, and we take necessary measures to prevent occupational accidents and reduce hazardous factors in the working environment. 	Prohibition of child labor	<ol style="list-style-type: none"> We expressly prohibit the hiring of any employee under the age of 16. For recruitment, a job applicant is required to submit a basic information form indicating his/her birth date, and he/she must present an identity document at the time of his/her arrival to be verified by our human resources department to ensure accuracy of the information. We have strictly adhered to the relevant requirements. As of the end of 2022, there was no child worker among our 541 employees. 	Prohibition of forced labor	<p>We do not force or coerce any unwilling employee to engage in labor activities. All of our regulations governing the daily and weekly normal working hours and extended working hours, regular leave, annual leave and other types of leave for an employee are in compliance with the law. A function has been added in the attendance management system for any employee applying for overtime to be reminded that an overtime pay or compensatory leave will be provided after overtime work.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.
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Corporate sustainability	Including relevant ESG awareness and training sessions on corporate governance, environmental protection and social responsibilities.	11	53 hours	190 persons																																		
Patents and legal affairs	To increase patent and legal awareness and decrease the possibility of occurrence of relevant risks.	7	26 hours	165 persons																																		

Evaluation Item	Implementation Status					Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies						
	Y	N	Explanation									
(2) Has the Company set and implemented reasonable measures for employee welfare (including remuneration, leave, and other benefits) and properly reflected its business performance or results in employee remuneration?	✓		<table border="1"> <tr> <td>New employee training</td> <td>Training sessions on compliance are organized for new employees, including the promotion of awareness of issues including the prevention of discrimination and sexual harassment, the management of working hours and occupational health and safety.</td> <td>6</td> <td>14 hours</td> <td>77 persons</td> </tr> </table>	New employee training	Training sessions on compliance are organized for new employees, including the promotion of awareness of issues including the prevention of discrimination and sexual harassment, the management of working hours and occupational health and safety.	6	14 hours	77 persons			<p>We not only actively implement humanized management and all kinds of welfare measures, but also are committed to the idea of sharing profit with our employees to attract and motivate outstanding talents, with the remuneration for employees determined based on the result of our operations.</p> <ol style="list-style-type: none"> 1. Based on the idea of a diversified and equal workplace, female employees accounted for 52% out of 541 employees at Sysgration as of the end of 2022, with female senior managers accounting for 30%. 2. Based on the idea of sharing profit with our employees, the Article of Incorporation stipulates that where Sysgration has a profit in a year, it shall allocate 10% to 15% thereof as the remuneration for employees. 3. For a detailed description of our employee welfare measures, see “(V) Labor–management relations” under “Five. Overview of Operations.” 	Conform to Code of Practice on Sustainable Development, without significant difference.
New employee training	Training sessions on compliance are organized for new employees, including the promotion of awareness of issues including the prevention of discrimination and sexual harassment, the management of working hours and occupational health and safety.	6	14 hours	77 persons								
(3) Does the Company provide employees with a safe and healthy working environment and regularly implement health and safety education for employees?	✓		<ol style="list-style-type: none"> 1. We comply with the requirements of relevant local laws concerning occupational safety and health to provide our employees with relevant training on occupational safety and health, the scope of which includes a description of occupational safety and health operations, legal requirements, the use and management of hazardous chemicals, health management and other courses. In 2022, we organized training courses on employee safety and health and health-related issues for a total of 371 hours attended by 2,582 persons. 				Conform to Code of Practice on Sustainable Development, without significant difference.					

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
	✓		<p>2. With regard to the health of employees, we conduct a health examination for our employees each year, and we have contracted Pojen General Hospital and Dacunkuo Hospital for their professional physicians and nurses to visit Sysgration and its factories to provide health consultation for our employees and conduct services and awareness sessions for the maintenance of their health. To effectively prevent the occurrence of occupational illnesses and accidents, we supervise company-wide environmental safety and health and its improvement through internal and external audits. A zero-accident workplace is an indicator for our operations and management. For a detailed description of our measures for the protection of employee’s physical safety and the working environment, see “V. Labor–management relations” under “Five. Overview of Operations” in this annual report.</p> <p>3. To ensure the safety of the working environment, we have obtained the relevant certifications:</p> <p>(1) The certification of ISO 14001 for environmental management system, covering all of our products.</p> <p>(2) The certification of ISO 45001 for occupational safety and health system, covering all of our factories.</p> <p>(3) The certification of IECQ QC 08000 for hazardous substance free process management system, covering the certification of the hazardous substance free process management system for the electrical and electronic parts and products of all organizations under the supply chain.</p> <p>As of the end of 2022, there had been no case of occupational injury or illness at Sysgration.</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
(4) Does the Company establish an effective career development training program for employees?	✓		We encourage continuous training of our employees with the aim to nurture outstanding talents. In addition to organizing internal training, we also allow our employees to apply for external training to enhance their capabilities and develop their career skills. In 2022, we (including the subsidiaries under our group) organized training courses on topics including ESG, job skills, quality assurance, project management, patents, legal affairs, and management abilities for a total of 498 hours, with 3,995 attendees.	Conform to Code of Practice on Sustainable Development, without significant difference.
(5) Regarding customer health and safety, customer privacy, and the marketing and labeling of products and services, does the Company follow relevant laws and international standards and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	✓		Our products are those related to the industries of electronics, automobiles, and energy storage devices. All of our products are subject to strict requirements of international standards, and the marketing and labeling of our products fully conform to applicable laws and international standards. In addition, we have purchased product liability insurance for our products to protect consumer rights. If you have any question about our products, you may contact us by telephone or email, and we will appoint specialized personnel to understand, coordinate and properly handle the relevant matters.	Conform to Code of Practice on Sustainable Development, without significant difference.
(6) Does the Company have a supplier management policy requiring the suppliers to follow relevant standards in environmental protection, occupational health and safety, labor rights, and other issues, and what are the conditions of implementation?			We have established the “Instructions on the Management and Evaluation of Suppliers,” and we require all suppliers dealing with us to sign the “Supplier Code of Conduct for Corporate Social Responsibilities and the Environment” and the “Commitment to Ethics, Integrity, Environmental Protection and Social Responsibilities,” which require and promote that any supplier dealing with us work with us to fulfill corporate social responsibilities in regard to issues including environmental protection, occupational safety and health, labor rights and ethical management. We also evaluate our suppliers through daily interaction with and periodic assessment of them. If any supplier violates its corporate social	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	
	✓		responsibilities or causes significant environmental or social impact, our relationship with it will be terminated. If we receive any complaint, we will investigate and address it in a way that keeps confidentiality over the complainant.	Conform to Code of Practice on Sustainable Development, without significant difference.
5. Whether the Company has referred international standards or guidelines for the preparation of reports, sustainable development report and other disclosure reports for company's non-financial information? Whether the aforesaid report is certified or assured by a third verification unit?	✓		In accordance with the GRI Standards issued by the Global Reporting Initiative, we have completed preparation of the sustainability report, for which we have obtained an assurance report from the third-party PricewaterhouseCoopers Taiwan based on the performance indicators in the Standard on Assurance Engagements No. 1. The Chinese and English versions of the 2021 sustainability report are published on the MOPS and our website.	Conform to Code of Practice on Sustainable Development, without significant difference.
6. In case of the company has stipulated its sustainable development codes according to the Market Listed Corporate Code of Practice on Sustainable Development, please state its functions and differences: The Company has already stipulated "Sustainable Development Best Practice Principles" and discloses relative information on its website, and strictly abides by during daily operation.				
7. Other important information for understanding the Company's sustainable development implementation: (1) To promote sustainable development, except for the original environmental management levels, the company also adds labor safety and health risk assessments and measures, labor's right promotion, and encourages the balance of work and leisure. Besides, the company officially forbids the sexual harassment on staffs, maintains occupational safety and staff physical and mental health, as well as obeys commercial ethics, protects intellectual property, trade secrets, etc..				

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	

(2) The Company has obtained the following certificates:

Certification	Plant Site	Certificate number	Verification unit	Verification date	Due date
IATF 16949:2016	Nankang	44 111 202142	TUV NORD	2021/02/03	2024/02/02
	Huizhou	630662	NQA	2021/10/21	2024/10/20
	Zhenjiang	44 111 160420	TUV NORD	2022/02/16	2025/02/15
ISO 9001:2015	Nankang	44 100 202142	TUV NORD	2021/02/22	2024/02/22
	Huizhou	45740	NQA	2021/12/20	2024/12/13
	Zhenjiang	44 100 160420	TUV NORD	2022/03/03	2025/02/15
ISO 14001:2015	Nankang	110255/A/0001/UK/En	URS	2020/01/08	2023/01/07
	Huizhou	U919119E30473R2M	Beijing Hangxing Quality Certification Center Co., Ltd.	2022/07/04	2025/07/03
	Zhenjiang	LBC20E0026ROM	United Standard Certification Co. LTD	2020/05/28	2023/05/27
ISO 45001:2018	Nankang	110255/B/0001/UK/En	URS	2020/01/08	2023/01/07
	Huizhou	U9191122S30405R2M	Beijing Hangxing Quality Certification Center Co., Ltd.	2022/07/04	2025/07/03
	Zhenjiang	LBC20S0018ROM	United Standard Certification Co. LTD	2020/05/28	2023/05/27
ISO 26262:2018	Nankang	ZP/C001-22	DEKRA	2022/01/14	2025/01/14
	Huizhou	ZP/C001-22	DEKRA	2022/01/14	2025/01/14
IECQ QC80000:2017	Nankang	IECQ-H ARES 20.0008	IECQ	2020/03/06	2023/03/06
IECQ-H ARES 20.0008	Nankang	ARES/TW/2002001HSPM	IECQ	2020/03/06	2023/03/05
Quality Management System for Talent Development	Nankang	Organization – Bronze Medal	Workforce Development Agency, Ministry of Labor	2022/10/13	2024/10/12
High & New Technology Enterprise	Huizhou	GR202044007006	Dept/t of Science and Technology of Guangdong Province	2020/12/09	2023/12/09

Evaluation Item	Implementation Status			Situation and Reasons for Differences from Code of Practice on Sustainable Development for Listed Companies
	Y	N	Explanation	

(3) The Company's material risk issues and risk management strategies.

Major issues	Risk assessment items	Risk management strategies
Environment	Occupational safety	1. Provide safe and health working environment to employees. 2. Reduce employee disabling injuries frequency and severity ratio. 3. Achieve zero accident, and prevent occupational diseases.
	Wastes management	Continue to promote waste reduction at the source and recycling.
	Climatic change	Continue to implement greenhouse gas reduction measures.
	Energy management	Develop green-energy product and continue to improve energy-saving performance.
Society	Talent development	Plan and organize talent development to achieve sustainable development.
	Human rights	1. Assist staff maintaining physical and psychological health and balance between work and life. 2. Provide multiple opinion channels for staff to create a harmonious labor-employer relationship.
Corporate management	Commercial ethics	Ethical management in all aspects of business.
	Supplier sustainable management	Conduct supplier sustainable management appraisal.
	Customer service	Continue to provide more competitive products.
	Regulatory Compliance	Continue to reify laws and decrees to company polices, and offer training courses to employees.

Note 1: If "Yes" is ticked, please describe the major policies, strategies, measures adopted and implemented; if "No" is ticked, please explain the reasons and how the relevant policies, strategies, and measures will be implemented in the future.

Note 2: If the Company has prepared a corporate social responsibility report, the summary should indicate how to consult the corporate social responsibility report and the page number of the index instead.

Note 3: The materiality principle refers to an issue of environment, society, and corporate governance that significantly impacts investors and other interested parties of the Company.

4.5 Performance of ethical management and implementation measures:

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
1. Establishment of a policy and plan of integrity management				
(1) Has the company formulated a policy of ethical management approved by the Board of Directors and clearly stated the policy and practice of ethical management in the rules and regulations and external documents, as well as the commitment of the Board of Directors and executive management to actively implement the business policy?	✓		The Company, based on integrity and ethical operation principle, has stipulated the “Ethical Management Guidelines” and “Code of Ethics” to as principles for its business, directors, senior managers, and group staffs to obey and build up good commercial operation modes. The“ Ethical Management Guidelines” is disclosed on its website for reference to the public.	Conform to Code of Practice on Sustainable Development, without significant difference.
(2) Has the Company established a risk assessment mechanism for dishonest conduct, regularly analyzed and evaluated the business activities within the scope of business with a high risk of dishonest conduct, and based on this, formulated a plan to prevent dishonest conduct, which shall at least cover the preventive measures for the conduct in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The internal rules of the Company, such as the operating rules for preventing insider trading and the employee handbook, stipulate that all employees shall not engage in or be involved in any dishonest business activities, and the audit unit shall conduct regular audits and prevent such activities through internal reporting.	Conform to Code of Practice on Sustainable Development, without significant difference.
(3) Has the Company defined the operating procedures, conduct guidelines, punishment, and reporting system for violations to prevent dishonest acts and implement, and regularly reviewed the plan for revising and exposing the violations?	✓		The Company has a " Code of Ethics" and relevant internal measures and policies . The punishment and appeal system for violations has been defined, advocated, and implemented through internal education and training.	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
2. Implementation of ethical management				
(1) Has the Company assessed the ethical record of its dealing parties and has included in the contracts entered into with its dealing parties a clause on ethical conduct?	✓		The Company requires its business associates to sign a "Letter of Commitment on Integrity, Environmental Protection, and Social Responsibility," which stipulates that the business associates shall abide by integrity and shall not grant or receive improper benefits to the employees of the Company. They also regularly assess the integrity of their business operations and whether they violate their ethical records to ensure that their business operations are transparent and fair.	Conform to Code of Practice on Sustainable Development, without significant difference.
(2) Does the Company set up a dedicated unit under the Board of Directors to promote the honest operation, and regularly (at least once a year) report to the Board of Directors its policy of honest operation and the plan to prevent dishonest behavior and supervise its implementation?	✓		<p>The Human Resources Department is the coordinating unit for ethical management, which is responsible for implementing and supervising our ethical management policies and the activities for prevention of unethical behavior, while the audit department is tasked with daily supervision and audit of the implementation of ethical management by our operating departments to ensure compliance with our internal control system.</p> <p>On November 10, 2022, a report on the implementation of ethical management was submitted to the Board of Directors as follows:</p> <ol style="list-style-type: none"> 1. We require all employees and new suppliers to sign the "Commitment to Ethics, Integrity, Environmental Protection and Social Responsibilities," and 100% of them have done so. 2. We periodically assess whether any supplier has violated ethical requirements, and there was no such 	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
			<p>violation in 2022.</p> <p>3. We require all directors to sign the “Declaration on Non-violation of the Code of Ethics,” and 100% of them have done so.</p> <p>4. We have included ethical principles in the scope of evaluation of the performance of employees, and in 2022 we conducted four such evaluations.</p> <p>5. On January 3, 2022, we communicated the “Laws and Regulations and Requirements Applicable to the Change of Shareholding of Insiders” via email to our insiders.</p> <p>6. On October 18, 2022, the Board of Directors approved an amendment to the “Procedures Governing the Prevention of Insider Trading,” stipulating that none of our directors may trade our shares during the closure period 30 days prior to publication of an annual financial report or 15 days prior to publication of a quarterly financial report. We sent an email notification to all directors 15 days prior to publication of the Q3 financial report to remind them not to conduct any transaction during the closure period and no such trading occurred during closure period.</p> <p>7. In 2022, we organized relevant training courses for a total of 70 hours attended by 690 persons. For detailed information, see the description in (V).</p>	Conform to Code of Practice on Sustainable Development, without significant difference.

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies																																				
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(3) Has the Company formulated and implemented a policy to prevent conflict of interest and provided appropriate channels for presentation?	✓		The Company conducts all business activities in accordance with the law and will release important information in accordance with the law to achieve information transparency; if there is a conflict of interest in the vote of the Board of Directors, the person shall be withdrawn.	Conform to Code of Practice on Sustainable Development, without significant difference.																																				
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management? Has the internal audit unit drawn up relevant audit plans based on the assessment results of the risks of dishonest conduct and checked the compliance of the plan to prevent the dishonest conduct, or entrust an accountant to conduct the audit?	✓		The Company has established an effective accounting formulation and internal control system. The Company's internal audit unit shall conduct the audit according to the annual audit plan approved by the Board of Directors, submit the report to the Audit Committee, report the implementation of its audit to the Audit Committee and the Board of Directors, and report to the competent authority according to the relevant provisions.	Conform to Code of Practice on Sustainable Development, without significant difference.																																				
(5) Does the Company regularly hold internal and external education and training on ethical management?	✓		<p>The Company held external and internal training courses on the related subjects of ethical management in 2022, a total of 70 course hours and 690 head counts been trained.</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Contents</th> <th>Hours</th> <th>Attendees</th> </tr> </thead> <tbody> <tr> <td>2022/01/13</td> <td>Introduction to ESG and sustainable development</td> <td>1.5 hours</td> <td>16 persons</td> </tr> <tr> <td>2022/01/14</td> <td>Sustainable management, ESG and corporate governance</td> <td>1.5 hours</td> <td>13 persons</td> </tr> <tr> <td>2022/04/27</td> <td>Training on product carbon footprints – ESG</td> <td>6 hours</td> <td>53 persons</td> </tr> <tr> <td>2022/05/11</td> <td>Training on product carbon footprints – ESG</td> <td>6 hours</td> <td>37 persons</td> </tr> <tr> <td>2022/05/12</td> <td>Responsible Business Alliance Code of Conduct – RBA</td> <td>1 hour</td> <td>45 persons</td> </tr> <tr> <td>2022/06/10</td> <td>Introduction to patents</td> <td>1 hour</td> <td>10 persons</td> </tr> <tr> <td>2022/06/23</td> <td>Product innovation and optimization</td> <td>4 hours</td> <td>25 persons</td> </tr> <tr> <td>2022/07/07</td> <td>Proposal and contract management</td> <td>2 hours</td> <td>30 persons</td> </tr> </tbody> </table>	Date	Contents	Hours	Attendees	2022/01/13	Introduction to ESG and sustainable development	1.5 hours	16 persons	2022/01/14	Sustainable management, ESG and corporate governance	1.5 hours	13 persons	2022/04/27	Training on product carbon footprints – ESG	6 hours	53 persons	2022/05/11	Training on product carbon footprints – ESG	6 hours	37 persons	2022/05/12	Responsible Business Alliance Code of Conduct – RBA	1 hour	45 persons	2022/06/10	Introduction to patents	1 hour	10 persons	2022/06/23	Product innovation and optimization	4 hours	25 persons	2022/07/07	Proposal and contract management	2 hours	30 persons	Conform to Code of Practice on Sustainable Development, without significant difference.
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<p>3. Operation of the Company's reporting system</p> <p>(1) Has the Company formulated a specific reporting and reward system, established a convenient reporting channel, and designated an appropriate person in charge of handling the report?</p>	✓		<p>The Company has formulated relevant and specific whistleblowing system and was disclosed on the Company's website, with proper officers for effectively perform the appeal. An informer may prosecute through letter, e-mail and telephone and etc., of which, whistleblowing on shareholders, investors or other stakeholders are accepted by spokesperson or deputy spokesperson, while that on internal employees, clients, or suppliers are processed by human resource department.</p>		<p>Conform to Code of Practice on Sustainable Development, without significant difference.</p>																																																

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	
(2) Has the Company set the standard operating procedures to investigate complaints, the follow-up measures to be taken after the investigation is completed, and a relevant confidentiality mechanism?	✓		The company shall process whistleblowing events based on “Whistleblowing Procedures”, in which stipulated corresponding operating procedures and secrecy mechanism, to maintain informer’s rights and privacy.	Conform to Code of Practice on Sustainable Development, without significant difference.
(3) Has the Company taken measures to protect the informant from improper treatment due to reporting?	✓		The Company’s whistleblowing Procedures expressly stipulate that the accepting unit shall not disclose informer’s identity, to effectively maintain appeal system and prevent informer from improper treatments.	Conform to Code of Practice on Sustainable Development, without significant difference.
4. Strengthened information disclosure (1) Does the Company disclose the content and effectiveness of its ethical management on its website and on its Open Information Observatory?	✓		The Company's Code of Ethical Management is disclosed on its website and on the Open Information Observatory.	Conform to Code of Practice on Sustainable Development, without significant difference.
5. If the Company has its own code of ethical management based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please state the difference between its operation and the code: No differences exist.				
6. Other important information that will help us to understand the ethical management operation of the Company: The Company has an accounting system, internal audit, and other operations. It has formulated the “Corporate Governance Principles” and “Ethical Management Guidelines” for the Company's executive management and employees to follow. The internal auditors also regularly report to the Audit Committee and the Board of Directors on the Company's internal control system and various audits. In addition, the Audit Committee and the Board of Directors will be informed of any work or content revision that needs to be strengthened so that the ethical management system can be effectively implemented.				

Evaluation Item	Operation Condition			Situation and Reasons for Differences from Code of Integrity Management for Listed Companies
	Y	N	Explanation	

4.7 If the Company has a corporate governance code and relevant regulations, it shall disclose its inquiry methods:

Please refer to the Company's website (www.sysgration.com) and the Open Information Observatory.

4.8 Other important information which is sufficient to enhance the understanding of the operation of corporate governance may be disclosed together:

In order to establish a good internal material information processing and disclosure mechanism, avoid the improper disclosure of information, and ensure the consistency and accuracy of the information published by the Company to the outside world, the Company hereby establishes the "Internal Material Information Processing Procedure."

4.9 Implementation of the internal control system

1. Statement of internal control

Sysgration Ltd.

Statement of the internal control system

Date: March 9, 2023

The Company's internal control system of 2022, based on the results of its own assessment, is hereby stated as follows:

1. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Board of Directors and the management team of the Company, and the Company has established such a system. The objective is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance, and asset safety, etc.), reliability, timeliness, transparency of reporting, and compliance with relevant regulations.
2. The internal control system has its innate limitations, no matter how perfect the design is. An effective internal control system can only provide a reasonable assurance for achieving the above three objectives. Moreover, due to the change in the environment, the effectiveness of the internal control system may change. However, The Company has a self-monitoring mechanism for its internal control system. Once any deficiencies are identified, the Company shall take corrective action.
3. The Company judges whether the design and implementation of the internal control system are effective or not according to the "Guidelines for Handling the Establishment of Internal Control System by Public Offering Companies" (hereinafter referred to as the "Guidelines for Handling"). The internal control system used in the "Guidelines for Handling" is the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision operation. Each component includes several items. For the foregoing items, please refer to the "Guidelines for Handling."
4. The Company has adopted the above internal control system judgment items and evaluated the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the foregoing assessment, the Company considers that the internal control system of the Company as of December 31, 2022 (including the supervision and management of the subsidiaries), including an understanding of the effectiveness of operations and the extent to which efficiency objectives are achieved, and the report is reliable, timely, transparent, and in compliance with relevant codes and relevant regulations with relevant internal control systems, so the design and implementation are effective and can reasonably ensure that the above objectives are achieved.
6. This Statement will be the main content of the Company's annual report and prospectus and will be disclosed publicly. Any false or concealment of the above information will be subject to the legal liability of Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement is approved by the Board of Directors of the Company on March 9, 2023. Among the seven directors present, there are no opposing opinions, and they agree with the contents of this Statement and hereby declare as such.

Sysgration Ltd.

Chairman: Lee, Yi-Ren

General Manager: Hsieh, Tung-Fu

2. If an accountant is entrusted with reviewing the internal control system professionally, the audit report of the accountant shall be disclosed: None.

4.10 In the most recent year, as of the publication date of the annual report, the Company and its internal personnel have been punished according to the law, or the Company has punished its internal personnel for violating the provisions of the internal control system. The punishment result may have a significant impact on the shareholders' rights and interests or securities prices. The content of the punishment, main deficiency, and improvement measures are as below: None.

4.11 Important resolutions from the shareholders' and the Board of Directors meeting in the most recent year, as of the publication date of the annual report:

1. Contents and implementation of material resolutions of the meeting of shareholders

Date	Material resolution of shareholders' meeting	Implementation
2022/04/29	1. Ratification of the 2021 business report, financial statements and consolidated financial statements.	The 2021 financial statements were approved by the shareholders' meeting and have been published on the MOPS as reference for investors.
	2. Ratification of the proposal to offset the losses in 2021.	Offsetting of losses has been completed pursuant to the resolution of the shareholders' meeting.
	3. Approval of the proposal for private placement of common shares.	Implemented pursuant to the resolution.
	4. Amendment to the "Articles of Incorporation".	Implemented in accordance with the amended Articles of Incorporation.

2. Material resolutions of the Board of Directors

Date	Material Resolutions of the Board of Directors
2022/01/18	1.The 2022 operational plan and budget. 2.Amendment to the "Corporate Social Responsibility Best Practice Principles". 3.Determination of the record date for capital increase from conversion of employees' stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new shares. 4.The bank credit limits to Sysgration. 5.Matters related to the convening of the 2022 annual shareholders' meeting. 6.Amendment to the Regulations Governing Operational Bonuses. 7.Adjustment to the remuneration and benefits for managers. 8.Distribution of 2021 year-end bonuses to managers.

2022/03/17	<ol style="list-style-type: none"> 1.The “Evaluation of the Effectiveness of Internal Control System” and the “Statement of Internal Control System” for 2021. 2.The 2021 financial statements and business report. 3.Proposal to profit appropriation for year 2021. 4.The bank credit limits to Sysgration. 5.Amendment to the “Articles of Incorporation”. 6.Proposal for private placement of common shares. 7.Additional matters for discussion in the reasons for convening the 2022 annual shareholders’ meeting. 8.Appointment of the chief auditor. 9.Appointment of senior managers. 10.Establishment of the EVS Business Unit and appointment of senior managers. 11.Salaries for newly appointed managers and chief auditor. 12.Distribution of 2021Q4 and 2021 annual operational bonuses.
2022/05/10	<ol style="list-style-type: none"> 1.Consolidated financial statements for 2022Q1. 2.Change of CPAs as required by an internal adjustment of PricewaterhouseCoopers Taiwan. 3.Periodic assessment of the independence of CPAs. 4.Application for a limit on transactions of derivatives for the purpose of managing exchange rate risks. 5.Determination of the record date for capital increase from conversion of employees’ stock warrants to common shares. 6.Amendment to the “Table of Approving Authority”. 7.Proposal for investing Transound Electronics Co., Ltd.. 8.Participation in the acquisition of FuYou private equity fund. 9.Proposal for investment on Ion Electronic Materials Co., Ltd. 10.Appointment of senior managers. 11.Distribution of operational bonuses to managers. 12.Salaries for managers. 13.Adjustment to the travel allowance and remuneration for directors.
2022/08/09	<ol style="list-style-type: none"> 1. Consolidated financial statements of 2022Q2. 2. Determination of the record date for capital increase from conversion of employees’ stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new shares. 3. The limit of bank loans to Sysgration. 4. Accounts receivable of significant amounts as of the end of June 2022, whose duration exceeded the normal loan period for over three months due to business dealings and which were not considered as loans to others. 5. Appointment of the chief auditor. 6. Remuneration and benefits for managers. 7. Distribution of operational bonuses to managers.
2022/10/18	<ol style="list-style-type: none"> 1.Determination of the record date for capital increase from conversion of employees’ stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new shares. 2.The limit of bank loans to Sysgration. 3.Amendment to certain provisions of the “Regulations for Evaluation of the Performance of the Board of Directors”. 4.Amendment to certain provisions of the “Procedures Governing the Prevention of Insider Trading”. 5.Matters related to the determination of the price and payment period for privately placed shares. 6.Issuance of employees’ stock warrants. 7.Appointment of senior managers. 8.Remuneration and benefits for newly appointed managers.

Date	Material Resolutions of the Board of Directors
2022/11/10	<ol style="list-style-type: none"> 1.The 2023 audit plan. 2.Consolidated financial statements of 2022Q3. 3.Proposal to establish a wholly owned subsidiary in the US. 4.Distribution of 2022Q3 operational bonuses for the ISD Business Unit.
2023/01/09	<ol style="list-style-type: none"> 1.The 2023 operational plan and budget. 2.Determination of the record date for capital increase from conversion of employees' stock warrants to common shares and from exchange of the fourth issue of domestic secured convertible bonds for issuance of new share. 3.Amendment to certain provisions of the "Articles of Incorporation". 4.Amendment to the 2022 Regulations Governing the Issuance of Employees' Stock Warrants and the Subscription by Employees. 5.Periodic assessment of the independence of CPAs. 6.New election of all directors. 7.Convening of the 2023 annual shareholders' meeting. 8.Matters related to proposed advance approval of the provision of non-assurance services by CPAs. 9.List of employees to be issued employees' stock warrants proposed for distribution and the amount of stock options. 10.Distribution of 2022 year-end bonuses to managers.
2023/03/09	<ol style="list-style-type: none"> 1. The "Evaluation of the Effectiveness of Internal Control System" and the "Statement of Internal Control System" of the Company for 2022. 2. The financial statements and business report of the Company for 2022. 3. The appropriation of profits and losses of the Company for 2022. 4. The proposal that accounts receivable from business dealings, which exceed the normal loan period for 3 months as of December 31, 2022 and are of significant amounts, are to be considered loan to others. 5. The limit of bank loans to Sysgration. 6. The distribution of the remuneration of employees and directors of the Company for 2022. 7. Matters relating to the determination of the price and payment period for the second private placement. 8. The nomination and resolution of the candidates of directors (including independent directors). 9. The approval of competing with the Company by newly elected directors. 10. The division of the Company's Energy Storage Business Unit 11. The proposal that the Company may carry out the stock release to "Power Tank Energy Ltd." at different times within one year of the completion date of registering the division and waive the right to participate in that company's project of capital injection by cash 12. Distribution of operational bonuses to managers. 13. Supplementary information regarding the date, place, methods, and subjects of the 2023 shareholders' meeting of the Company.

4.12 In the most recent year, as of the publication date of the annual report, the directors or supervisors have different opinions on the adoption of material resolutions by the Board of Directors, and there is a record or written statement: None.

4.13 In the most recent year and up to the publication date of the annual report, the resignation of the Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, and Research and Development Supervisor:

Title	Name	Date of appointment	Date of discharge	Reason for resignation or discharge
Chief Auditor	Kuo, Zhen-Lin	2016/07/22	2022/03/11	Resignation
Chief Auditor	Wu, Chia-Jung	2022/03/17	2022/05/31	Resignation

5 Information On CPA's Services Fees

5.1 Audit Services Fee

Unit: NT\$ 1,000

Accounting Firm	Accountant name	Accountant audit period	Audit Fees	Non-Audit Fees	Total	Remark
PricewaterhouseCoopers	Chih, Ping-Chiun Chiu, Chao-Hsien	2022/01/01~2022/12/31	4,120	1,890	6,010	

Note: In 2022, we paid a total of NTD1,890 thousand as non-audit fees, including NTD195 thousand as fees for registration of change, NTD80 thousand as fees for employee stock option service, NTD250 thousand as fees for transfer pricing report, NTD1,115 thousand as fees for ESG report guidance service, and NTD250 thousand as assurance fee.

5.2 Where the accounting firm is changed and the amount of audit fees paid in the year of the change is less than that in the year before the change, the amount of audit fees and the reasons before and after the change shall be disclosed: None.

5.3 Where the audit fees have been reduced by more than 10% compared with the previous year, the amount, proportion, and reasons for the reduction of audit fees shall be disclosed: None.

6 Information of Replacement of CPA: None.

7 Information To Be Disclosed Regarding The Chairman, General Manager, Or Chief Manager In Charge Of The Financial Or Accounting Affairs Of The Company Who Has Worked For Auditing Accounting Firm Or Its Affiliated Companies Within The Last One Year: None.

8 Changes Of Shareholding And Pledge Of Directors, Supervisors, Executive Managers, And Shareholders Holding More Than 10% Of The Shares.

8.1 Changes in shareholding

Title	Name	2022		as of February 27, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	Lee, Yi-Ren	(781,000)	0	0	0
Director	Lee, Cheng-Han	33,000	0	0	0
Director	Chen, Chih-Pin	0	0	0	0
Director /General Manager	Hsieh, Tung-Fu	99,000	0	0	0
Independent Director	Lin, Kuan-Chao	0	0	0	0
Independent Director	Wei, Che-Chen	0	0	0	0
Independent Director	He, Ju-Hsiang	0	0	0	0
Vice President	Wang, Yen-Cheng (note3)	0	0	0	0
Vice President	Yeh, Chia-Fu	(18,000)	0	0	0
Vice President	Li, Fang-Mao	100,000	0	0	0
Vice President	Hsing, Chien	0	0	0	0
Director Manager	Wang, Hua-Wei	6,000	0	0	0
Director Manager	Wu, Jeng-Ru	0	0	0	0
Director Manager	Lin, Mu-Sen	24,000	0	0	0
Director Manager	Lo, Mei-Lien (note3)	0	0	0	0
Director Manager	Li, Tzu-Kuang (note3)	0	0	0	0
Director Manager	Tsai, Hsiu-Mei	0	0	0	0

Note 1: The shareholders holding more than 10% of the Company's total shares shall be marked as major shareholders and listed separately.

Note 2: If the relative person of shares transfer or pledged is a related party, the following table should be completed.

Note 3: Ms. Lo Mei-Lien appointed on 2022/03/01, Mr. Li, Tzu-Kuang appointed on 2022/08/22, and Mr. Wang Yen-Cheng appointed on 2022/04/01.

8.2 Transfer of shares information: None.

8.3 Pledge of shares information: None.

9 Relationship Among The Top Ten Shareholders

As of February 27, 2023

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Second Degree of Kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Lee, Yi-Ren	12,180,210	7.23%	2,782,097	1.65%	6,804,673	4.04%	Wu, Cui-Ying	Spouse	None
Lin, Yu-Yeh	8,885,000	5.27%	0	0.00%	0	0.00%	None	None	None
Talent Investment Co., Ltd.	6,804,673	4.04%	0	0.00%	0	0.00%	Lee, Yi-Ren	Company representative	None
Capital OTC Fund	4,000,000	2.37%	0	0.00%	0	0.00%	None	None	None
Wu, Cui-Ying	2,782,097	1.65%	12,180,210	7.23%	0	0.00%	Lee, Yi-Ren	Spouse	None
Capital High-Tech Fund	1,300,000	0.77%	0	0.00%	0	0.00%	None	None	None
The TIA Investment Account in trust for Goldman Sachs by HSBC Bank (Taiwan) Limited	1,220,000	0.72%	0	0.00%	0	0.00%	None	None	None
Qian Xing Investment Co., Ltd	1,192,890	0.71%	0	0.00%	0	0.00%	Ye, Shuo-Tang	Company representative	None
Representative: Ye, Shuo-Tang	0	0.00%	0	0.00%	0	0.00%	Qian Xing Investment Co., Ltd	Company representative	None
Well Hand Electronics Co., Ltd.	1,000,000	0.59%	0	0.00%	0	0.00%	Hu, Yao-Jen	Company representative	None
Representative: Hu, Yao-Jen	502,000	0.00%	0	0.00%	0	0.00%	Well Hand Electronics Co., Ltd.	Company representative	None
Baldwin Asset Management Co., Ltd.	980,000	0.58%	0	0.00%	0	0.00%	None	None	None

Note 1: All the top ten shareholders must be listed. The names of the corporate shareholders and the names of the representatives shall be listed if they are corporate shareholders.

Note 2: The calculation of the shareholding ratio refers to calculating the shareholding ratio in the name of oneself, spouse, minor child, and by nominee arrangement.

Note 3: The shareholders listed above, including the institutional shareholders and natural persons, shall disclose their relationships according to the issuer's financial statement reporting standards.

10 Ownership Of Shares In Affiliated Enterprises

Unit: share; %, as of December 31, 2022

Affiliated Enterprises (Note 2)	Ownership by the Company		Direct or Indirect Ownership by the Directors, Supervisors, and Executive Managers		Comprehensive Ownership	
	Shares	%	Shares	%	Shares	%
Sysgration Technology (Samoa) Ltd.	21,800,000	100%	0	0%	21,800,000	100%
Sysgration (Samoa) Ltd.	15,938,000	100%	0	0%	15,938,000	100%
Sysgration USA. Inc.	300,000	100%	0	0%	300,000	100%
Sysgration Technology (Zhenjiang) Ltd.	Note1	100%	Note1	100%	Note1	100%
Sysgration Technology (Huizhou) Ltd.	Note1	100%	Note1	100%	Note1	100%

Note 1: No shares issued.

Note 2: Long-term investment by the Company using the equity method.

IV. Capital Overview

1. Capital And Shares

1.1 Source of capital

(1) Capitalization information

Unit: NT\$1,000; 1,000 shares

Year/Month	Par Value (NT\$/share)	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2020/08	ESOP NT\$21.8	300,000	3,000,000	151,260	1,512,597	ESOP execution \$ 1,050	No	ZSSJ No.10901162960
2020/12	ESOP NT\$21.8	300,000	3,000,000	152,485	1,524,847	ESOP execution \$ 12,250	No	ZSSJ No.10901225500
2021/02	ESOP NT\$21.8/NT\$10	300,000	3,000,000	154,081	1,540,805	ESOP execution \$ 15,958	No	ZSSJ No.11001018930
2021/06	NT\$21.8/NT\$10 Convertible bond : Conversion price NT\$ 35	300,000	3,000,000	154,553	1,545,534	CB conversion \$ 29 ESOP execution \$ 4,700	No	ZSSJ No.11001092500
2022/02	ESOP NT\$10 Convertible bond : Conversion price NT\$ 35	300,000	3,000,000	155,549	1,555,489	CB conversion \$ 220 ESOP execution \$ 776	No	ZSSJ No.11101015970
2022/05	ESOP NT\$10	300,000	3,000,000	155,588	1,555,880	ESOP execution \$ 39	No	ZSSJ No.11101087570
2022/09	ESOP NT\$10 Convertible bond : Conversion price NT\$ 35	300,000	3,000,000	156,334	1,563,340	CB conversion \$ 680 ESOP execution \$ 66	No	ZSSJ No.11101166310
2022/11	ESOP NT\$10 Convertible bond : Conversion price NT\$ 35	300,000	3,000,000	156,810	1,568,105	CB conversion \$ 45 ESOP execution \$ 431	No	ZSSJ No.11101208540
2022/11	Private placement price: NT\$ 32	300,000	3,000,000	167,060	1,670,605	Private placement of common stock \$10,250	No	ZSSJ No.11101216530
2023/02	ESOP NT\$33.8/ NT\$10 Convertible bond: Conversion price NT\$ 35/ NT\$ 34.5	300,000	3,000,000	168,023	1,680,232	CB conversion \$ 136 ESOP execution \$ 827	No	ZSSJ No.11230011760

Note 1: Information for the year as of the date of publication should be completed.

Note 2: The effective (approved) date and document number of the capital increase shall be noted.

Note 3: The shares issued under par value shall be marked in a prominent manner.

Note 4: If the monetary claims or technology are used as paid-in capital, it shall be stated clearly, and the types and amounts of such assets shall be noted.

Note 5: In the case of a private placement, it shall be marked in a prominent manner.

Note 6: During the period from January 1 to February 28, 2023, there were 95 thousand shares from exercised employee stock options and 461 thousand shares from converted corporate bonds, totaling 556 thousand shares. The total amount of outstanding shares was 168,579 thousand shares as of February 28, 2023. The registration of capital changes is expected to be done by the end of the first quarter of 2023.

(2) Stock Type

Unit: share, As of February 27, 2023

Stock Type	Authorized Capital				Remark
	Outstanding Shares		Unissued Shares	Total	
	Listed	Unlisted			
Registered Common Stock	168,023,188	0	131,976,812	300,000,000	None

Note: There are 556,162 ordinary shares, including 95,300 shares from excised employee stock options and 460,862 shares from converted corporate bonds, both of which are not yet registered. The registration of capital changes is expected to be done by the end of the first quarter of 2023.

(3) Information of Self Registration: None.

1.2 Shareholder structure

Unit: share; person As of February 27 2023

Qty	Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders		1	17	186	38	40,501	40,743
Shareholding (shares)		21	8,672,152	13,468,410	3,569,186	142,869,581	168,579,350
Shareholding (%)		0.00%	5.14%	7.99%	2.12%	84.75%	100.00%

1.3 Shareholding distribution status

Unit: share; person As of February 27, 2023

Class of Shareholding (shares)	Number of shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	20,056	1,742,347	1.03%
1,000 - 5,000	16,892	33,034,156	19.60%
5,001 - 10,000	2,008	16,160,283	9.59%
10,001 - 15,000	592	7,756,374	4.60%
15,001 - 20,000	388	7,280,280	4.32%
20,001 - 30,000	282	7,274,834	4.32%
30,001 - 40,000	144	5,216,097	3.09%
40,001 - 50,000	96	4,427,766	2.63%
50,001 - 100,000	151	11,035,699	6.55%
100,001 - 200,000	68	9,702,491	5.76%
200,001 - 400,000	30	8,705,671	5.16%
400,001 - 600,000	13	6,641,804	3.94%
600,001 - 800,000	10	6,691,678	3.97%
800,001 - 1,000,000	5	4,545,000	2.69%
More than 1,000,000	8	38,364,870	22.75%
Total	40,743	168,579,350	100.00%

1.4 List of major shareholders

Unit: share As of February 27, 2023

Name of Shareholder	Shares	Shareholding	
		shares	%
Lee, Yi-Ren		12,180,210	7.23%
Lin, Yu-Yeh		8,885,000	5.27%
Talent Investment Co., Ltd.		6,804,673	4.04%
Capital OTC Fund		4,000,000	2.37%
Wu, Cui-Ying		2,782,097	1.65%
Capital High-Tech Fund		1,300,000	0.77%
The TIA Investment Account in trust for Goldman Sachs by HSBC Bank (Taiwan) Limited		1,220,000	0.72%
Qian Xing Investment Co., Ltd		1,192,890	0.71%
Well Hand Electronics Co., Ltd.		1,000,000	0.59%
Baldwin Asset Management Co., Ltd.		980,000	0.58%
Total		40,344,870	23.93%

1.5 Market price, net worth, earnings, dividend, and related information for the last two years

Unit: NT\$

Item	Year	2021	2022	Current year as of February 28, 2023	
		Market Price per Share (Note 1)	Highest	47.0	49.40
	Lowest	23.9	33.80	38.05	
	Average	38.75	42.33	42.80	
Net Worth per Share (Note 2)	Before Distribution	7.71	11.56	-	
	After Distribution	7.71	11.56	-	
Earnings per Share	Weighted Average Number of Shares	154,249,746	158,534,062	-	
	Earnings per Share (Note 3)	0.62	2.14	-	
Dividend per Share	Cash Dividend	0	0	-	
	Stock Dividen	Retained Earnings Allotment	0	0	-
		Capital Reserve Allotment	0	0	-
	Accumulated Unpaid Dividend (Note 4)	0	0	-	
Return on Investment	Price/Earnings Ratio (Note 5)	62.50	19.78	-	
	Price/Dividends Ratio (Note 6)	N/A	N/A	-	
	Cash Dividend Yield Rate (Note 7)	N/A	N/A	-	

* If the retained earnings or capital reserves are distributed as dividends, the market price adjusted retroactively according to the number of shares issued and cash dividend information shall be disclosed.

Note 1: The data source is from the TPEX trading website.

Note 2: It shall list the highest and lowest market prices of each year and calculate the average market price of each year according to the transaction value and volume of each year.

Note 3: The earnings per share before and after adjustment should be shown in retroactive adjustment if stock dividends were distributed.

Note 4: Accumulated unpaid accrued dividends of the current year shall be disclosed separately.

Note 5: Price/Earnings Ratio = Average Market Price/Earnings per share.

Note 6: Price/Dividends Ratio = Average Market Price/Cash Dividends per Share.

Note 7: Cash Dividend Yield Rate = Cash Dividend per Share/ Average Market Price.

Note 8: The net worth per share and earnings per share should be filled in the latest quarter as of the publication date of the annual report, which has been audited (reviewed) by CPAs.

1.6 Dividend policy and implementation status

(1) Dividend policy stipulated in the Articles of Incorporation:

If there is a surplus in the annual gross final accounts of the Company, the taxes shall be withheld firstly, and previous losses shall be made up. The subsequent deduction of 10% shall be the statutory surplus reserve unless the statutory surplus reserve has reached the Company's paid-up capital. In addition, a special surplus reserve shall be set aside according to the operational needs of the Company and the provisions of laws and regulations. If there is still a surplus and the surplus has not been distributed at the beginning of the period, the Board of Directors shall draw up a surplus distribution plan and submit it to the shareholders' meeting for resolution to distribute or keep the surplus. In order to meet the Company's long-term business development, future capital needs, and long-term business planning, no more than 90% of the distributable earnings shall be allocated annually as the distribution of dividends to shareholders, except that the accumulated distributable earnings are less than 5% of the paid-in capital. The cash dividend shall not be less than 10% of the total dividend, but if the amount of cash dividend allocated is less than NT\$0.5 per share, it may be paid out in share dividend.

(2) The proposed dividend distribution at this shareholders' meeting: None.

1.7 Impact of proposed share dividends at this shareholders' meeting on the Company's operating performance and earnings per share

Not applicable, no share dividend allotment is proposed at this shareholders' meeting.

1.8 The remuneration of employees, directors, and supervisors

(1) The percentage or scope of remuneration for employees, directors, and supervisors as set out in the Articles of Incorporation:

If the Company makes profits in the year, it shall allocate 10% to 15% for the remuneration of its employees and no more than 3% for the remuneration of its directors. However, if the Company still has accumulated losses, it shall reserve the amount to make up in advance.

The stock or cash payments to employees referred to in the preceding paragraph may include the employees of affiliated companies who meet certain conditions. The Board of Directors shall be authorized to determine the conditions and distribution methods.

(2) The basis for estimating the profit-sharing remuneration distribution of employees, directors, and supervisors, and the accounting treatment in the event of any discrepancy between the actual amount allocated and the estimated amount:

The Company estimated NT5,000 thousand profit-sharing remuneration to its employees fully in cash, and no remuneration to its directors in 2022 account book. The allocation proposal was approved by the Remuneration Committee, the Audit Committee and the Board of Directors on March 9, 2023, respectively, and there was no discrepancy.

(3) Remuneration distribution approved by the Board of Directors:

(a) If there is any difference between the amount of cash or stock allotment as remuneration to employees and remuneration to directors and supervisors, and the annual estimated amount of recognized expenses, the amount of the difference, reasons for the difference, and treatment shall be disclosed:

The Company recognized NT 5,000 thousand profit-sharing remuneration fully in cash for its employees or no remuneration to directors in 2022. Up to the publication of this annual report, actual payment had not been done.

(b) The ratio of employees' profit-sharing stock remuneration to net income of parent company only:

The Company did not distribute any profit-sharing stock remuneration to its employees in 2022.

(4) If there is any difference between the actual distribution of remuneration to employees, directors, and supervisors in the previous year (including the number of shares allocated, the number of shares allocated, and the share price), and the recognized remuneration to employees, directors, and supervisors, the number of the difference, reasons for the difference, and treatment shall be stated as follows:

The Company did not allocate any remuneration to its employees, directors, and supervisors in 2022.

1.9 Buy-back of treasury stock: None.

2. Corporate Bonds

2.1 Information related to corporate bonds issued:

The Company applied for the issuance of the fourth domestic secured convertible corporate bonds, which the Financial Supervision Commission approved with Letter Jin- Guan-Zheng-Fa-Zi No. 1090357651 on September 29, 2020, with a total issuance amount of NT\$500 million.

Type of Corporate Bond	The Fourth Domestic Secured Convertible Corporate Bonds		
Issue Date	October 20, 2020		
Face Value	NT\$100,000 per voucher		
Issuing and Trading Location	Domestic TPEX		
Issue Price	Issued at 100.2% of par value		
Total Issue Amount	NT\$500 million		
Coupon Rate	0%		
Tenor	Three years. Maturity date: October 20, 2023		
Guarantee Agency	Hua Nan Commercial Bank Ltd.		
Trustee	The Shanghai Commercial & Savings Bank, Ltd.		
Underwriter	Fubon Securities Co., Ltd.		
Certified Lawyer	HANDSOME ATTORNEYS-AT-LAW: Lawyer Qiu, Ya-Wen		
CPAs	PricewaterhouseCoopers Taiwan: Accountant Chiu, Chao-Hsien, Hsu, Ming-Chuan		
Repayment Method	The term is three years; unless converted or redeemed according to the conversion method, the bond shall be repaid in a lump sum in cash at maturity according to the face value of the bond.		
Un-Repaid Amount	None.		
Redemption or Early Repayment Clause	<ol style="list-style-type: none"> From the next day of issuance of the convertible corporate bonds (January 21, 2021) three months after and ending on the 40th day before the maturity date (September 11, 2023), if the closing price of the Company's common shares exceeds the then- conversion price by 30% for thirty consecutive business days (included), the Company may, within thirty business days thereafter, send by registered mail to the bondholders a "Notice of Recall" for the expiry of thirty days and request the TPEX for notice. From the next day of issuance of the convertible corporate bonds (January 21, 2021) three months after and ending on the 40th day before the maturity date (September 11, 2023), if the circulating balance of the converted bonds is less than 10% of the total amount originally issued, the Company may, at any time thereafter, send by registered mail to the bondholders a "Notice of Recall" for the expiry of thirty days and request the TPEX for notice. 		
Restrictive Clause	<ol style="list-style-type: none"> If the holders of the convertible bonds request the conversion during January 1 of the current year to the 15th business days (excluded) prior to the date of the cessation of transfer of cash dividends required by the Company in the current year, they may participate in the cash dividend (stock dividend) distribution of the previous year decided on the shareholders' meeting of the current year. From the 15th business days before the record date of cash dividends (included) to ex- dividend date (included), the conversion of the convertible corporate bonds shall be stopped. If the holders of the convertible corporate bonds who request the conversion during the day following ex-dividend date to December 31 (included) of the current year, shall not be entitled to the cash dividend of the previous year by the resolution of the shareholders' meeting of the current year but may participate in the cash dividend (stock dividend) of the next year. 		
Name of Credit Rating Agency, Rating Date, and Corporate Bond Rating Result	None.		
Other Rights Attached	Converted Amount as of the Publication Date Of the Annual Report	NT\$ 53,800,000	
	Issuance and Conversion Method	Please refer to the bond issuance data in the bond information area of the Open Information Observatory.	
Possible Dilution of shareholding due To Bond Issuance and Conversion, Exchange, Subscription, and Term; and Impact on Existing Shareholders' Equity.	None		
Name of Custodian Institution For Exchanged Objective	Not applicable		

2.2 Data of convertible corporate bonds

Type of Corporate Bonds(Note 1)	The 4 th Domestic Secured Convertible Corporate Bonds		
	Year	2022	Current year ending on February 28, 2023 (Note 4)
Market price of the convertible corporate bond (Note 2)	Highest	138.95	128.00
	Lowest	110.10	116.25
	Average	124.64	123.73
Conversion price		34.50	34.50
Issue date and conversion price at issuance	October 20, 2020; NT\$35.00		
Conversion methods (Note3)	Issue of new shares		

Note 1: Fields are adjusted according to actual transaction.

Note 2: If the overseas corporate bonds have more than one trading place, they shall list separately by trading places.

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

Note 4: The information for the year ending the publication date of the annual report should be provided.

2.3 Data on exchangeable corporate bonds: None.

2.4 Information on shelf registration of corporate bonds: None.

2.5 Information on corporate bonds with warrants: None.

3. Preferred Stocks

None.

4. Overseas Depositary Receipts

None.

5. Employee Stock Options

Please refer to Page 90 to Page 91 for details.

6. New Restricted Employee Shares

None.

7. New Shares Issuance In Connection With Merger And Acquisition

None.

8. Implementation Of The Financing Plan

The Company issued the 4th domestic secured convertible corporate bonds in 2020 and its financial plan is described as follows:

8.1 Content of plan

- (1) Approval date and document number by the competent authority: approved by the Financial Supervisory Commission (FSC) in Letter JGZFZ No. 1090357651 on September 29, 2020.
- (2) Total fund required for this project: NT\$501,000,000.
- (3) Fund source of this fundraising plan: issue 5,000 coupons of the fourth domestic secured convertible corporate bonds, with face value of NT\$100,000 per coupon; the total amount of issue is NT\$500 million, issue price according to 100.2% of the face value, and the tenor of issue is three years.
- (4) Fund use: to repay the bank loan of NT\$100,000,000 and enrich the operating working capital of NT\$401,000,000.
- (5) Plan Schedule

unit: NT\$1,000

Plan Item	Scheduled Completion Date	Total Fund Raised	Fund Use Schedule		
			2020Q4	2021Q1	2021Q2
Bank Loan Repayment	2020Q4	100,000	100,000		
Working Capital Injection	2021Q2	401,000	100,000	150,000	151,000
Total		501,000	200,000	150,000	151,000

8.2 Implementation status

(I) The Company issued the fourth domestic secured convertible corporate bonds and completed fund raising in October 2020. As of the fourth quarter of 2021, the implementation status was as follows:

(1) Bank loan repayment

Unit: NT\$1,000

Plan item	Implementation		Amount	Reason for getting ahead or behind of schedule and the improvement plan
2020Q4	Used Amount	Scheduled	100,000	According to the fund usage plan, the bank loans have been fully repaid in the fourth quarter of 2020.
		Actual	100,000	

(2) Working capital Injection

Unit: NT\$1,000

Plan item	Implementation		Amount	Reason for getting ahead or behind of schedule and the improvement plan
2020Q4	Used amount	Scheduled	100,000	The Company has appropriated the working capital in operation according to planned schedule of funding.
		Actual	100,000	
2021Q1	Used amount	Scheduled	150,000	
		Actual	150,000	
2021Q2	Used amount	Scheduled	151,000	
		Actual	151,000	

The Company issued the fourth domestic secured convertible corporate bonds in 2020, which was expected to increase the long-term financial stability, enhance the Company's operational competitiveness, improve its financial structure and solvency, and reduce its short-term interest expense by NT\$485 thousand per year. As of the second quarter of 2021, all funding plans were on schedule, and the related benefits were in line with expectations. With the help of working capital injection, The Company operating income increased significantly and has turned loss into profit in 2021.

Financial performance for the last three years. Unit : NT1,000

ITEM	2020	2021	2022
Current Assets	1,489,122	2,223,738	2,761,541
Current Liabilities	518,436	1,532,011	1,389,195
Total Liabilities	1,112,789	1,695,792	1,626,590
Shareholders' Equity	1,066,612	1,206,120	1,942,771
Operating Revenue	1,326,691	2,454,678	3,404,355
Net Profit After Tax	(98,315)	95,347	338,499
Earning Per Share (in dollar)	(0.64)	0.62	2.14

(II) The status of implementation of the fund usage plan for privately placed securities during the most recent year and as of the date of publication of the annual report is described as follows:

1. Content of plan:

- (1) Content of the resolution of the shareholders' meeting: On April 29, 2021, the shareholders' meeting approved the issue of a maximum of 25,000,000 common shares.
- (2) Number of shares issued and total amount of funds required for the current plan: 10,250,000 common shares were issued for the 1st private placement at NTD32 per share to raise a total of NTD328,000 thousand.
- (3) Use of funds: For repayment of bank loans and replenishment of working capital.
- (4) Plan schedule:

Unit : NT 1,000

Plan Item	Scheduled Completion Date	Total Fund Raised	Fund Use Schedule	
			2022Q4	2023Q1
Bank Loan Repayment	2023Q1	35,000	15,000	20,000
Working Capital Injection	2023Q1	293,000	0	293,000
Total		328,000	15,000	313,000

2. Implementation:

The 1st private placement of common shares was completed in November 2022, and the status of its implementation as of Q4 of 2022 is described as follows:

(1) Repayment of bank loans

Unit: NTD thousand

Plan item	Implementation		Amount	Reason for getting ahead or behind of schedule and the improvement plan
2022Q4	Used Amount used	Scheduled	15,000	According to the fund usage plan, the bank loans have been fully repaid in 2022Q4.
		Actual	15,000	

(2) Replenishment of working capital

Unit: NTD thousand

Plan item	Implementation		Amount	Reason for getting ahead or behind of schedule and the improvement plan
2022Q4	Used Amount used	Planned	0	Progressing according to the fund usage plan, with no amount used to replenish working capital in 2022Q4.
		Actual		

Through the private placement of common shares in 2022, we are able to increase long-term funding stability, enhance our operational competitiveness, and improve our financial structure and solvency. As of the end of 2022, its implementation has been completed as planned. With additional working capital, we have recorded significant growth in our revenue and continued growth in our profit. All relevant benefits have met our expectations.

Employee stock options:

(1) The Company's unexpired employee stock options shall be disclosed for the status as of the publication date of the annual report and its impact on shareholders' equity.

Employee Stock Options

As of February 28, 2023

Type of Employee Stock Option	The 6 th Employee Stock Option	The 7 th Employee Stock Option	The 8 th Employee Stock Option
Approval Date	October 26, 2017	December 30, 2019	November 08, 2022
Grant Date	October 15, 2018	August 20, 2020	Not issued yet.
Shares Granted	4,500,000 shares	4,731,000 shares	N/A
The Ratio of Shares to be issued To the Total Outstanding Shares	2.67%	2.81%	N/A
Duration	Five years.	Five years.	Five years.
Delivery Method	By issuing new shares.	By issuing new shares.	By issuing new shares.
Vesting Condition and Schedule	40% vested after 2 years. 70% vested after 3 years 100% vested after 4 years	40% vested after 2 years. 70% vested after 3 years. 100% vested after 4 years.	40% vested after 2 years. 70% vested after 3 years. 100% vested after 4 years.
Number of Shares Issued for Exercised Option	2,750,000 shares	714,200 shares	0 shares
Total Amount of Options been Exercised	NT\$ 27,500,000	NT\$ 24,139,960	NT\$ 0
Outstanding Shares of Option to be Exercised	328,100 shares	2,308,800 shares	0 shares
Exercise Price of the Outstanding Shares of Option to be Exercised	NT\$10	NT\$33.80	N/A
The Ratio of Outstanding Shares of Option to be Exercised to the Total Number of Shares Issued	0.19%	1.37%	N/A
Impact on Shareholders' Equity	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity.	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity.	The option grant is a five-year time-base vesting schedule with 2 years cliff, and is expected to have little impact on shareholders' equity.

Note 1: The employee stock options include an employee stock option of a public offering and private placement in process. The public offering employee stock option in process refers to those approved to be effective by the Commission; private equity employee stock option in process refer to those approved by the shareholders' meeting.

Note 2: Fields are adjusted according to actual transaction.

Note 3: Delivery of issued shares or issue of new shares should be indicated.

Note 4: Fill separately if issuing (handling) date is different.

Note 5: In the case of a private placement, it shall be marked in a prominent manner.

(2) List of executive managers and the Top ten employees been granted with stock option.

As of February 28, 2023

Category	Title	Name	Shares Granted (in thousands of shares)	The Ratio of Shares Granted to the Total Number of Shares Issued	Exercised				Unexercised			
					Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued	Shares Exercised (in thousands of shares)	Exercise Price (in dollars)	Amount (in thousands of NTD)	The Ratio of Shares exercised of the Total Number of Shares Issued
Managers	C.S.O.	Lee, Yi-Ren										
	General Manager	Hsieh, Tung-Fu										
	V.P.	Yeh, Chia-Fu										
	V.P.	Li, Fang-Mao	The sixth	0.45%	666	NT\$ 10.00	NT\$ 6,660	0.40%	99	NT\$ 10.00	NT\$ 990	0.06%
	V.P.	Lee, Cheng-Han	765									
	V.P.	Li, Yi-Chia (Note 7)										
	V.P.	Hsing, Chien										
	Director Mgr.	Wang, Hua-Wei										
	Director Mgr.	Tsai, Hsiu-Mei	The seventh	0.47%	144	NT\$ 33.80	NT\$ 4,867	0.09%	656 shares	NT\$ 33.8	NT\$ 22,173	0.39%
	Director Mgr.	Huang, Yao-Lun (Note 7)	800									
	Director Mgr.	Wu, Jeng-Ru										
	Director Mgr.	Li, Tsung-Po (Note 7)										
	Director Mgr.	Li, Mu-Sen										
Employee	Division Mgr.	Zhang, Jia-Lin										
	Division Mgr.	Huang, Bao-Long										
	Division Mgr.	Gu, Rui-Sheng										
	Division Mgr.	Xu, Bo-Wen	The sixth	0.29%	403.4	NT\$ 10.00	NT\$ 4,034	0.24%	91.6	NT\$ 10.00	NT\$ 916	0.05%
	Division Mgr.	Dai, Yi-Zhen	495									
	Division Mgr.	Lin, Yi-Cheng (Note 7)										
	Division Mgr.	Li, Pin-Ju										
	Senior Mgr.	Chen, Shun-De (Note 7)										
	Senior Mgr.	Li, Cheng-Da										
	Senior Mgr.	Yu, Chih-Wei	The seventh	0.32%	78.8	NT\$ 33.80	NT\$ 2,663	0.05%	462	NT\$ 33.80	NT\$ 15,622	0.27%
	Manager	Zhuo, Shi-Qin	541									
	Manager	Yang, Pei-Rong										
	Assistant Manager	Zhang, Jun-Jing										
Special Ass.	Dai, Yi-Ying											
Assistant	Chen, Yan-Ling											

Note 1: Including the executive managers and employees (who have resigned or died should be indicated), individual names and titles should be disclosed, but their acquisition and subscription can be disclosed in a summary manner.

Note 2: The top 10 employees in terms of the number of shares to which the stock option granted refer to the employees other than executive managers.

Note 3: The total number of shares issued refers to the number of shares listed in the registration change information of the Ministry of Economic Affairs.

Note 4: The exercised employee stock option price shall be the exercise price at the time of execution.

Note 5: The unexercised employee stock option price shall be the exercise price after the calculation and adjustment in accordance with the issuance method.

Note 6: Mr. Li, Tsung-Po resigned on 2022/02/28, Mr. Huang, Yao-Lun resigned on 2022/03/15, Mr. Lin, Yi-Cheng resigned on 2022/05/13, Mr. Chen, Shun-De resigned on 2022/06/30, and Mr. Li, Yi-Chia resigned on 2022/06/30.

V. Operation

1. Business Content

1.1 Business scope

(1) The main contents of the Company's business:

The Company is committed to providing the best quality products for the IoT related and automotive electronics solutions, and power management solutions with advanced technology. By providing technology integration, we continue to assist customers in technology development, design and manufacturing, quality cost management, and certification of integrated solutions.

(2) Product Segmentation

Year 2022 Unit: NT\$1,000

Product Category	Revenue Amount	Ratio of Segment Revenue To Total Revenue
Automotive electronics products	2,677,526	78.65
Power management products	726,829	21.35
Total	3,404,355	100.00%

(3) Current products (services) of the Company:

The Company's main business areas are tire pressure monitoring systems, automotive electronics, green energy and energy storage equipment, and power suppliers.

(4) New products (services) planned to be developed:

(a) Automotive electronics:

- (i) Embedded on-board computer.
- (ii) Automobile GPS related applications.
- (iii) Traffic safety monitor and auxiliary system.
- (iv) Automobile Android multi-media interactive platform.
- (v) Robust running gear.
- (vi) Car networking device integration and cloud application.

(b) Tire pressure monitoring system :

- (i) OE ULP Bluetooth BLE tire pressure monitor system.
- (ii) Retrofit ULP Bluetooth BLE tire pressure monitor system for passenger car, motorbike, heavy truck, and motor bus .
- (iii) Multi-frequency and single-machine replacement tire pressure monitor system.
- (iv) Analysis and application of tire pressure monitor system and IoV Big Data.
- (v) Tire pressure monitoring system and car networking cloud APP.

(c) Energy, electric power environmental protection products:

- (i) Long delay and no-break powered office & household off-peak energy storage power supply.
- (ii) Office & household off-peak energy storage power supply.
- (iii) Medical backup power supply.
- (iv) Green building backup power supply.
- (v) Data Center BBS/BBU.
- (d) Power supply products:
 - (i) SATCOM ground-based system power supply
 - (ii) Multi-layer stack power module PPS.

1.2 Industry overview

(1) Current situation and development of the industry

(a) Automotive electronics industry market

The automobile industry has developed over more than a hundred years. The complexity of the functional requirements of a car has also increased, and a large proportion of automotive electronics is attributed to sensors. Vehicle sensors must pass rigorous mechanical or physical verifications, including dust, humidity, salt, fuel additives, vibration, and severe impact. Therefore, strict standards are a necessity. Temperature is also an important consideration. Usually, the vehicle sensors need to withstand temperature variations from -40 °C to 120 °C and maintain a considerable degree of accuracy. There are few types of automobile components, but they are large in quantity and standardized, with the development and integration of communication, electronics, optoelectronics, and other technologies. The proportion of automotive electronic components and product applications in automobiles is increasing day by day. Most product demands have no common standard and show customization characteristics. To enhance the degree of differentiation, the development of automotive electronic products is a symbol of technical energy. The relative mode of production is based on the principle of variety and small quantities. The cost of automotive electronic products is high, and the compatibility is low. Reducing the production cost of the products will be a key determining factor in whether they can be introduced into the market in large quantities.

Automotive electronics is different from the general electronics industry. The operating temperature range, power consumption size, and noise resistance of automotive electronic products have specific requirements by each manufacturer, which must meet the stringent standards of each manufacturer. Manufacturers also require a basic technical capability in the field of automotive electronics. As the automobile electronic components usually go through a development time of several years, automobile electronic products have been.

extended from single- component products to systematic products in the past, combining the mechanical, optical, and electronic control system. The associated technologies are extensive, whose development processes must cooperate with the mechanical systems or control parameters of cars. The automobile electronic products have special properties, with excellent shock resistance, weather resistance, and reliability. Automotive electronic products are closely related to the safety of vehicles, so the development cost is high, and the product verification time is long. Automotive electronics require continuous onboard testing for tens of thousands of kilometers or very long periods to find problems in the ongoing testing process. When problems arise in the testing process, appropriate troubleshooting is required. Repeated testing and a large amount of verification time are the biggest characteristics of automotive electronic products.

(b) Tire pressure monitoring systems (TPMS)

A tire pressure monitoring system is an important safety device for automobiles. In addition to the United States, Europe, China, and other major passenger car sales areas which have fully equipped passenger vehicles, many countries around the world are also proposing that tire pressure monitoring system be listed as regulation standard accessories so that the global TPMS market will flourish, and OE is key for the future market. An important development trend in this market is to create a battery that has a long life but compact in size. On the other hand, with the compulsory and widespread application of TPMS in passenger vehicles, the safety awareness of users should be enhanced. In the future, TPMS will be able to be gradually introduced into the commercial vehicle sector, including logistics vehicles, heavy trucks, tractor-trailers, and buses, etc., and become a necessary safety component. Due to their much longer bodies and harsher weather conditions, the transmission distance, data acceptability, and reliability under high and low temperatures and humidity will be the fundamental focus of technology development. At the same time, compared to passenger vehicles whose owners are mostly individual car owners, commercial vehicle owners are mostly fleet companies, so this type of TPMS must also meet the needs of various fleet management, provide flexible pairing and big data management, and integrate the logistics services and other added values.

In Asia, Korea had stipulated to install TPMS onto passenger vehicles below 3.5 tons in 2014, while Taiwan had also incorporated M1 and N1 vehicle types into regulations in the half of 2016. With more attention is paid to the traffic safety around the world, the mainland China also required strictly in laws since 2017 that future's new vehicles must be installed with tire pressure monitoring system, which became the fifth country with TPMS after America, European Union, South Korea, and Taiwan. At present, the global TPMS shipment is about 300 million pieces a year, and if it was estimated by mainland China's annual vehicles output,

namely more than 20 million, the demands for TPMS are about 100 million pieces, which reveals that the growth potential in the global market is amazing! Besides the mainland China, Japan, India, etc. had also finished their TPMS installation on new vehicles.

(c) Energy storage system

With the global spread of energy saving and carbon reduction initiatives, many countries have launched the new green deal. The deal entails promoting energy conservation and carbon reduction measures and using various green energy methods to reduce carbon dioxide emissions, leading to the rapid development of new energy technology. The electric power market demand for electricity storage is continuously expanding. The large-scale development of solar energy, electric vehicles, and new energy is closely related to the support of energy storage technology. Energy storage is seen as the future of the energy industry. The market of energy storage depends on the commercial, household, power policy, smart microgrid, and energy Internet growth.

Energy storage is the hard drive of energy; just as a computer hard drive is used to store data, energy storage is used to store energy. In order to make new energy, such as solar energy and wind energy, green and smart energy initiatives must be deployed as we have realized that smart energy management relies on energy storage. However, the sustainable development of an energy storage system needs to consider five aspects: safety, economy, reliability, high efficiency, and environmental friendliness. Among them, safety is the most important index, which is the basis for evaluating all energy storage systems. Safety considerations include electrical safety, battery safety, functional safety, transportation safety, electromagnetic compatibility, environmental protection, and grid-connected interface protection. In addition to understanding the different market applications and market subsidy policies in different countries, manufacturers need to ensure the safety and reliability of energy storage products. The Renewable Energy Development Ordinance was amended in April 2019 to stipulate that large power users should set up a certain proportion of renewable energy, or replace it with energy storage, purchase of renewable energy certificates, and payment of vouchers, i.e., "Administrative Measures on Installation of Renewable Energy Power Generation Equipment for Power Users with a Contracted Capacity or Above." This is commonly known as the "Large Power User Clause" and expired on April 1, 2020; the implementation date has still not yet been determined. As the domestic electric power market grows steadily and domestic battery core capacity increases – leading to battery costs gradually declining – it will continue to improve the private enterprise procurement and construction of energy storage devices. In the future, as the green electricity market grows, the industry of renewable energy power generation and the sale of electric power will be able to sell or transfer green electricity to the user by direct supply or indirect supply. Users can also install

green energy equipment and energy storage devices to participate in the auxiliary service system through a bidding mechanism and open up a new revenue source. According to the estimation of TaiPower, Taiwan still needs a 590MW energy storage system and 4GW capacity for an auxiliary service before 2025. At present, TaiPower has also planned to configure enough various kinds of auxiliary power services. 460MW is expected to be used as energy storage services from this industry.

(2) Relevance of upstream, midstream, and downstream products

Upstream	Product	Downstream
PCB factory, electronic parts, metal and plastic components, button batteries	Tire pressure monitoring system for vehicles	Auto factory, vehicle refitting factory, tire factory, wheel frame factory, vehicle accessory channel retailers
PCB factory, electronic parts, wire, LCD panel, loader	Automobile electronic system	Auto factory, vehicle refitting factory, tire factory, auto parts channel retailers, RV manufacturers
Positive electrode material, negative electrode material, electrolyte, and isolation module	Green energy and energy storage equipment	Battery module system assembly plant and terminal battery module application plant
PCB factory, battery parts, double pressure device, ejection factory, wire, metal shell, metal connection sheet	Power supplier	Computer system manufacturers, retail distributors, general users

(3) Product development trends and competition

(a) Automotive electronics industry

Electronic products for vehicles and vehicle laws and regulations have been complementary to each other. Using advanced technology to reduce traffic accidents is the focus of attention of all countries. However, the government's relevant regulations for vehicle electronic safety systems are becoming increasingly stricter and more complicated. Through the combination of cameras and a variety of sensors, automotive electronic products with both driving safety and comfort meet users' needs in a variety of situations to provide a safer driving experience. According to Gartner, in the automotive electronics market in 2018, the car body market had the largest value of US\$7.37 billion. With the increasing demand for safe driving assistance, it is expected that the market value of Advanced Driver Assistance Systems (ADAS) will surpass the market value of audio-video entertainment multimedia (US\$6.72 billion) to become the second-largest application in 2020, with a market value of US\$7.75 billion. Moreover, in 2021, the market value of ADAS is expected to be US\$10.95 billion, which will surpass the market value of car bodies of US\$9.68 billion and become the largest product application market for automotive semiconductors. The market size of ADAS will also rise

to US\$16.69 billion by 2023. In addition, IEK estimates that the global automotive electronics market size will reach US\$355 billion in 2023.

Automotive electronics refers to the electronic products used in automobiles, involving the application of machinery manufacturing, motors and electronics, information, communication, audio and video, sensing, network control, and other technologies. The current application of automotive electronics products is the "onboard audio-video navigation host," "backseat entertainment system," "road deviation warning system," "front vehicle collision avoidance warning system," "head-up display," "landscape detection system," "traffic recorder," "night vision function," "Bluetooth communication module," "digital TV module," "tire pressure monitoring system" and "power management system." In addition to the tire pressure monitor system product line, other major automotive electronic products of the Company are mainly based on the power management system and combined image identification, data collection and analysis, power integration management and Internet of Things (IoT) management, and other requirements. The aim is to integrate the original separate electronic products in the same host, considering the cost and the configuration of an appealing design. Through the process of parts integration, we can also achieve the purpose of reducing the cost and the efficiency of data analysis and convenient management. In addition, the new lifestyle in the post-epidemic era means that consumers buy the campers with suites or trail with cars or pickups to live in the wild and take vacations.

(b) Tire pressure monitoring system for vehicles

The tire pressure monitoring system (TPMS) is an electronic system that monitors the air pressure inside inflatable tires of various types of vehicles and provides tire pressure information to the driver timeously through an instrument diagram or simple low-pressure warning light to avoid the occurrence of traffic accidents caused by an under-inflated tire. Based on the consideration of vehicle safety, various countries have legislated that TPMS should be installed as a necessary device for new cars, and it has become the standard equipment for new cars. The United States is the first country in the world to legislate TPMS as standard equipment. The legislation was passed in 2005, and since September 2007, the four-wheel commercial vehicles and passenger vehicles must be equipped with TPMS. Apart from the US market, tire pressure monitoring systems have been made standard for all vehicle models in the EU since the end of 2014. With 10 million new cars sold in the EU every year, it is estimated that the market demand for Original Equipment Manufacturing (OEM) will be about 40 million. According to Frost & Sullivan's research report, the market size of TPMS in the EU will reach €32 million by 2020 with an annual compound growth rate of 30.40%.

In Asia, South Korea stipulated in 2014 that passenger vehicles under 3.5 tons must be

installed with TPMS, while Taiwan began to include the new types of small vehicles (minibuses and pickup trucks) in its TPMS installation regulations in the second half of 2016. With increased international attention to vehicle safety performance, Mainland China also legislated in 2017 that from 2020, new cars must be equipped with TPMS, becoming the fifth region in the world after the United States, the European Union, South Korea, and Taiwan to require the new cars to be equipped with TPMS. In the future, Japan, India, and other countries will also begin to regulate the installation of TPMS on new cars, which will drive market opportunities. According to QY Research, the global market for tire pressure monitor systems is expected to reach US\$3,630.65 million by 2024.

TPMS batteries are non-replaceable disposable batteries. The ideal design is 10 years of service life, but the actual situation will depend on the owner's driving conditions. Under different driving environments, the general service life falls between 5 and 7 years. After the United States and the European Union made TPMS a standard accessory in 2007 and 2012, respectively, the replacement peak period will be after 2017. The global installation demand for used vehicles and the rising market demand in Mainland China will drive the rapid expansion of TPMS demand. Since each tire pressure monitoring system has a special ID number, the driving computer can identify the installation position and device information such as tire pressure and temperature; however, it needs to readjust after replacement because the ID number is different. The Company develops a universal type TPMS, which can copy the ID number in the driving computer to a new detector, applicable to the specific models, and it has successfully occupied the sales market in the United States.

In recent years, the Company has been committed to the development of tire pressure monitoring systems of vehicle safety components. In addition to actively expanding the RF Replacement market in the United States and Europe, the world's first Bluetooth tire pressure monitoring system (BLE TPMS) with many patents has also successfully entered the automotive OE market (Original Equipment). It has been successively produced in large quantities to the world-famous vehicle manufacturers. Additionally, we will continue to expand the RF Replacement parts market in the US and Europe and continue to expand BLE TPMS application in the OE market in the US, Europe, and Japan, including the fleet management applications of vehicles, motorcycles, pickup trucks, heavy trucks, and buses. Since the Chinese government has made the tire pressure monitoring system a standard part of passenger cars, and the United States is considering the mandatory installation of tire pressure sensors on trucks and large vehicles, the TPMS market has considerable room for development in the future.

1.3 Technology and research overview

(1) The technical level and research development of the business

To maintain a high level of competitiveness in the market, the Company has been actively recruiting outstanding R&D personnel. It has also invested in developing new products and breakthroughs in key technologies, thus gradually expanding the R&D organization. At present, the R&D department is divided into the automotive electronics, power management, IoT products, and battery storage management units. the Company also has the layout of links between mobile devices and intelligent devices and even an intelligent network of the Internet of Vehicles, developing the low-power Bluetooth module and low-power WIFI modules.

(2) Education background of R&D personnel

As of the end of February 2023, the Company has a total of 97 R&D personnel, including 90 persons with college degrees or above, accounting for 93% of the total number of R&D personnel. Their educational backgrounds are as follows:

As of February 28, 2023

Education background	Master's Degree	College Degree	High School Graduate	Total
Number of people	24	66	7	97
Ratio	24.7%	68.1%	7.2%	100.0%

(3) R&D expenses in the last two years

Unit: NT\$1,000

Year	2021	2022
R&D expenses	189,409	201,626
Ratio to revenue	7.72%	5.92%

(4) Important R&D achievements

The Company's R&D department has many important achievements in new products and technologies, including the research and development of hardware circuits, software programs, product appearance, mechanism improvement, reliability testing, and design of production and testing equipment. Since the company's establishment, the R&D department has been the key department, and its R&D results include several domestic and foreign patents and inventions, which ensures the Company's competitiveness in the industry. The successfully developed products are as follows:

- (a) Important achievements in the research and development of environmental- protection energy and power equipment:
 - (i) Offline 300VA to 1.4KVA uninterrupted power equipment.
 - (ii) Online 3KV to 6KVA uninterrupted power equipment.
 - (iii) High-power redundancy power module.
 - (iv) Solar charger.
- (b) Tire pressure monitor system:

- (i) Multi-frequency standalone universal tire pressure monitoring system
 - (ii) Retrofit low-power Bluetooth BLE tire pressure monitoring system for passenger cars, motorcycles, heavy trucks, and buses.
 - (iii) Front-loaded OE tire pressure monitoring system installed in the car factory.
 - (iv) Big data analysis and application of tire pressure monitoring system and Internet of Vehicles
- (c) Energy storage system products
- (i) New energy electric vehicles, including passenger cars, buses, logistics vehicles, and other power battery system products.
 - (ii) Industrial solar and wind energy storage cabinets and lithium battery management system.
 - (iii) Power plant frequency and amplitude modulation management system.
 - (iv) Battery backup system for Cloud Data Center.

1.4 Long-term and short-term business development plans

(1) Short-term development plan

- (a) Product strategy
- (i) Develop a thin, compact, and long-acting electric tire pressure monitoring system and integrate with big data analysis application and APP to expand the depth and breadth of research and development of tire pressure detection products more comprehensively.
 - (ii) Focus on the battery pack's weight, systematization, and modularization to reduce the cost and shorten the development period by creative or functional integration, improving the product functional quality, and creating product competitiveness.
- (b) Production strategy
- (i) Improve the ability of self-made automated test equipment to increase the production yield and quality and effectively control the inventory.
 - (ii) According to the needs of different customers, provide a new vehicle battery pack design, research and development in line with different models and prices, and organize the processing and production, supplemented by the early warning system extending from ERP to KPI, to timeously detect the anomalies, prevent unexpected events, and effectively control the inventory. Expand the leading distance ahead of competitors of the same industry and form an absolute competitive advantage.
 - (iii) Strengthen the diversified modular production, shorten the production cycle to meet the short lead-time needs of customers, and improve operation turnover.
- (c) Marketing strategy
- (i) Provide the production process advantages to conform to RoHS and other environmental

protection requirements, win cooperation with large factories, and expand the market share. Using technology, quality, innovation, product differences, and patent protection to provide customers with competitive products and maintain a long-term relationship with customers.

- (ii) Based on the existing product line, actively explore potential customers, and develop the third-world markets.
- (iii) Provide more value-added services to customers based on the original products and services and actively understand customers' needs and pain points to achieve customer satisfaction.
- (iv) Establish the marketing dealer alliance in Europe, America, and China, make full use of the existing distribution channels to create well-known products, strive for cooperation with big factories, and expand the market share.

(2) Long-term development plan

(a) Product strategy

(I) Tire pressure monitoring system products for vehicles:

- (i) Expand the application of tire pressure monitoring systems for vehicles and extend the product application from the current passenger cars and large commercial vehicles to the general locomotive and heavy locomotive groups.
- (ii) Move towards lightweight, thin, and long-lasting battery products for wide application to meet the specifications of different vehicle types.
- (iii) Develop multifrequency standalone replacement tire pressure monitoring system products.
- (iv) Reach out to Retrofit and AM markets to improve the awareness and popularity of the Company's products.
- (v) Retain the excellent R&D personnel, improve the technology and innovation capabilities, and strengthen the depth and breadth of existing product lines, to provide for greater market demands.

(II) New energy battery packs and energy storage products

- (i) Continuously develop the high-density and high-capacity battery pack products and provide customers with high-quality and high-performance products at a reasonable price.
- (ii) Develop energy storage products for both commercial and domestic use by the original power management and battery pack technology.
- (iii) Use the lithium batteries in energy storage products to extend the standby power supply time and effectively manage the high and low peak power and electricity charges.

- (III) Electronic vehicle products
 - (i) Use the original technology and add IoT, image recognition, and big data concepts to expand the product application to commodity markets beyond the automotive industry.
 - (ii) Improve the water resistance of the product and apply the product to marine products.
- (IV) Power management products
 - (i) Redesign the product to reduce material costs and provide customers with cost-effective products and services.
 - (ii) Enter the supply chain of major international companies to enhance the popularity and awareness of the Company's products.
- (b) Production strategy
 - (i) Vertically integrate the key raw materials, increase the proportion of automation production in the factory, and shorten the supplier's material delivery time for comprehensive cost control and quality improvement.
 - (ii) Consider the safety and quality of the product's design, continue to improve the production process, adopt a pipelined production mode, enhance the proportion of automation production in the factory, and shorten the supplier material delivery time for comprehensive cost control and quality improvement.
- (c) Digital media system services
 - (i) Continue to open up new sales areas and cultivate the market intensively.
 - (ii) Provide the high quality and low-cost products to achieve a win-win situation for the Company and customers.
 - (iii) Seek suitable marketing partners in major overseas marketing regions, make full use of their understanding of local markets and customers, and quickly expand the sales points and areas of products.

2. Overview Of The Market, Production, And Marketing

2.1 Market analysis

(1) Sales Region

Unit: NT\$1,000

Sales Regions	2021		2022	
	Amount	%	Amount	%
Taiwan	428,222	17.45%	388,213	11.40%
Asia	824,307	33.58%	1,298,142	38.13%
North America	1,184,968	48.27%	1,596,346	46.89%
Others	17,181	0.70%	121,654	3.58%
Total	2,454,678	100.00%	3,404,355	100.00%

(2) Market share and growth of the market

(a) Market share

Since the Company is currently engaged in precision OEM product design and manufacturing, such as power supply and UPS products, automotive electronic products, power products, and energy storage system products, the key product component suppliers are scattered. The one-stop processing manufacturers such as PCB factory, wire material, injection molding, and transformers are limited. In addition, there is very complicated processing and assembly of the end products, so there are no complete and objective market share statistics for reference.

(b) Future supply and demand and growth of the market

In terms of automotive electronics, IC Insight predicts that the market share of automotive electronics in global electronic system products will continue to grow slowly over the next few years, with automotive electronics accounting for 9.8% of global electronic system sales by 2021. IC Insights also predicts that industrial electronic systems will be the second- fastest-growing application category through 2021, with an average CAGR of 4.6%.

In terms of tire pressure monitoring system products, the major sales areas of the United States, Mainland China, Europe, Japan, and India have included TPMS in their specifications. In addition to the current TPMS regulations in various countries in the new car market, with the mandatory requirements of TPMS as standard equipment as the market demand, the future replacement demand in the new car market and the existing vehicle additional installation AM market will also be the future growth of TPMS operators, so the future TPMS market has considerable potential.

In terms of new vehicle energy battery packs and energy storage products, the global battery pack market is expected to double from US\$2.02 billion in 2017 to US\$8.73 billion in 2023, with a compound annual growth rate (CAGR) of 27.6%, due to the booming electric vehicle market and the rise of in-place energy storage applications. According to the statistics of Germany TÜ V Rhein land, by the end of 2017, the cumulative installation scale of energy storage projects in operation worldwide was 175.4GW, with an annual growth rate of 3.9%. In the future, energy storage has great development space and infinite potential, and the price is key to the commercial application of energy storage. Researched by Germany TÜ V Rhein land, with the improvement of subsidy policies in various countries and a cost reduction, once the cost of energy storage batteries and systems is reduced, renewable energy and traditional petrochemical energy will have the opportunity to achieve parity competition. Especially with the rapid development of new energy, Germany, the United States, Japan, Australia, and other countries have introduced preferential subsidy policies to encourage the development and utilization of new energy power generation combined with energy storage technology. With the support of energy storage policies in various countries, the future growth of energy storage products is positive.

In terms of the global industrial computer market, driven by the development of the IoTs and

Industry 4.0, the output value of the global industrial computer market has been rising year by year recently. IHS, an industry research institution, points out that the output value of the global industrial computer market would show a compound annual growth rate of 6% and would reach a global output value of US\$4.3 billion in 2019. In addition, according to the MIC, the growth rate of the global intelligent manufacturing industry from 2016 to 2020 is about 8%-12%, which is still a growing trend.

(3) Competition

- (a) The Company focuses on the field of ODM/OEM and establishes direct contact channels with existing international manufacturers. Through the interaction with customers, we can understand future product development and the market demand trend of customers.
- (b) The Company sets up research and development departments for different product lines. Also, it has research and development engineering teams in Huizhou and Zhenjiang of Mainland China to continuously improve the existing products and reduce design costs, to accelerate product development speed and timeously respond to the diverse needs and changes of the market and customers.
- (c) The Company has manufacturing plants in Taiwan and Mainland China and combined with the special expertise and characteristics of the supply chain manufacturers on the two shores, it can effectively control the cost, quality, and delivery time of products. It can also adjust the place of production according to the location and requirements of customers to enhance the price and service competitiveness of the Company.

(4) Favorable and unfavorable factors and countermeasures of development prospects

(a) Favorable factors

(i) Vehicle electronics

Auto after-sales service market pays increasingly more attention to the automotive component balance between quality and price, as consumers become more attentive to vehicle driving comfort and security. Additionally, the increasing proportion of automotive electronic components to the whole vehicle cost must be considered because car manufacturers want to reduce the manufacturing costs and increase differentiation. Thus, the global automotive electronic components will continue to grow moderately. Emerging regions, such as Mainland China and India, are witnessing rapid growth in the auto market, conducive to the company's growth of automotive electronic components. In addition, the industrial structure of domestic electronics and the IC semiconductor industry is complete, with the close coordination of upstream, midstream, and downstream systems, and the industrial supply chain is also complete. Under the complete cluster effect of this industry, the Company will have access to abundant resources and strong support for technological development. Also, the domestic electronics industry has always been world-famous for innovation and cost control. In the highly competitive automobile market, the company's speed of product research and development should be

accelerated.

(ii) Power supply products and energy storage systems

In recent years, the awareness of environmental protection has risen. Energy conservation and carbon reduction, development of new energy, and improvements in energy efficiency have become a global trend. The development of the green energy industry is also born in response, making the battery technology related to the green energy industry the last industry to attract attention. Lithium-ion batteries are the best alternative to lead-acid batteries, which are well known to be dangerous but have few countermeasures.

(b) Unfavorable factors and countermeasures:

(i) The delivery time of some key parts is lengthy.

(ii) Mainland China manufacturers are competitive in price.

(iii) The shortage of workers and rising wages of Mainland China.

(iv) The electronic component industry has entered a mature period.

(v) As the component suppliers embrace the Internet of Vehicles, the demand for initial parts exceeds the supply in the short- and medium-term.

Countermeasures:

Actively simplify the design; adopt modular production and mass procurement to reduce costs; improve processes and equipment and improve the automation and capacity to balance the impact of increased labor costs; strategically make alliances with major suppliers, to create a win-win partnership; facilitate the cost control and development of high value-added products, to improve profit margins.

Expand the overseas marketing base; quickly grasp the customer demand and market development trends; serve customers nearby and cooperate with upstream and downstream manufacturers; and improve efficiency. Focus on reducing the costs, improving R&D capabilities and market share to increase the barriers for competitors to enter the market.

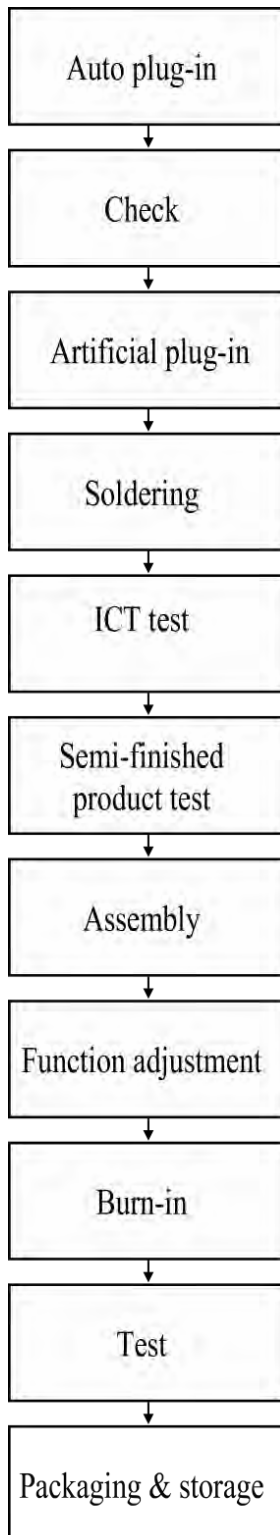
2.2 Application and the manufacturing process of main products

(1) Scope of application of main products

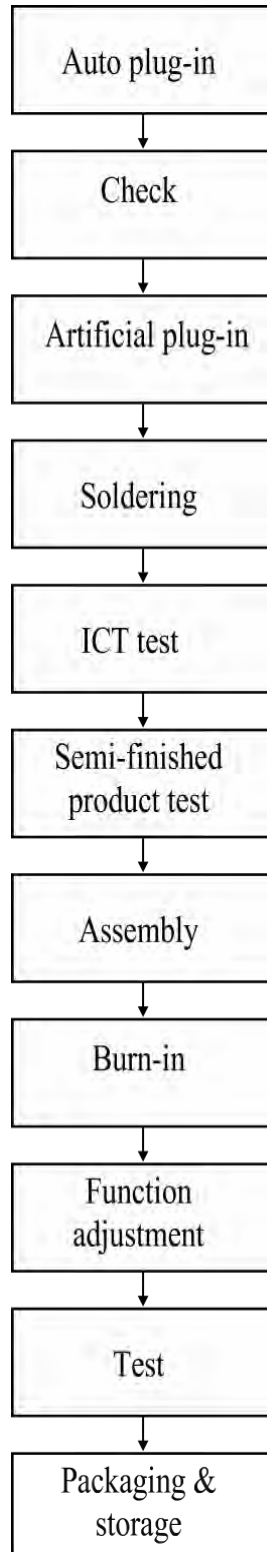
Products	Scope of application	Key function
Electronic vehicle products	RV, automotive	Switch and power monitoring, audio-visual equipment management, and data collection and analysis
Tire pressure monitoring systems	Passenger cars, trucks, trailers, locomotives, etc.	Detection of tire pressure and tire temperature during driving
Energy storage products	Electricity storage for commercial and domestic use	Provide driving power and electricity
Power supply products	Commercial and domestic computer use	Replace the low-stability high-voltage current with stable low-voltage current

Production process

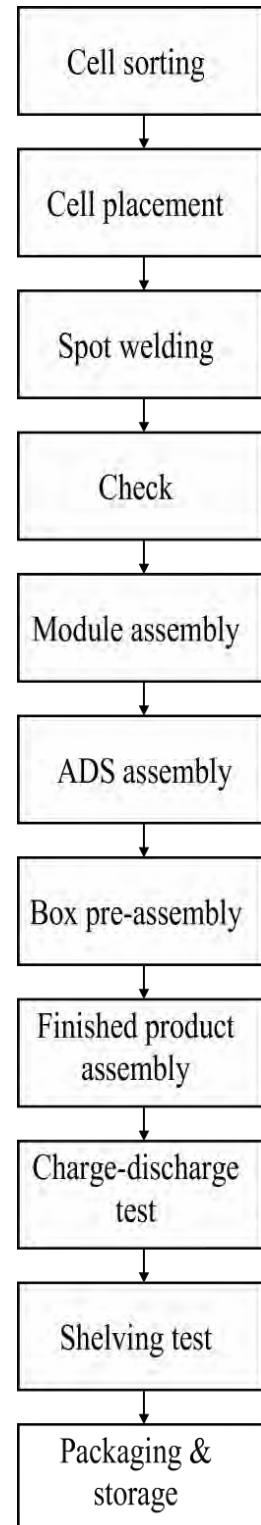
Power product



Automotive product



Energy storage product system



2.3 Supply status of main raw materials

The Company's main source of raw materials is mainly obtained from the place of production. Under the policy of abundant sources and maintaining at least 2 suppliers, the Company promotes supplier coordination, quality improvement, and stable and reasonable prices.

2.4 Data of suppliers and customers accounting for more than 10% of the total purchases (sales) in the last two years

(1) Information of major suppliers in the last two years

Unit: NT\$1,000

Item	2021				202			
	Name	Amount	Ratio to annual net purchases(%)	Relation with issuer	Name	Amount	Ratio to annual net purchases(%)	Relation with issuer
1	Supplier A	257,028	12.48	None	Supplier A	297,641	14.23	None
2	Supplier B	252,141	12.24	None	Supplier C	232,154	11.10	None
3	Others	1,550,541	75.28	None	Others	1,561,297	74.67	None
	Net Purchase	2,059,710	100.00		Net Purchase	2,091,092	100.00	

Note 1: List the supplier's name and purchase amount and proportion with more than 10% of the net purchase amount in the last two years, but if the supplier's name shall not be disclosed due to contractual agreement or the transaction object is an individual and is not a related person, it can be the codename.

Note 2: If the most recent financial information of a company listed or whose shares have been traded at the securities exchange as of the date of the publication of the annual report has been audited or reviewed by CPAs, it shall also be disclosed.

(2) Information of major customers in the last two years

Unit: NT\$1,000

Item	2021				202			
	Name	Amount	Ratio to annual net sales (%)	Relation with issuer	Name	Amount	Ratio to annual net sales (%)	Relation with issuer
1	Customer A	524,306	21.36	None	Customer B	964,478	28.33	None
2	Customer B	454,091	18.50	None	Customer A	954,165	28.03	None
3	Customer C	304,243	12.39	None	Customer C	287,230	8.44	None
4	Customer D	266,812	10.87	None	Customer D	164,799	4.84	None
	Others	905,226	36.88	None	Others	1,033,683	30.36	None
	Net sales	2,454,678	100.00		Net sales	3,404,355	100.00	

Note 1: List the customer's name and sales amount and proportion with more than 10% of the net sales amount in the last two years, but if the customer's name shall not be disclosed due to contractual agreement or the transaction object is an individual and is not a related person, it can be the codename.

Note 2: If the most recent financial information of a company listed or whose shares have been traded at the securities exchange as of the date of the publication of the annual report has been audited or reviewed by CPAs, it shall also be disclosed.

2.5 Production in the last two years

Unit: 1,000 pcs, 1,000 sets, NT\$1,000

Production Quantity Products	Year	2021			2022		
		capacity	Output Quantity	Output Amount	capacity	Output Quantity	Output Amount
Automotive Electronics Products		12,000	9,972	1,202,530	19,000	15,452	1,814,469
Power Management Products		700	467	1,043,838	150	114	880,966
Total		12,700	10,439	2,246,368	19,150	15,566	2,695,435

Note 1: 2020 automotive electronics products output including OEM.

Note 2: Some product lines share multiple equipment, the production capacity includes multiple production capacities, and the personnel is also deployed among the lines, so the production capacity is substitutable among the lines. The production capacity cannot be calculated because it contains several products.

2.6 Sales in the last two years

Unit: 1,000 pcs, 1,000 sets, NT\$1,000

Sales Products	Year	2021				2022			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Automotive Electronics Products		340	85,187	9,486	1,485,514	158	51,549	16,368	2,625,977
Power Management Products		42	343,035	6,676	540,942	222	336,664	27,222	390,165
Total		382	428,222	16,162	2,026,456	380	388,213	43,590	3,016,142

3. Human Resource

Year		2021	2022	Current year ended at 02/28/2023
Number of Employees	Direct labor	186	178	190
	Indirect labor	184	192	193
	Other staff	146	171	176
	Total	516	541	559
Average age		37.34	37.55	37.65
Average service years		3.50	4.51	4.29
Educational background distribution ratio	Ph.D.	0.2	0.6	0.5
	Master's degree	9.3	11.3	11.3
	College degree	44.7	45.3	44.6
	High school graduate	28.5	26.0	24.3
	Below high school	17.3	16.8	19.3

4. Environmental protection expenditure information

In the most recent fiscal year and up to the publication date of the annual report, the losses caused by environmental pollution (including compensation) and total disposal, and explaining its future response strategies (including improvements) and possible expenditures (including the estimated amount of potential losses, penalties, and compensations for failure to take countermeasures; if unable to estimate reasonably, it shall state the fact of unable to estimate reasonably): No such situation exists.

5. Labor Relation

5.1 List the Company's employee welfare, further education, training, and retirement system and their implementation, as well as the agreements between employers and employees and maintenance measures to protect the employees' rights and interests.

The Company has always treated its employees with integrity. Through the welfare system that provides a satisfying and stable life for its employees and regular labor and management meetings, the Company has established a good relationship of mutual trust and mutual reliance with its employees. Therefore, although there is no union organization, the Company's employees can still display a team spirit, coordinate with the Company in making decisions, and cooperate with each other, to impregnate an atmosphere of harmony between labor and management.

(a) Employee welfare measures and their implementation

The Company has set up an Employee Welfare Committee in accordance with the Employee Welfare Fund Regulations and allocate the welfare fund to handle welfare matters. The current welfare system includes labor insurance and national health insurance, group insurance and employee dependent insurance, birthday gifts or coupons, employee wedding and funeral allowance, travel allowance, employee car parking allowance, birthday celebrations, and year-

end party, etc.

(b) Status of advanced study and training and their implementation

The Company arranges educational training from time to time according to the needs of the heads and employees of each department. In order to promote and develop human resources, in addition to orientation provided to new employees, vocational training is also provided according to different functions to cultivate employees' professional skills. In 2022, the Company held training courses covering the scope of ESG, work skills, quality assurance, project management, intellectual property, and legal and management skills, totaling 498 hours and involving 3,995 employees.

(c) Retirement system and its implementation

(1) Percentages and status of contribution under the new and old systems:

In 2022, the old retirement system was not applicable to any of our employees, and thus no contribution of pension under the old system was made. For any employee who has met the pension requirements under the new system, we will make a contribution equal to 6% of his/her monthly salary according to the "Labor Pension Act," while the employee may, based on his/her personal will, voluntarily allocate 0%–6% thereof as pension and deposit into a personal pension account. Our factories in Mainland China will take out pension insurance for their employees in accordance with local regulations and make sufficient contributions. The percentage of the employees of our group participating in retirement plans is 100%. In 2022, the total amount of pension allocated by our group was NTD19.05 million.

(2) Criteria of application for retirement: In accordance with the "Labor Pension Act."

① Any of our employees who has met any of the following criteria may voluntarily apply for retirement:

- A. He/She has served for at least 15 years and is at the age of 55 or older.
- B. He/She has served for at least 25 years.
- C. He/She has been employed for at least 10 years and is at the age of 60 or older.

② Any of our employees who has met any of the following criteria may be subject to mandatory retirement:

- A. He/She is at the age of 65 or older.
- B. He/She is not suitable for work due to mental insanity or physical disability.

(3) Procedures for retirement application and benefits:

Any employee who has met the above criteria for retirement application must fill out a retirement application form and go through the retirement process after approval of the form.

(d) Agreement between labor and employer and maintenance measures to protect employees' rights and interests:

The Company adheres to the concept of "integration of labor and management," holds regular labor meetings, establishes smooth communication channels, maintains good relations between labor and management, jointly creates productivity, shares profits, and establishes stable and harmonious relations between labor and management. In addition, the Employee Welfare Committee of the Company is responsible for handling various employee welfare issues. It holds various activities from time to time to enhance the harmonious working atmosphere and cohesion between the Company and the employees, as explained below:

(1) Regularly hold departmental communication meetings to communicate with colleagues about the Company and department's operation plan, business overview, and market conditions.

- (2) Formulate sexual harassment prevention measures, complaints, and disciplinary measures to maintain a good working relationship and interaction between the sexes and avoid gender discrimination or harassment.
- (3) Set up labor and management meetings, hold regular labor and management meetings for communication and consultation and promote harmonious labor and management relations.
- (4) Set up the staff welfare committee, organize regular league health activities, and handle welfare matters.
- (5) Set up a flexible working hour system to benefit the work-life balance of employees.
- (6) On top of the basic protection of labor health insurance, the Company provides group of insurance for the employees additionally so that the life safety, medical treatment, and family of employees can obtain greater protection.

(e) Measures for protection of the working environment and the safety of employees:

We have engaged in long-time efforts in environmental protection, energy conservation and employee care, hoping that we are able to fulfill social responsibilities as our company grows to move toward sustainable management. In addition to compliance with applicable laws, the following measures have been implemented:

- (1) We have received the following international certifications to ensure the safety of our employees:

Certification item	Plant Site	Validity Period
ISO 14001:2015	Nankang	2020/01/08 - 2023/01/07 2023/01/08 - 2026/01/07
	Huizhou	2022/07/04 - 2025/07/03
	Zhenjiang	2020/05/28 - 2023/05/27
ISO 45001:2018	Nankang	2020/01/08 -2023/01/07 2023/01/08 - 2026/01/07
	Huizhou	2022/07/04 -2025/07/03
	Zhenjiang	2020/05/28 - 2023/05/27
IECQ QC80000:2017	Nankang	2020/03/06 - 2023/03/05

- (2) Focusing on source management

At the time of installation of equipment and facilities, we think about how to prevent all possible hazards. Based on the characteristics of our manufacturing processes and important safety specifications, we have established safety requirements for machines and equipment. For the safety of on-site operation during the phase of their operation, the best feasible method and technology are adopted following identification and assessment of hazards to carry out hazard prevention and risk control activities to protect the safety of employees at work. In 2022, we organized training sessions on health and safety for a total of 261 hours attended by 2,239 persons.

- (3) Promotion of a safety culture

We have continued to promote a safety culture, hoping that our employees will play their respective safety roles in different positions to actually integrate safety awareness into their work and life to achieve the vision of a zero-accident team.

- (4) Strengthening of communication and training regarding hazard prevention

In order to effectively enhance the safety and health awareness of our employees, we have

planned relevant courses for our employees at all levels concerning topics including environmental protection, safety and health, emergency response, management system, risk management, social responsibilities and green products, with the expectation that our employees will be able to become aware of hazards and implement the standard safety procedures. Besides training, a mechanism of departmental officers for environmental safety has been established for periodic collection of employees' on-job safety and health needs and the communication of measures and information of safety and health management to ensure good two-way communication.

In 2022, we organized communication and training sessions on the strengthening of hazard prevention for a total of 425 hours attended by 2,863 persons.

(5) Promotion of employee health

We have contracted Pojen General Hospital and Dacunquo Hospital for their professional physicians and nurses to visit Sysgration to provide periodic health consultation for our employees and conduct annual health examination for them, while mailing weekly magazines covering medical and health information on a semi-monthly basis to plan for a comprehensive health management program. In response to the possible impact of contagious diseases in recent years to Sysgration and its employees, we have not only continued to monitor relevant information, but also established comprehensive response organizations and procedures to carry out pandemic prevention or disaster mitigation activities, protect the health of our employees and prevent impact to our operations.

In 2022, we organized a health examination attended by 362 persons and a health consultation attended by 89 persons. We also sent 20 articles for promotion of health management to all employees via email.

(6) Establishment of a framework for emergency response

In order to prevent any emergency accident from causing major impact to our operations, aside from daily arrangements and training for emergency response, an organization of emergency response center has been established for us to keep constant track of the situation in our factories. We have established a comprehensive emergency response plan, the scope of which includes the emergency preparations and plans for fire, chemical leakage, earthquake, flood and other accidents. We have also conducted relevant exercises to familiarize our employees with relevant procedures so that we are able to lessen the impact to personnel and property in the event of an emergency accident.

In 2022, we conducted exercises concerning emergency response to accidents for a total of 18 hours attended by 357 persons.

(7) Continuous monitoring and auditing

With regard to the status of environmental safety at our factories, we have conducted environmental inspections and measurement of the working environment of our employees, and we have established comprehensive auditing procedures. In addition to conducting daily inspections, checks of high-risk activities and manager-led inspections, we have set up environmental safety management organizations at company-wide and factory levels, whose meetings are convened by senior managers or the top managers of factories for periodic review of environmental safety matters, review of their operations and determination of relevant targets and directions in order to ensure continuous improvement and enhance environmental safety performance.

In 2022, we held 14 meetings of the Occupational Safety and Health Committee for review of its operations and continued improvement of environmental safety.

(f) Succession plan for key management:

The identification and development of successors for the management is critical to the sustainable management of a company. A succession plan aims to keep business management in pace with the times and provide the human resources necessary for the sustainable management of a company. When developing a succession plan, we in particular focus on the requirements for a successor to possess outstanding executive skills and for his/her values and personal traits to meet our expectations, including integrity and innovation. Outstanding employees will continue to have their adaptability and management abilities tested in different business areas and locations on a non-periodic basis.

The training of planned successors to senior management focuses on the development of comprehensive management abilities, professional competencies and personal development plan, with the training schedule customized based on personal job requirements and learning condition. Through training on professional competencies and all relevant aspects, a trainee will learn the integrated use of the foregoing to develop his/her abilities in decision-making and judgment.

In 2022, to train officers who are likely to become members of the management in the future, we organized training sessions for a total of 170 hours covering a variety of topics including sustainable development, quality management, legal affairs, patent rights, insiders' shareholdings, trade secrets, cyber security and the Responsible Business Alliance Code of Conduct.

(g) Gender equality and a diversified and friendly workplace

Sysgration is committed to providing its employees with a dignified and safe working environment. We have implemented policies on diversity in employment and fairness in remuneration and promotion opportunities to ensure no employee will be discriminated, harassed or treated unequally as a result of his/her race, gender, religion, age or political orientation or under any other circumstances protected by applicable laws. Junior employees employed in the same type of position are given equal treatment. For persons with relevant professional and job experience, treatment is determined based on the educational and job experience, specialties and certificates of those employed. No one will be treated differently due to his/her gender or ethnicity.

Indicator for gender equality and diversity	Percentage
Female employees among all employees	52.31%
Female senior managers among all senior managers	30.00%
ROC (Taiwan) nationals among all employees	87.62%
Foreign nationals among all employees	12.38%

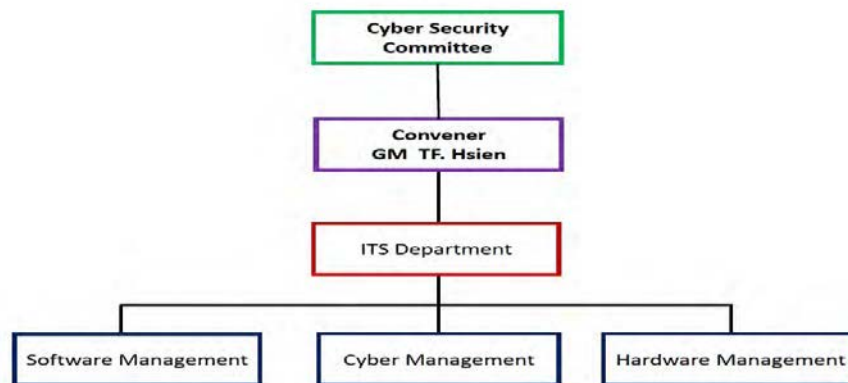
Committed to the care for female employees and enabling them to live up to their full potential, we hope to create a "gender-friendly workplace." We have set up lactation rooms at the workplace for the convenience of female employees and to demonstrate the importance we have placed on the "protection of maternal health," making sure female employees can actually enjoy a comfortable and healthy work environment. Valuing employee diversity, we have hired 4 employees with physical or mental disabilities. Regarding foreign employees, we respect their cultures and customs, provide them with recreational and sports areas, arrange for consultants to visit them at the factories, and organize year-end dinner parties for them. No violation of their working rights and human rights has occurred.

5.2 List the losses suffered from labor disputes in the most recent year and up to the date of the publication of the annual report, and disclose the current and future estimates of the amount and measures to be taken in response to the disputes. If it cannot be reasonably estimated, it shall state the fact that they cannot be reasonably estimated: No such situation exists.

6. Cyber Security Management

6.1 State cyber security management structure, policies, detailed management schemes and resources invested on cyber security, etc.

(a) Cyber security management structure



(b) Cyber security management policies:

- (i) Set up cyber asset supervisory and control mechanism, and all staffs are responsible for protecting relevant cyber properties, to maintain the confidentiality, validity, and availability of company's information security assets.
- (ii) Staffs' job duties must be appropriately differentiated and authorize limited access to information required by work only.
- (iii) Employed staffs must be verified with relevant signed job specifications, to maintain and guarantee cyber security management during daily work.
- (iv) Establish business continuing operation management mechanism, to maintain its serviceability.
- (v) The Company's cyber security management measures shall conform to legal norms and information security policy; and establishment and modification of all cyber security management standards or procedures must follow information safety management system.
- (vi) Ensure internal data protection, proper storage and safety, and prevent improper intentions and illegal conditions.
- (vii) If an accident happened to cause damage of the rights and interests, make timely and proper response and treatment.

(c) Detailed implementation measures:

The Company had reported 2022 implementation of security management to the Board of Directors on 2022/11/10.

- (i) Set up independent backup network segment, to automatically back up and recover each service host data.
- (ii) PC operating system upgrade to cloud OS.
- (iii) Automatic backup for outgoing emails and check to verify before sending out.

- (iv) Replace latest defense system and include PC and service host into control.
 - (v) Mobile storage control: except for special application, it is prohibited to use external storage device.
 - (vi) Record individual's external website behaviors.
 - (vii) Prohibit to send files by using real-time communication software.
 - (viii) Conducting a group-wide awareness session on information security by email each month.
 - (ix) Virtualization of servers to eliminate the interruption of system services caused by any external attack or hardware failure.
 - (x) Controlling desktops remotely to address the problems of personal computers at all locations in a prompt and secure manner.
- (d) Resources invested in information and communication security:

Attaching great importance to information and communication security, we have continued to plan for more information security personnel and increase investment in software and hardware related to the framework of information and communication security protection. We currently have 6 cyber security personnel, and in 2022 we invested a total of approximately NTD21 million in software and hardware related to information security, indicating the level of importance we have placed on information and communication security.

6.2 As of the publication date of the annual report, any damages, possible influences, and countermeasures due to significant cyber security events, which are unable to be estimated reasonably, shall state the facts:

The Company had no significant cyber security event occurred.

7. Significant contracts:

None.

VI. Financial Overview

1. Financial Information

1.1 Five-year financial summary

A. Summary of consolidated balance sheets

(a) Consolidated balance sheets – based on IRFSs

Unit: NT\$1,000

Year		Financial information for the last five years				
		2018	2019	2020	2021	2022
Item						
Current assets		1,337,340	1,092,713	1,489,122	2,223,738	2,761,541
Property, Plant and Equipment		380,267	404,507	418,464	418,033	453,061
Intangible assets		31,114	13,931	12,698	14,650	19,843
Other assets		123,798	212,197	259,117	245,491	334,916
Total assets		1,872,519	1,723,348	2,179,401	2,901,912	3,569,361
Current liabilities	Before distribution	390,461	536,406	518,436	1,532,011	1,389,195
	After distribution	390,461	536,406	518,436	1,532,011	1,389,195
Non-current liabilities		0	75,821	594,353	163,781	237,395
Total liabilities	Before distribution	390,461	612,227	1,112,789	1,695,792	1,626,590
	After distribution	390,461	612,227	1,112,789	1,695,792	1,626,590
Equity attributable to owner of		1,392,246	1,094,560	1,066,612	1,206,120	1,942,771
Share capital	Ordinary share	1,511,547	1,511,547	1,524,847	1,545,534	1,670,605
	Advance receipts for share capital	0	0	15,958	9,956	9,627
Capital surplus		92,411	96,653	135,896	160,349	310,036
Retained earnings	Before distribution	(112,954)	(413,949)	(514,164)	(418,817)	44,968
	After distribution	(112,954)	(413,949)	(514,164)	(418,817)	44,968
Other equity interest		(98,758)	(99,691)	(95,925)	(90,902)	(92,465)
Treasury stock		0	0	0	0	0
Non-controlling interest		89,812	16,561	0	0	0
Total equity	Before distribution	1,482,058	1,111,121	1,066,612	1,206,120	1,942,771
	After distribution	1,482,058	1,111,121	1,066,612	1,206,120	1,942,771

Note: The financial information of each year has been audited by CPAs.

(b) Parent company only balance sheets – based on IRFSs

Unit: NT\$1,000

Item		Year	Financial information for the last five years				
			2018	2019	2020	2021	2022
Current assets			1,005,795	822,364	1,209,276	1,714,068	2,463,105
Property, Plant and Equipment			261,318	277,970	288,449	291,046	300,506
Intangible assets			16,837	13,282	9,177	11,356	16,442
Other assets			529,674	486,291	581,867	582,884	759,590
Total assets			1,813,624	1,599,907	2,088,769	2,599,354	3,539,643
Current liabilities	Before distribution		421,378	496,968	448,069	1,243,439	1,366,382
	After distribution		421,378	496,968	448,069	1,243,439	1,366,382
Non-current liabilities			0	8,379	574,088	149,795	230,490
Total liabilities	Before distribution		421,378	505,347	1,022,157	1,393,234	1,596,872
	After distribution		421,378	505,347	1,022,157	1,393,234	1,596,872
Interests attributable to owner of parent			1,392,246	1,094,560	1,066,612	1,206,120	1,942,771
Share capital	Ordinary share		1,511,547	1,511,547	1,524,847	1,545,534	1,670,605
	Advance receipts for share capital		0	0	15,958	9,956	9,627
Capital surplus			92,411	96,653	135,896	160,349	310,036
Retained earnings	Before distribution		(112,954)	(413,949)	(514,164)	(418,817)	44,968
	After distribution		(112,954)	(413,949)	(514,164)	(418,817)	44,968
Other equity interest			(98,758)	(99,691)	(95,925)	(90,902)	(92,465)
Treasury stock			0	0	0	0	0
Non-controlling interest			0	0	0	0	0
Total equity	Before distribution		1,392,246	1,094,560	1,066,612	1,206,120	1,942,771
	After distribution		1,392,246	1,094,560	1,066,612	1,206,120	1,942,771

Note: The financial information of each year has been audited by the CPAs.

B. Summary of consolidated statements of comprehensive income

(a) Consolidated statements of comprehensive income – based on IFRSs

Unit: NT\$1,000

Item \ Year	Financial information for the last five years				
	2018	2019	2020	2021	2022
Operating revenue	1,458,640	1,042,284	1,326,691	2,454,678	3,404,355
Gross profit from operations	215,827	94,368	262,699	488,525	804,551
Operating profit (loss)	(199,358)	(356,582)	(101,844)	83,561	304,122
Non-operating income and expenses	23,031	2,286	1,761	11,786	34,377
Profit (loss) before income tax	(176,327)	(354,296)	(100,083)	95,347	338,499
Net profit (loss) from operations of continued segment	(202,537)	(357,779)	(100,083)	95,347	338,499
Net profit (loss) from operations of discontinued segment	0	0	0	0	0
Profit (loss) for the year	(202,537)	(357,779)	(100,083)	95,347	338,499
Other comprehensive income(loss) for the year, net of tax	(2,557)	(17,400)	1,866	5,023	1,024
Total comprehensive income(loss) for the year, net of tax	(205,094)	(375,179)	(98,217)	100,370	339,523
Profit (loss) attributable to owner of the parent	(184,805)	(284,759)	(98,315)	95,347	338,499
Profit (loss) attributable to non-controlling interest	(17,732)	(73,020)	(1,768)	0	0
Total comprehensive income (loss) attributable to owner of the parent	(190,183)	(301,928)	(96,449)	100,370	339,523
Total comprehensive income (loss) attributable to non-controlling interest	(14,911)	(73,251)	(1,768)	0	0
Earnings (Losses) per share (in NT dollars)	(1.22)	(1.88)	(0.64)	0.62	2.14

Note: The financial information of each year has been audited by the CPAs.

(b) Parent company only statements of comprehensive income – based on IFRSs

Unit: NT\$1,000

Item \ Year	Financial information for the last five years				
	2018	2019	2020	2021	2022
Operating revenue	1,062,461	799,997	1,298,610	2,120,074	3,189,385
Gross profit from operations	181,528	58,391	199,057	363,854	648,213
Operating profit (loss)	(49,817)	(208,780)	(109,539)	49,395	239,521
Non-operating income and expenses	(109,225)	(72,520)	11,224	45,952	98,978
Profit (loss) before income tax	(159,042)	(281,300)	(98,315)	95,347	338,499
Net profit (loss) from operations of continued segment	(184,805)	(284,759)	(98,315)	95,347	338,499
Net profit (loss) from operations of discontinued segment	0	0	0	0	0
Profit (loss) for the year	(184,805)	(284,759)	(98,315)	95,347	338,499
Other comprehensive income (loss) for the year, net of tax	(5,378)	(17,169)	1,866	5,023	1,024
Total comprehensive income (loss) for the year, net of tax	(190,183)	(301,928)	(96,449)	100,370	339,523
Profit (loss) attributable to owner of the parent	(184,805)	(284,759)	(98,315)	95,347	338,499
Profit (loss) attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income (loss) attributable to owner of the parent	(190,183)	(301,928)	(96,449)	100,370	339,523
Total comprehensive income (loss) attributable to non-controlling interest	0	0	0	0	0
Earnings (Losses) per share (in NT dollars)	(1.22)	(1.88)	(0.64)	0.62	2.14

Note: The financial information of each year has been audited by CPAs.

1.2 Auditor's opinions in the last 5 years

Year	Name of accountant	Accounting firm	Audit opinion
2018	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2019	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2020	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2021	Chiu, Chao-Hsien Hsu, Ming-Chuan	PricewaterhouseCoopers Taiwan	Unqualified opinion
2022	Chih, Ping-Chiun Chiu, Chao-Hsien	PricewaterhouseCoopers Taiwan	Unqualified opinion

2. Five-Year Financial Analysis

2.1 Consolidated financial analysis – based on IFRSs

Analysis item		Year	Financial information for the last five years				
		2018	2019	2020	2021	2022	
Financial structure	Debt Ratio (%)	20.85	35.53	51.06	58.44	45.57	
	Ratio of long-term capital to property, plant, and equipment (%)	366.12	270.59	390.71	321.51	479.04	
Solvency	Current ratio (%)	342.50	203.71	287.23	145.15	198.79	
	Quick ratio (%)	274.67	168.46	249.51	103.23	163.15	
	Interest coverage ratio (times) (%)	(7,955.14)	(4,560.56)	(3,026.62)	1,418.95	4,095.50	
Operating performance	Accounts receivable turnover (times)	4.48	4.51	4.38	5.12	4.41	
	Average collection days (days)	81	81	83	71	83	
	Inventory turnover (times)	5.30	3.74	6.08	5.39	5.09	
	Accounts payable turnover (times)	5.60	4.46	3.63	3.56	3.81	
	Average days of sales (days)	69	98	60	68	72	
	Property, plant, and equipment turnover (times)	3.50	2.66	3.22	5.87	7.82	
	Total assets turnover (times)	0.70	0.58	0.68	0.97	1.05	
Profitability	Return on total assets (%)	(8.74)	(15.50)	(4.91)	3.98	10.55	
	Return on shareholders' equity (%)	(12.45)	(22.90)	(9.10)	8.39	21.50	
	Ratio of paid-in capital (%)	Operating income to paid- up capital (%)	(13.19)	(23.59)	(6.61)	5.37	18.10
		profit before tax to paid- up capital (%)	(11.67)	(23.44)	(6.50)	6.13	20.15
	Net profit ratio (%)	(12.67)	(27.32)	(7.41)	3.88	9.94	
	Earnings (Losses) per share (in NT\$)	(1.22)	(1.88)	(0.64)	0.62	2.14	
Cash flow	Cash flow ratio (%)	(7.76)	(13.57)	(0.71)	(1.94)	12.60	
	Cash flow adequacy ratio (%)	(95.25)	(112.52)	(78.78)	(5.83)	4.80	
	Cash reinvestment ratio (%)	(1.67)	(4.49)	(0.24)	(1.83)	6.65	
Leverage	Operating Leverage	0.55	0.70	0.16	2.12	1.38	
	Financial Leverage	0.99	0.98	0.97	1.09	1.01	

Please state the cause of change on each financial ratio within the latest two years. (if such change not achieving 20%, analysis is not necessary):

1. Debt Ratio (%) : decreased in 2022 relative to 2021, resulting from increase of total assets due to increase of cash and cash equivalents and accounts receivables.
2. Ratio of long-term capital to property, plant, and equipment (%) : increased in 2022 relative to 2021, due to increase of total equity.
3. Current ratio (%) : increased in 2022 relative to 2021, due to increase of cash and cash equivalents, and accounts receivables.
4. Quick ratio (%) : increased in 2022 relative to 2021, due to increase of cash and cash equivalents and accounts receivables.
5. Interest coverage ratio (times) (%) : increased in 2022 relative to 2021, due to increase of net profit before income tax.
6. Property, plant, and equipment turnover (times) : increased in 2022 relative to 2021, due to increase of net sales.
7. Return on total assets (%) : increased in 2022 relative to 2021, due to increase of net profit after tax.
8. Return on shareholders' equity (%) : increased in 2022 relative to 2021, due to increase of net profit after tax.
9. Operating income to paid- up capital (%) : increased in 2022 relative to 2021, due to increase of operating profit.
10. profit before tax to paid- up capital (%) : increased in 2022 relative to 2021, due to increase of profit before income tax.
11. Net profit ratio (%) : increased in 2022 relative to 2021, due to increase of net profit after tax.
12. Earnings (Losses) per share (in NT\$) : increased in 2022 relative to 2021, due to increase of net profit after tax.
13. Cash flow ratio (%) : decreased in 2022 relative to 2021, due to increase of net cash inflows from operating activities and decrease of current liabilities.
14. Cash flow adequacy ratio (%) : increased in 2022 relative to 2021, due to increase of net cash inflows from operating activities.
15. Cash reinvestment ratio (%) : decreased in 2022 relative to 2021, due to increase of net cash inflows from operating activities
16. Operating leverage: decreased in 2022 relative to 2021, due to operating profit increase.

Note 1: The above financial information of each year has been audited by the CPAs.

Note 2: The calculation formula is as follows:

1. Financial structure
 - (1) Debt Ratio = total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = net profit before income tax and interest expense / current interest expense.
3. Operating ability
 - (1) Accounts receivable turnover (including accounts receivable and notes receivable arising from the operation) = net sales / average balance of accounts receivable for each period (including accounts receivable and notes receivable arising from the operation).
 - (2) Average collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales / average inventory.
 - (4) Accounts payable turnover (including accounts payable and notes payable for operations) = cost of sales / balance of average accounts payable for each period (including accounts payable and notes payable for operations).
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Property, plant, and equipment turnover = net sales / average net property, plant, and equipment.
 - (7) Total assets turnover = net sales / average total assets.
4. Profitability
 - (1) Return on total assets = (after-tax profit and loss + interest expense × (1 - tax rate)) / average total assets.
 - (2) Return on shareholders' equity = after-tax profit and loss / average total shareholders' equity.
 - (3) Net profit ratio = after-tax profit and loss / net sales.
 - (4) Earnings (losses) per share = (profit and loss attributable to owner of the parent - dividend of special shares) / weighted average number of shares issued.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow of operating activities in the last five years / recent five years (capital expenditure + inventory increase + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating interest / (operating interest - interest expense).

2.2 Parent company only financial analysis – based on IFRSs

Year Analysis item		Financial information for the last five years					
		2018	2019	2020	2021	2022	
Financial structure	Debt ratio (%)	23.23	31.59	48.94	53.60	45.11	
	Ratio of long-term capital to property, plant, and equipment (%)	532.78	393.77	566.82	461.78	722.24	
Solvency	Current ratio (%)	238.69	165.48	269.89	137.85	180.26	
	Quick ratio (%)	219.85	148.32	252.22	112.00	159.06	
	Interest coverage ratio (times) (%)	(7,165.51)	(14,200.97)	(7,071.04)	5,889.13	10,162.40	
Operating performance	Accounts receivable turnover (times)	6.14	4.34	4.46	4.92	4.61	
	Average collection days (days)	59	84	82	74	79	
	Inventory turnover (times)	9.90	6.81	10.97	8.43	8.05	
	Accounts payable turnover (times)	3.33	2.93	3.89	4.15	4.40	
	Average days of sales (days)	37	54	33	43	45	
	Property, plant, and equipment turnover (times)	3.86	2.97	4.59	7.32	10.78	
	Total assets turnover (times)	0.53	0.47	0.70	0.90	1.04	
Profitability	Return on total assets (%)	(9.18)	(16.61)	(5.27)	4.12	11.12	
	Return on shareholders' equity (%)	(12.45)	(22.90)	(9.10)	8.39	21.50	
	Ratio of paid-in capital (%)	Operating income to paid-up capital (%)	(3.30)	(13.81)	(7.11)	3.18	14.26
		profit before tax to paid-up capital (%)	(10.52)	(18.61)	(6.38)	6.13	20.15
	Net profit ratio (%)	(17.39)	(35.60)	(7.57)	4.50	10.61	
	Earnings (losses) per share (in NT\$)	(1.22)	(1.88)	(0.64)	0.62	2.14	
Cash flow	Cash flow ratio (%)	11.32	(37.97)	(2.05)	(2.00)	12.61	
	Cash flow adequacy ratio (%)	6.84	(32.69)	(46.27)	(10.30)	(0.56)	
	Cash reinvestment ratio (%)	2.85	(14.29)	(0.58)	(1.70)	7.07	
Leverage	Operating Leverage	0.31	0.79	0.53	2.16	1.30	
	Financial Leverage	0.96	0.99	0.99	1.03	1.01	

Please state the cause of change on each financial ratio within the latest two years. (if such change not achieving 20%, analysis is not necessary)

1. Ratio of long-term capital to property, plant, and equipment (%): increased in 2022 relative to 2021, due to increase of total equity.
2. Current ratio (%) : increased in 2022 relative to 2021, due to increase of cash and cash equivalents, and accounts receivables.
3. Quick ratio (%) : increased in 2022 relative to 2021, due to increase of cash and cash equivalents, and accounts receivables.
4. Interest coverage ratio (times) (%) : increased in 2022 relative to 2021, due to increase of net profit before income tax.
5. Property, plant, and equipment turnover (times) : increased in 2022 relative to 2021, due to increase of net sales.
6. Return on total assets (%) : increased in 2022 relative to 2021, due to increase of net profit after tax.
7. Return on shareholders' equity (%) : increased in 2022 relative to 2021, due to increase of net profit after tax.
8. Operating income to paid- up capital (%) : increased in 2022 relative to 2021, due to increase of operating profit.
9. profit before tax to paid- up capital (%) : increased in 2022 relative to 2021, due to increase of profit before income tax.
10. Net profit ratio (%) : increased in 2022 relative to 2021, due to increase of net profit after tax.
11. Earnings (Losses) per share (in NT\$) : increased in 2022 relative to 2021, due to increase of net profit after tax.
12. Cash flow ratio (%) : decreased in 2022 relative to 2021, due to increase net cash inflows from operating activities.
13. Cash flow adequacy ratio (%) : increased in 2022 relative to 2021, due to increase of net cash inflows from operating activities.
14. Cash reinvestment ratio (%) : increased in 2022 relative to 2021, due to increase of net cash inflows from operating activities.
15. Operating Leverage: decreased in 2022 relative to 2021, due to increase of operating profit.

Note 1: The above financial information for each year has been audited and approved by CPAs.

Note 2: The calculation formula is as follows:

1. Financial structure
 - (1) Debt ratio = total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities) / net property, plant, and equipment
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = profit before income tax and interest expense / current interest expense.
3. Operating ability
 - (1) Accounts receivable turnover (including accounts receivable and notes receivable arising from the operation) = net sales / average balance of accounts receivable for each period (including accounts receivable and notes receivable arising from the operation).
 - (2) Average collection days = 365 / accounts receivables turnover.
 - (3) Inventory turnover = cost of sales / average inventory.
 - (4) Accounts payable turnover (including accounts payable and notes payable for operations) = cost of sales / balance of average accounts payable for each period (including accounts payable and notes payable for operations).
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Property, plant, and equipment turnover = net sales / average net property, plant, and equipment.
 - (7) Total assets turnover = net sales / average total assets.
4. Profitability
 - (1) Return on total assets = (after-tax profit and loss + interest expense × (1 - tax rate)) / average total assets.
 - (2) Return on shareholders' equity = after-tax profit and loss / average total shareholders' equity.
 - (3) Net profit ratio = after-tax profit and loss / net sales.
 - (4) Earnings(losses) per share = (profit and loss attributable to owner of the parent - dividend of special shares) / weighted average number of shares issued.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow of operating activities in the last five years / recent five years (capital expenditure + inventory increase + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating interest / (operating interest - interest expense).

3. Audit Committee Review Report

Audit Committee's Review Report

The Company's 2022 Business Report, Parent Company Only Financial Statements & Consolidated Financial Statements, and Profit and Loss Appropriation Proposal have been prepared by the Board of Directors. Parent Company Only Financial Statements and Consolidated Financial Statements have been audited by PWC Taiwan and issued with an audit report. The Audit Committee reviewed the aforementioned Business Report, Parent Company Only Financial Statements & Consolidated Financial Statements, and Profit and Loss Appropriation Proposal and found no inconsistency, which is hereby reported in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Sysgration Ltd.

Convenor of the Audit Committee: Lin, Kuan-Chao

March 09, 2023

4. Consolidated Financial Statements For The Most Recent Year Including Auditors' Report, Balance Sheet, Consolidated Income Statement, Statement Of Changes In Equity, Statement Of Cash Flow And Notes Or Attached Tables For Two Years.

Please refer Appendix I for details.

5. Parent Company Only Financial Statements For The Most Recent Year Which Has Been Audited By CPAs, But Does Not Contain The Detailed List Of Important Accounting Items.

Please refer Appendix II for details.

6. If The Company And Its Affiliated Enterprises Have Financial Turnover Difficulties In The Most Recent Year And Up To The Date Of The Publication Of The Annual Report, The Company Shall State Its Impact On The Financial Situation Of The Company.

No such situation exists.

VII. Review of the Financial Status and Financial Performance and Risk Management

1. Analysis Of The Financial Status

1.1 Comparative analysis of financial performance

Unit:NT\$1,000

Item	Year	2021	2022	Variance	
				Amount	%
Current assets		2,223,738	2,761,541	537,803	24.18
Non-current assets		678,174	807,820	129,646	19.12
Total assets		2,901,912	3,569,361	667,449	23.00
Current liabilities		1,532,011	1,389,195	(142,816)	(9.32)
Non-current liabilities		163,781	237,395	73,614	44.95
Total liabilities		1,695,792	1,626,590	(69,202)	(4.08)
Share Capital		1,545,534	1,670,605	125,071	8.09
Advance receipts for share capital		9,956	9,627	(329)	(3.30)
Capital surplus		160,349	310,036	149,687	93.35
Retained earnings		(418,817)	44,968	463,785	110.74
Other equity interest		(90,902)	(92,465)	(1,563)	1.72
Interest attributable to owner of the parent		1,206,120	1,942,771	736,651	61.08
Total equity		1,206,120	1,942,771	736,651	61.08

Note: If the change ratio is more than 20% and the change amount is more than NT\$10,000 thousand, the reasons for the change shall be analyzed.

1.2 The main causes of major changes in assets, liabilities, and shareholders' equity in the last two years and their impacts. If the impact is significant, the future response plans should be provided.

- (1) Increase in current assets: due to increase in cash and cash equivalents and net accounts receivable.
- (2) Increase in non-current liabilities: due to increase in long-term borrowings.
- (3) Increase in capital surplus: due to increase in capital surplus from private placement of common shares.
- (4) Increase in retained earnings: due to increase in net profit after tax.
- (5) Increase in interest attributable to owner of the: due to increase in net profit after tax.

2. Review Of Financial Performance

2.1 Analysis of financial performance

Unit: NT\$1,000

Item	Year	2021	2022	Variance	
				Amount	%
Operating revenue		2,454,678	3,404,355	949,677	38.69
Gross profit from operations		488,525	804,551	316,026	64.69
Operating profit		83,561	304,122	220,561	263.95
Non-operating income and expenses		11,786	34,377	22,591	191.68
Profit before income tax		95,347	338,499	243,152	255.02
Profit attributable to owner of the parent		95,347	338,499	243,152	255.02
Other comprehensive income(loss) for the year		5,023	1,024	(3,999)	(79.61)
Total comprehensive profit (loss) attributable to owner of the parent		100,370	339,523	239,153	238.27

2.2 If the variance is more than 20% and the change amount is more than NT\$10,000 thousand the reasons for the change shall be analyzed.

- (1) Increase in operating revenue: due to increase of clients' demands.
- (2) Increase in operating margin: due to increase of operating revenue and margin rate.
- (3) Increase in operating profit: due to increase in operating revenue and effective control on business expenses.
- (4) Increase in non-operating income and expenditure: due to increase in foreign exchange gains in 2022.
- (5) Increased profit before income tax and profit attributable to owner of the parent: due to increase in operating income and profit in 2022.
- (6) Increased in comprehensive profit attributable to owner of the parent: due to increase in operating income and profit in 2022.

2.3 Expected sales volume and its basis, possible impact on the Company's future financial business, and a response plan

Looking forward to 2022, based on the existing customers of tire pressure monitoring systems, we will actively expand the tire pressure monitoring system replacement market beyond the

United States, Europe, and Japan. At the same time, we will develop a standalone dual-frequency tire pressure monitoring system that is compatible with the original manufacturers of American, European, and Japanese cars and further expand to the OE market. In addition, we will accelerate our Retrofit market in Mainland China and the United States, increase our dealer channels in Mainland China, and continue to expand the application of low power Bluetooth (BLE) TPMS in the market for general passenger cars, motorcycles, heavy trucks, pickup trucks, and buses.

The Chinese government has specified tire pressure monitoring systems as the standard configuration of general passenger vehicles. The Company is actively planning to accelerate the development of tire pressure monitoring systems for special vehicles in Mainland China to seize the opportunity in the front assembly market of car manufacturers in Mainland China. The TPMS will inevitably become standard equipment of automobiles. With 100 million new cars shipped out of the factory every year and 100 million old cars needing to replace the TPMS every year, it is estimated that the global market will have a demand of nearly 800 million TPMS every year. The market size is large, and future revenue growth should be prosperous. Sysgration Integrates IoT experience and technology and applies it in the automotive electronics industry to successfully develop Recreation Vehicles' internal central control system. This system can assist users in controlling all electrical appliances and equipment in the car through the cloud, mobile phone, and central control panel. At present, the system has been successfully integrated with two major camping vehicle factories in the United States and successfully introduced into mass production. In addition to seeking cooperation with other camping vehicle manufacturers in the United States, we are also actively expanding our market share in Europe, Australia, and Japan. Furthermore, the Company also uses its original energy storage and management technology to develop special solar power storage and an uninterrupted power system for camping vehicles to expand revenue.

In the area of energy management, the Company will continue to develop uninterrupted power systems. Based on the original product, there are upgrades from low-level manufacturing to high-capacity and high-end UPS to meet customer needs in specific markets. In addition, we also assist customers in introducing the lithium-ion battery application technology to replace the original lead-acid battery used in UPS. The Company has developed a battery backup power system for industrial use and has made good progress. The Company also plans to use existing technology to develop solar energy storage systems suitable for use in ordinary homes, buildings, or remote areas. The Company will continue to invest the manpower and resources. In addition to developing various battery modules for industrial or factory use, it will also extend its business scope to the Battery Management System with the marketing of battery packs to enhance the added value and expand the market niche. With the increase of market application, it is expected that it can improve the market space of products.

3. Cash Flow

Unit: NT\$1,000

Balance of cash and cash equivalent at beginning of the year	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash surplus (deficiency)	Remedy for cash deficiency	
				Investment plan	Financial plan
840,787	174,984	388,176	1,228,963	None	None
<p>(1) Analysis of cash flow changes this year:</p> <p>a. Net cash inflow from operating activities is NT\$174,984 thousand: due to increase in profit before tax in 2022.</p> <p>b. Net cash outflow from investment activities is NT\$252,230 thousand: due to acquisition of equipment and financial assets in 2022.</p> <p>c. Net cash inflow from financing activities is NT\$452,011 thousand: due to private placement of common shares and increase of long-term borrowing in 2022.</p> <p>(2) Remedy for cash deficiency and liquidity analysis: The Company has sufficient cash in operation and has no shortage of cash.</p> <p>(3) Analysis of cash liquidity in the coming year: It is expected that the operating cash will still</p>					

4. Impact Of Significant Capital Expenditure On Financial Operations In The Most Recent Year.

The Company has no significant capital expenditures in the most recent year.

5. Reinvestment Policy For The Most Recent Year, Main Reasons For Profit Or Loss, Improvement Plan, And Investment Plan For The Next Year.

Unit: NT\$1,000

Item	Description	Profits (losses) recognized in the most recent year	Policy	Main reasons for profit or loss	Improvement plan	Other future investment plans
SYSGRATION TECHNOLOGY (SAMOA) LTD.		30,617	Overseas holding	Mainly recognized the profits from its invested Sysgration Ltd. (Zhenjiang) in mainland China.	None	None
SYSGRATION (SAMOA) LTD.		39,273	Overseas holding	Mainly recognized the profits from its invested Sysgration Ltd. (Huizhou) in mainland China.	None	None
SYSGRATION USA INC.		45	North America area marketing and after-sales service	The Company recognized reinvestment profit for current year.	None	None

6. Risk Assessment For The Most Recent Year And As Of The Publication Date Of The Annual Report

6.1 Impact of interest rate, exchange rate change, and inflation on the Company's profit and loss, and future countermeasures:

Unit: NT\$1,000

Item	2022
Net interest income (expense)	(4,984)
Net exchange gain (loss)	37,193
Ratio of net interest income (expense) to operating revenue	(0.15%)
Ratio of net interest income (expense) to profit (loss) before tax	(1.47%)
Ratio of net exchange gain (loss) to operating revenue	1.09%
Ratio of net exchange gain (loss) to profit (loss) before tax	10.99%

- (1) Impact of the interest rate change on profit and loss of the Company and future countermeasures:
 - a. Impact on profit and loss of the Company: By the end of 2022, the Company's short-term borrowings subject to interest rate changes were NT\$8,816 thousand. If the market interest rate changes, the effective interest rate of such financial commodities will also change. A 1% increase in the market interest rate will increase the Company's annual interest expense by NT\$88 thousand.
 - b. Future countermeasures: Since the Company's cash and financial assets minus liabilities are the net part, the increase in interest rates will be more beneficial to the Company's short-term fund application. In the future, the Company will continue to pay attention to the interest rate changes of various currencies and increase the fixed deposits of currencies favorable to the Company.
- (2) Impact of an exchange rate change:
 - a. Impact on profit and loss of the Company: The Company has the capital transactions in foreign currency-denominated import and export business. Exchange rate fluctuations affect the foreign currency-denominated assets and liabilities. At the end of 2022, the financial assets and liabilities of USD to NTD subject to the risk of exchange rate fluctuations are USD34,859 thousand and USD6,339 thousand; the financial assets and liabilities of USD to RMB are USD1,218 thousand and USD7,375 thousand, respectively; the financial assets of HKD to NTD are HKD786 thousand, and the financial liabilities of HKD to RMB are HKD3,649 thousand. The change in the market exchange rate will change the fair value of such financial assets or liabilities. A 1% appreciation in the market exchange rate of the US dollar will increase the Company's profit by approximately NT\$6,754 thousand.
 - b. Future countermeasures: The specific measures taken by the Company in response to

exchange rate fluctuations are to refer to relevant correspondent banks with information on exchange rate fluctuations and take the hedging pre-sale forward foreign exchange measures for the Company's foreign currency assets and liabilities. When quoting customers, the business units should consider the price adjustment caused by exchange rate fluctuations to reduce the impact of exchange rate fluctuations on the Company.

(3) Impact of inflation:

- a. Impact on profit and loss of the Company: The Group's main sources of purchase are Taiwan and Mainland China. In recent years, Taiwan's inflation rate is within 2%. According to the statistics of DGBAS, the annual increase rate of Taiwan's consumer price index is about 1%, so the inflation risk has a limited impact on the Company's profit and loss. In addition, since the Company is engaged in the related industries of electronics and automobile power components, the electronic products and raw materials are characterized by long-term price decline. The Company will continue to carry out stricter cost and expense control to reduce the risks caused by possible inflation.
- b. Future countermeasures: In addition to grasping the price changes of the upstream raw materials, we will pay close attention to the cost control and quotation and timeously adjust the product price and raw materials inventory, to reduce the impact of inflation on the rise of raw materials cost.

6.2 Policies for engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement guarantees and derivative commodity trading, main causes of profits or losses, and future countermeasures.

- (1) The Company did not engage in high-risk and highly leveraged investments in the past year, and all investments were executed after careful evaluation.
- (2) The Company's capital lending to others and endorsement guarantee in this year were subject to the subsidiary of reinvestment and were handled in accordance with the Company's "Operation Procedures for Lending Funds to Others" and "Endorsement Guarantee Operation Procedures."
- (3) The Company adheres to the principle of the conservative and prudent policy of engaging in derivatives trading, mainly focusing on the forward foreign exchange to avoid the risk of changes in real foreign exchange rates. It handles in accordance with the "Procedures for Handling the Acquisition or Disposal of Assets" and the "Procedures for Handling Derivatives Trading" set by the Company. And to timely and correctly announce all trading information according to the law and regulations, there is no loss this year.

6.3 Future R&D plan and estimated R&D expenditure

Aiming at the current development of the Company's products, the Company will continue to actively cultivate and recruit the R&D talents, to not only commit to improve the product quality to meet international demands and obtain the certification according to the national rules and regulations, and also enhance the ability of product design, including the application of new technology, development of wireless communication software and mobile phone APP, etc., to meet the customer demand, create value for customers, and enhance own competitiveness.

- (1) Continue to optimize the hardware design of universal tire pressure monitoring systems, including thin and compact, long-distance wireless transmission, minimum power consumption, and reduction in the number of parts. Software development focuses on the humanization and intelligence of man-machine interface and seamless system integration with mobile phones, clouds, and big data.
- (2) Cooperate with third parties to establish independent software development tools and strengthen the market competitiveness of replacement.
- (3) Develop the US truck fleet management system by cooperating with customers through wireless transmission of tire pressure monitoring systems via Bluetooth.
- (4) Use solar energy charging technology to develop special energy storage and a power generation system for camping vehicles.
- (5) Continue developing the battery pack management system to improve battery life and reduce the battery's internal temperature to reduce accidents such as battery combustion and explosion.
- (6) Continue to develop energy storage power generation systems to improve the power supply efficiency.

The actual R&D expenditure in 2022 was NT\$201,626 thousand, accounting for about 5.92% of the annual revenue. In 2023, according to the new product development plan, it is estimated to invest NT\$220 million - 250 million in research and development.

6.4 Impact of major domestic and foreign policy and legal changes on the Company's financial business and countermeasures

The Company has internally set up chairman office, general manager office, accounting department and legal affairs unit, to keep close to the policies and decrees that may influence company's financial business. In addition, the company's internal operating procedures are in strict performance of relevant acts and regulations, to ensure its business and financial operations rightful. The tariff issue in 2019 Sino-US trade and COVID - 19 outbreak of latest

years have also influenced a lot on its electronics industry corporations in mainland China, as well as the Company's products in there. Therefore, only the Company's Nankang Factory in Taiwan can replace the original mainland factories' production and export to America, which mitigates against the impacts of the two issues mentioned above.

6.5 Impact of technological change and industrial change on financial business of the Company and countermeasures

The Company has committed to product research and development to meet the market demand, and provide its clients with full-scale and professional OEM and manufacturing services. It also quickly responds to technology demands and changes, so as to reduce market risk and maintain the long-term and stable development of company financial business. Furthermore, it also commits to strengthen with manpower and resources to protect client data and prevent any improper human attempts and illegal acts.

6.6 Impact of corporate image change on corporate crisis management and countermeasures

(1) The Company has been established for more than 45 years. It has always adhered to regular operation, committed to R&D and innovation, and maintained a good credit relationship and reputation review. In the most recent year, as of the date of publication, there were no incidents in which the Company faced crisis management due to an image change.

(2) The Company also has a crisis management team which is organized by its chairman office, general manager office and legal affairs unit, to take countermeasures for possible crisis.

6.7 Expected benefits, possible risks, and countermeasures of a merger and acquisition: None.

6.8 Expected benefits, possible risks, and countermeasures of plant expansion: None.

6.9 Risks and countermeasures faced in purchasing or selling concentratedly: None

6.10 Impact of large shares transfers or replacements by directors, supervisors, or major shareholders holding more than 10% of the shares on the Company, risks, and countermeasures: None .

6.11 Impact of management change on the Company, risks, and countermeasures:

None

6.12 For the litigation or non-litigation, the Company and its directors, supervisors, President, substantive persons in charge, major shareholders holding more than 10% of the shares of the Company and its affiliated companies have been determined by judgment or are still under the jurisdiction of major litigation, non-litigation or administrative dispute litigation, shall be listed. Should the outcome be likely to have a material impact on shareholders' equity or securities prices. In that case, it shall disclose the facts of the dispute, the target amount, the commencement date of the lawsuit, the principal parties involved, and the disposition as of the publication date of the annual report:

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court as Tsuzuki Denki Co., Ltd. (Tsuzuki Denki) filed a civil litigation with the Taiwan Taipei District Court. Tsuzuki Denki claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer's comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that the Company took counteraction to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories.' As of December 31, 2021, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

6.13 Description of information security risk assessment and analysis:

Information security policies:

- (1) The information asset monitoring and control mechanism shall be established. All personnel shall have the responsibility and obligation to protect relevant information assets for which they are responsible and ensure the confidentiality, correctness, and availability of the important information assets of the Company.
- (2) The duties of the employees shall be properly segregated, and only the necessary authority

and information shall be granted to the employees to complete the work.

- (3) Necessary assessment should be carried out, and relevant operation specifications should be signed in order to understand that each employee must maintain and ensure information security, which should be implemented in their daily work.
- (4) It shall establish a business continuity management mechanism to maintain its applicability.
- (5) The Company's information security measures shall comply with the legal norms and the Company's information security policy requirements. All information security specifications or procedures shall be established and modified following the information security management system.

Information security objectives:

- (1) Comply with the requirements of laws and regulations, orders of competent authorities, and customer contracts or professional responsibilities.
- (2) Safeguard and preserve customer data to prevent improper and illegal events.
- (3) Ensure the accuracy and completeness of the data provided.
- (4) When the information security incident causes the rights and interests of relevant parties (interested parties) to be damaged, it shall respond and be dealt with appropriately.

Specific implementation measures:

The Company actively plans and deploys the information security measures, improves the information security environment, reduces the information security risks, and technically deploys the network firewall, email security system, and combines with the risk management system, firewall information security equipment update, internal audit process, and other management measures, to achieve perfect information security protection.

6.14 Other major risks and countermeasures: None.

7. Other Important Matters

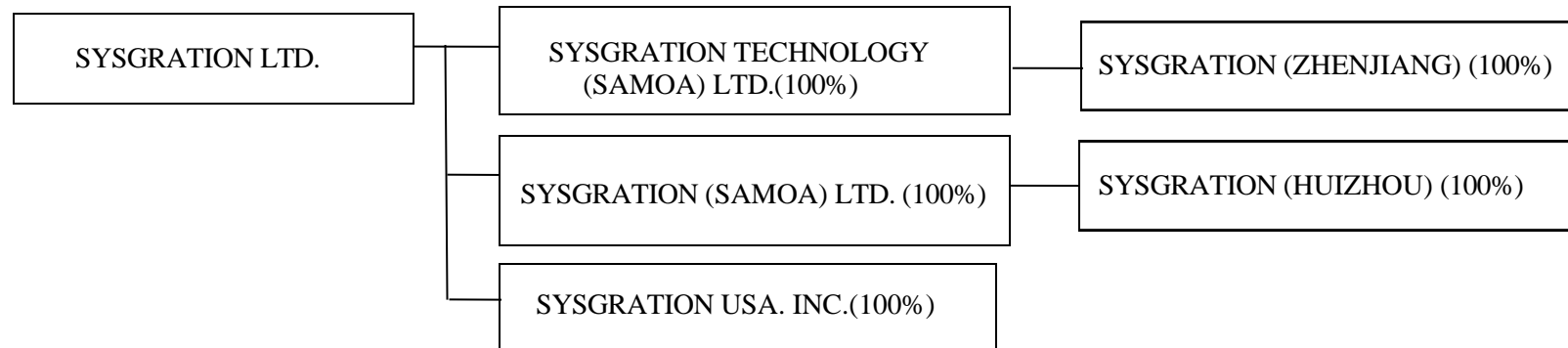
None

VIII. Special Disclosure

Sysgration Ltd. 2022 Consolidated Business Report of Affiliated Enterprises

1. Related Information Of Affiliated Enterprises

1.1 Organization profile of affiliated enterprises



1.2 Basic information of affiliated enterprises

Unit: NT\$1,000 As of December 31, 2022

Name of enterprise	Date of Incorporation	Address	Paid-in capital	Major business or products
Sysgration Ltd.	1977/10/14	5F-1., No. 1, Sec. 1, Tiding Blvd., Neihu Dist., Taipei City	1,680,232	Manufacturing and selling of electronic products
Sysgration Technology (Samoa) Ltd.	2012/10/29	Offshore Chambers, P.O. Box 217, Apia, SAMOA	671,762	Overseas holding company
Sysgration (Samoa) Ltd.	1998/09/29	Offshore Chambers, P.O. Box 217, Apia, SAMOA	505,131	Overseas holding company
Sysgration USA. Inc.	2003/01/15	1043 Segovia Circle, Placentia, CA 92870, USA	10,062	Electronic product trading
Sysgration Technology (Zhenjiang) Ltd.	2013/01/08	Floor 2, No. 5, Aerospace Industrial Park, No. 33, Yangtze Road, Dagang New Area, Zhenjiang	663,336	Manufacturing and selling of energy storage products
Sysgration Technology (Huizhou) Ltd.	2015/08/01	Floor 3, Yuxin Science and Technology Park, Longshan 7th Road, Xiangshui River Industrial Zone, Daya Bay, Huizhou	113,627	Manufacturing and selling of electronic products

1.3 Same shareholder information of presumable control and subordination relation:

None.

1.4 Industry covered by the business of overall affiliated enterprises

The Company and its affiliated enterprises mainly engage in the manufacturing, processing, and trading of electronic products, automotive electronic battery packs, and energy storage products. A small number of affiliated enterprises also engage in the investment business. As a whole, the Company and its affiliated enterprises achieve mutual benefits and maximize the profits of the Group through the mutual assistance of technology, manufacturing, marketing, and service.

1.5 Information of the Director, Supervisor, and General Manager of each affiliated enterprise

Unit: NT\$1,000; share; % As of December 31, 2022

Name of enterprise	Title	Name or representative	Shareholding	
			Shares	%
Sysgration Technology (Samoa) Ltd.	Director	Sysgration Ltd. Representative: Lee, Yi-Ren	21,800,000	100%
Sysgration (Samoa) Ltd.	Director	Sysgration Ltd. Representative: Lee, Yi-Ren	15,938,000	100%
Sysgration USA. Inc.	Director	Sysgration Ltd. Representative: Lee, Yi-Ren	300,000	100%
Sysgration Electronics Technology (Zhenjiang) Ltd.	Chairman	Sysgration Ltd. Representative: Lee, Yi-Ren	0	100%
	Director	Yeh, Chia-Fu	0	0%
	Director	Lee, Cheng-Han	0	0%
	Supervisor	Hsieh, Tung-Fu	0	0%
	President	Yeh, Chia-Fu	0	0%
Sysgration Electronics Technology (Huizhou) Ltd.	Chairman	Sysgration Ltd. Representative: Hsieh, Tung- Fu	0	100%
	Director	Li, Fang-Mao	0	0%
	Director	Lee, Yi-Ren Lee	0	0%
	Supervisor	Lee, Cheng-Han Li,	0	0%
	President	Li, Fang-Mao	0	0%

1.6 Operation profile of affiliated enterprises

Unit: NT\$1,000; As of December 31, 2022

Name of enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Profit (Loss) From Operations	Profit (Loss) After Tax	Earnings Per Share (NT\$)
Sysgration Technology (Samoa) Ltd.	671,762	248,959	0	248,959	0	(42)	30,617	N/A
Sysgration (Samoa) Ltd.	505,131	225,827	0	225,827	0	(42)	39,273	N/A
Sysgration USA. Inc.	10,062	4,318	46	4,272	909	45	45	N/A
Sysgration Electronics Technology (Zhenjiang) Ltd.	663,336	306,407	58,215	248,192	602,594	33,821	30,656	N/A
Sysgration Electronics Technology (Huizhou) Ltd.	113,627	642,987	479,137	163,850	1,127,302	41,308	44,808	N/A

1.7 Consolidated financial statements of affiliated enterprises

For the year 2022 (from January 1, 2022, to December 31, 2022), according to the "Affiliated Enterprises' Consolidation Business Report, Consolidated Financial Statements, and Guidelines for Report Preparation of Affiliated Enterprises," the enterprises to which the Consolidated Financial Statement of Affiliated Enterprises are incorporated are the same enterprises to which the Consolidated Financial Statement of the Parent Company and Subsidiaries are incorporated in accordance with IAS 10. Relevant information to be disclosed in the Consolidated Financial Statement of Affiliated Enterprises has been disclosed in the Consolidated Financial Statement of Parent Company and Subsidiaries previously disclosed. Thus, the Consolidated Financial Statement of Affiliated Enterprises shall not be prepared separately. The Company Consolidated Financial Statement is outlined in Appendix 1 of this Annual Report.

1.8 Relationship report

The Company is not a subsidiary of the other company stipulated in the affiliated enterprise chapter of Company Law, so it is not required to prepare the relationship report with the controlling company.

2. Private Placement of Securities:

Item	1 st private placement of 2022 Date of issue: December 2, 2022	2 nd private placement of 2022 Date of issue: April 25, 2023 (Planned Schedule)
Type of privately placed securities	Common shares	Common shares
Shareholders' meeting approval date and amount approved	On April 29, 2022, the shareholders' meeting approved the issue of a maximum of 25,000,000 common shares in two installments. 10,250,000 common shares were issued for the 1 st private placement.	On April 29, 2022, the shareholders' meeting approved the issue of a maximum of 25,000,000 common shares in two installments. 12,600,000 common shares were issued for 2 nd private placement.
Basis and reasonableness of the price determined	<p>1. The price for the current private placement must be no less than 80% of the higher of the prices calculated on the following bases:</p> <p>(1) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the determination date of price, after adjustment for any distribution of stock dividends, cash dividends or capital reduction, less the ex-rights and ex-dividend price after distribution of bonus shares, and plus the reversed ex-rights price after capital reduction; or</p> <p>(2) The simple average closing price of the common shares of the Company for the 30 business days before the determination date of price, less the ex-rights and ex-dividend price after distribution of bonus shares, and plus the reversed ex-rights price after capital reduction.</p> <p>2. Using the pricing method above and setting October 18, 2022 as the pricing date, the simple arithmetic average of the closing prices of common shares of the 1, 3 or 5 business days prior to the pricing date are NTD36.55, NTD35.93 and NTD36.43 respectively, and the simple arithmetic average of the closing prices of common shares of the 30 business days prior to the pricing date is NTD39.25. The reference price for the current private placement is thus NTD39.25, the higher of the aforementioned prices. The actual price for private placement is set to NTD32, which is 81.53% of the reference price and not less than 80%, the minimum percentage determined by the annual shareholders' meeting.</p>	<p>1. The price for the current private placement must be no less than 80% of the higher of the prices calculated on the following bases:</p> <p>(1) The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the determination date of price, after adjustment for any distribution of stock dividends, cash dividends or capital reduction, less the ex-rights and ex-dividend price after distribution of bonus shares, and plus the reversed ex-rights price after capital reduction; or</p> <p>(2) The simple average closing price of the common shares of the Company for the 30 business days before the determination date of price, less the ex-rights and ex-dividend price after distribution of bonus shares, and plus the reversed ex-rights price after capital reduction.</p> <p>2. Using the pricing method above and setting March 9, 2023 as the pricing date, the simple arithmetic average of the closing prices of common shares of the 1, 3 or 5 business days prior to the pricing date are NTD44.2, NTD43.75 and NTD43.17 respectively, and the simple arithmetic average of the closing prices of common shares of the 30 business days prior to the pricing date is NTD43.17. The reference price for the current private placement is thus NTD43.17, the higher of the aforementioned prices. The actual price for private placement is set to NTD35, which is 81.07% of the reference price and not less than 80%, the minimum percentage determined by the annual shareholders' meeting.</p>
Method for selection of specific persons	On April 29, 2022, the shareholders' meeting gave full authorization to the Chairman for the selection of specific persons, whose scope is limited to specific persons meeting the requirements of Article 43-6 of the Securities and Exchange Act and Order (2002) Tai-Cai-Zheng-Yi-Zi No. 0910003455 dated June 13, 2002 from the Financial Supervisory Commission and insiders and related parties, and where no significant change in management has occurred.	
Reasons necessary for private placement	Considering the timeliness, feasibility and cost of issue for capital raising and the requirement that privately placed securities may not be freely transferred within three years, we will be able to ensure the long-term shareholding relationship between us and subscribers. Moreover, we will effectively increase the flexibility and adaptability of capital raising by authorizing the Board of Directors to engage in private placement depending on the actual needs of our operations. Therefore, we propose to issue shares through private placement instead of public offering.	
Date of completion of share price payment	October 31, 2022	March 21 2023
ZSSJ No	ZSSJ No. 11101216530	It's not yet been registered for change

Subscriber information	Private Placement					Public Offering				
	Subscriber	Eligibility	Number of shares purchased	Relationship with Sysgration	Participation in the management of Sysgration	Subscriber	Eligibility	Number of shares purchased	Relationship with Sysgration	Participation in the management of Sysgration
	Lin, Yu-Yeh	The criteria under subparagraph 2, paragraph 1, Article 43-6 of the Securities and Exchange Act	5,400,000	None	None	Lee, Yi-Ren	The criteria under subparagraph 2, paragraph 1, Article 43-6 of the Securities and Exchange Act	700,000	Chairman	Chairman
	Well Hand Electronics Co., Ltd.		1,000,000	None	None	Dai, Yi-Ying		500,000	Employee	None
	Hu, Yao-Jen		500,000	None	None	Lee, Cheng-Ta		200,000	Employee	None
	Wu, Chung-Chieh		500,000	None	None	Chang, Ching-Chuan		300,000	None	None
	Lin, Mei-Na		600,000	None	None	Wu, Hsi-Kun		2,000,000	None	None
	Chen, Hsin-An		500,000	None	None	Tai, Feng-Yi		600,000	None	None
	Tseng, Pai-Yu		500,000	None	None	Chen, Wen-Shu		700,000	None	None
	Chen, Jui-Chang		500,000	None	None	Sung, Fang-Pei		250,000	None	None
	JBA Global Fund SPC – JBA Global Master SP		750,000	None	None	Sung, Ping-Chung		250,000	None	None
						Wu, Chung-He		500,000	None	None
						Liu, Hsiao-Lan		500,000	None	None
					Hsueh, Nai-Jen	200,000		None	None	
					Wu, Kun-Yang	300,000		None	None	
					Baldwin Asset Management Co., Ltd.	3,200,000		None	None	
					CTBC Venture Capital Co., Ltd.	1,400,000		None	None	
					Fu Li Investment Co., Ltd.	1,000,000		None	None	
Actual purchase price	NTD32 per share.					NTD35 per share.				
Difference between the actual purchase price and the reference price	The actual purchase price is NTD32 per share, which is 81.53% of the reference price.					The actual purchase price is NTD35 per share, which is 81.07% of the reference price.				
The effect of private placement on shareholders' equity	The funds we acquire through private placement of common shares for capital increase by cash will be used to replenish working capital, repay bank loans, reduce interest expenses and improve our financial structure, with a positive effect on shareholders' equity.									
The use of private placement funds and implementation of the plan	The total amount for the plan is NTD328,000 thousand. The fund was used to replenish working capital and repay part of our bank loans after completion of its raising according planning schedule.					The total amount for the current plan is NTD441,000 thousand, which will be used to replenish working capital and repay part of our bank loans after raising.				
Significance of the benefits of private placement	The funds raised in the current private placement will be used to repay bank loans and replenish working capital, achieving the benefits of strengthening our financial structure and reducing interest expense.									

3. Holding Or Disposing Of The Shares Of The Company By The Subsidiaries In The Most Recent Year And As Of The Publication Date Of The Annual Report.

None.

4. Other Necessary Additional Notes

None.

5. For The Most Recent Year And Up To The Date Of The Publication Of The Annual Report, The Occurrence Of Events That Have A Material Impact On Shareholders' Equity Or Securities Prices As Provided For In Paragraph 2, Item 2, Article 36 Of Securities Exchange Act.

None.

IX. Appendix

Appendix I :
2022 Annual CPA Audit Report and Consolidated Financial Statements

SYSGRATION LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Sysgration Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Sysgration Ltd. 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 Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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:

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110208臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan
T: +886 (2) 2729 6666, F: + 886 (2) 2729 6686, www.pwc.tw

Existence and occurrence of revenue

Description

Please refer to Note 4(30) for accounting policies on revenue recognition and Note 6(23) for details of sales revenue.

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

How our audit addressed the matter

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

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

Valuation of allowance for inventory valuation losses

Description

Please refer to Note 4(14) for accounting policies on inventory, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(6) for allowance for inventory valuation losses. As at December 31, 2022, the Group's inventories and allowances for inventory valuation losses were NT\$457,337 thousand and NT\$34,335 thousand, respectively.

The Group is primarily engaged in the manufacture and sale of automobile electronics products and power management products. Because of the rapid change in development of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory.

The Group's inventories are measured at the lower of cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories. The material's net realisable value is calculated based on the latest purchase price, and the net realisable

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

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

How our audit addressed the matter:

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion, with an other matter paragraph, on the parent company only financial statements of Sysgration Ltd. 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- 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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Chih, Ping-Chiun


Chiu, Chao-Hsien

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2023

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.

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

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,228,963	34	\$ 840,787	29
1110	Financial assets at fair value through profit or loss - current	6(2)	139	-	1,477	-
1136	Current financial assets at amortised cost	6(1)(4) and 8	100,501	3	100,501	4
1150	Notes receivable, net	6(5) and 12(2)	2,521	-	5,387	-
1170	Accounts receivable, net	6(5) and 12(2)	918,035	26	616,685	21
1200	Other receivables		12,317	-	13,831	1
1220	Current income tax assets	6(30)	185	-	84	-
130X	Inventories	6(6)	423,002	12	548,488	19
1470	Other current assets	6(7)	75,878	2	96,498	3
11XX	Current assets		<u>2,761,541</u>	<u>77</u>	<u>2,223,738</u>	<u>77</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	12,460	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	148,952	4	96,038	3
1535	Non-current financial assets at amortised cost	6(1)(4) and 8	20,700	1	24,800	1
1600	Property, plant and equipment	6(8) and 8	453,061	13	418,033	14
1755	Right-of-use assets	6(9)	29,955	1	49,977	2
1760	Investment property - net	6(10)	4,025	-	4,162	-
1780	Intangible assets	6(11)	19,843	1	14,650	1
1840	Deferred income tax assets	6(30)	30,851	1	31,107	1
1900	Other non-current assets		87,973	2	39,407	1
15XX	Non-current assets		<u>807,820</u>	<u>23</u>	<u>678,174</u>	<u>23</u>
1XXX	Total assets		<u>\$ 3,569,361</u>	<u>100</u>	<u>\$ 2,901,912</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 8,816	-	\$ 8,688	-
2130	Current contract liabilities	6(23)	10,112	-	21,198	1
2150	Notes payable		1,724	-	986	-
2170	Accounts payable		589,317	17	773,660	27
2200	Other payables	6(15)(32)	179,322	5	140,457	5
2250	Current provisions	6(18)	21,246	1	7,179	-
2280	Current lease liabilities		20,834	1	24,749	1
2320	Long-term liabilities, current portion	6(13)(14) and 8	542,374	15	533,211	18
2399	Other current liabilities, others		15,450	-	21,883	1
21XX	Current liabilities		<u>1,389,195</u>	<u>39</u>	<u>1,532,011</u>	<u>53</u>
Non-current liabilities						
2530	Bonds payable	6(13)	-	-	-	-
2540	Long-term borrowings	6(14) and 8	227,589	7	137,881	4
2580	Non-current lease liabilities		9,608	-	25,702	1
2600	Other non-current liabilities		198	-	198	-
25XX	Non-current liabilities		<u>237,395</u>	<u>7</u>	<u>163,781</u>	<u>5</u>
2XXX	Total liabilities		<u>1,626,590</u>	<u>46</u>	<u>1,695,792</u>	<u>58</u>
Equity attributable to owners of the parent						
Share capital						
		6(19)				
3110	Ordinary shares		1,670,605	47	1,545,534	53
3140	Advance receipts for share capital		9,627	-	9,956	1
Capital surplus						
		6(20)				
3200	Capital surplus		310,036	8	160,349	6
Retained earnings						
		6(21)				
3320	Special reserve		-	-	35,953	1
3350	Retained earnings (Accumulated deficit)		44,968	1	(454,770)	(16)
Other equity interest						
		6(22)				
3400	Other equity interest		(92,465)	(2)	(90,902)	(3)
31XX	Equity attributable to owners of the parent		<u>1,942,771</u>	<u>54</u>	<u>1,206,120</u>	<u>42</u>
3XXX	Total equity		<u>1,942,771</u>	<u>54</u>	<u>1,206,120</u>	<u>42</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 3,569,361</u>	<u>100</u>	<u>\$ 2,901,912</u>	<u>100</u>

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

SYSGRATION LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(23)	\$ 3,404,355	100	\$ 2,454,678	100
5000	Operating costs	6(6)(16)(17)(28)				
		(29) and 7	(2,599,804)	(76)	(1,966,153)	(80)
5900	Gross profit from operations		804,551	24	488,525	20
	Operating expenses	6(16)(17)(28)				
		(29)				
6100	Selling expenses		(97,912)	(3)	(69,467)	(3)
6200	Administrative expenses		(198,567)	(6)	(149,368)	(6)
6300	Research and development expenses		(201,626)	(6)	(189,409)	(8)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(2,324)	-	3,280	-
6000	Total operating expenses		(500,429)	(15)	(404,964)	(17)
6900	Operating profit		304,122	9	83,561	3
	Non-operating income and expenses					
7100	Interest income	6(4)(24)	3,488	-	1,483	-
7010	Other income	6(3)(10)(25)	5,532	-	20,110	1
7020	Other gains and losses	6(2)(26)	33,829	1	(2,578)	-
7050	Finance costs	6(9)(12)(13)(14)				
		(27)	(8,472)	-	(7,229)	-
7000	Total non-operating income and expenses		34,377	1	11,786	1
7900	Profit before income tax		338,499	10	95,347	4
7950	Income tax expense	6(30)	-	-	-	-
8200	Profit for the year		\$ 338,499	10	\$ 95,347	4

(Continued)

SYSGRATION LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss	6(3)(22)(30)				
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(\$ 14,372)	-	\$ 10,058	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		2,874	-	(2,012)	-
8310 Total other comprehensive (loss) income that will not be reclassified to profit or loss, net of tax		(11,498)	-	8,046	-
Components of other comprehensive income that will be reclassified to profit or loss	6(22)(30)				
8361 Exchange differences on translation		15,652	-	(3,779)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss		(3,130)	-	756	-
8360 Total other comprehensive income (loss) that will be reclassified to profit or loss, net of tax		12,522	-	(3,023)	-
8300 Other comprehensive income for the year, net of tax		\$ 1,024	-	\$ 5,023	-
8500 Total comprehensive income for the year		\$ 339,523	10	\$ 100,370	4
Profit, attributable to:					
8610 Owners of the parent		\$ 338,499	10	\$ 95,347	4
8620 Non-controlling interest		-	-	-	-
		\$ 338,499	10	\$ 95,347	4
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 339,523	10	\$ 100,370	4
8720 Non-controlling interest		-	-	-	-
		\$ 339,523	10	\$ 100,370	4
9750 Basic earnings per share	6(31)	\$	2.14	\$	0.62
9850 Diluted earnings per share	6(31)	\$	1.99	\$	0.58

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

SYSGRATION LTD. 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)

	Notes	Equity attributable to owners of the parent						Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
		Share Capital	Capital Surplus	Retained Earnings		Other Equity Interest			
		Ordinary shares	Advance receipts for share capital	Capital Surplus	Special reserve	Retained earnings (Accumulated deficit)	Exchange differences on translation of foreign financial statements		
Year 2021									
Balance at January 1, 2021		\$ 1,524,847	\$ 15,958	\$ 135,896	\$ 35,953	(\$ 550,117)	(\$ 61,025)	(\$ 34,900)	\$ 1,066,612
Profit for the year		-	-	-	-	95,347	-	-	95,347
Other comprehensive (loss) income for the 6(22) year		-	-	-	-	-	(3,023)	8,046	5,023
Total comprehensive income (loss)		-	-	-	-	95,347	(3,023)	8,046	100,370
Share-based compensation cost	6(17)(19)(20)	-	-	14,527	-	-	-	-	14,527
Convertible bonds	6(19)(20)(32)	29	2,200	5,442	-	-	-	-	7,671
Exercise of employee stock options	6(19)(20)	20,658	(8,202)	4,484	-	-	-	-	16,940
Balance at December 31, 2021		\$ 1,545,534	\$ 9,956	\$ 160,349	\$ 35,953	(\$ 454,770)	(\$ 64,048)	(\$ 26,854)	\$ 1,206,120
Year 2022									
Balance at January 1, 2022		\$ 1,545,534	\$ 9,956	\$ 160,349	\$ 35,953	(\$ 454,770)	(\$ 64,048)	(\$ 26,854)	\$ 1,206,120
Profit for the year		-	-	-	-	338,499	-	-	338,499
Other comprehensive (loss) income for the 6(22) year		-	-	-	-	-	12,522	(11,498)	1,024
Total comprehensive income (loss)		-	-	-	-	338,499	12,522	(11,498)	339,523
Share-based compensation cost	6(17)(19)(20)	-	-	10,834	-	-	-	-	10,834
Convertible bonds	6(19)(20)(32)	7,257	1,360	21,144	-	-	-	-	29,761
Exercise of employee stock options	6(19)(20)	15,314	(1,689)	14,908	-	-	-	-	28,533
Disposal of fair value through other comprehensive income	6(3)(22)	-	-	-	-	2,587	-	(2,587)	-
Capital surplus used to offset accumulated deficit	6(21)	-	-	(122,699)	-	122,699	-	-	-
Special reserve used to offset accumulated deficit	6(21)	-	-	-	(35,953)	35,953	-	-	-
Cash capital increase	6(19)	102,500	-	225,500	-	-	-	-	328,000
Balance at December 31, 2022		\$ 1,670,605	\$ 9,627	\$ 310,036	\$ -	\$ 44,968	(\$ 51,526)	(\$ 40,939)	\$ 1,942,771

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

SYSGRATION LTD. 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
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 338,499	\$ 95,347
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(26)	878	277
Expected credit impairment gain (loss)	12(2)	2,324	(3,280)
Depreciation	6(8)(9)(10)(28)	98,567	82,969
Amortisation	6(11)(28)	16,722	10,891
Loss (gain) on disposal of property, plant and equipment	6(26)	2,362	(45)
Interest expense	6(9)(12)(13)(14)(27)	8,472	7,229
Interest income	6(24)	(3,488)	(1,483)
Dividend income	6(25)	(1,105)	(1,874)
Share-based payments	6(17)(20)(29)	10,834	14,527
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,872	(5,356)
Accounts receivable		(303,327)	(277,190)
Other receivables		1,901	(8,856)
Inventories		125,486	(405,759)
Other current assets		20,620	(41,845)
Changes in operating liabilities			
Contract liabilities		(11,086)	17,387
Notes payable		738	271
Accounts payable		(184,343)	443,584
Other payables		39,776	46,326
Other payables - related parties		-	(2,889)
Current provisions		14,067	6,171
Other current liabilities		(6,433)	(7,775)
Cash inflow (outflow) generated from operations		174,336	(31,373)
Interest received		3,101	1,483
Interest paid		(3,457)	(2,028)
Income tax paid		(101)	(20)
Income tax refunded		-	399
Dividend received		1,105	1,874
Net cash flows from (used in) operating activities		174,984	(29,665)

(Continued)

SYSGRATION LTD. 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
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	12(3)	(\$ 80,786)	(\$ 37,353)
Proceeds from disposal of financial assets at fair value through profit or loss		-	104,256
Acquisition of financial assets at fair value through profit or loss	12(3)	(12,000)	(60,816)
Proceeds from disposal of financial assets at fair value through other comprehensive income		13,500	-
Increased in financial assets at amortised cost		4,100	(5,800)
Acquisition of property, plant and equipment	6(32)	(107,036)	(60,188)
Proceeds from disposal of property, plant and equipment		423	1,650
Acquisition of intangible assets	6(11)	(21,865)	(12,872)
Increase in refundable deposits		(1,351)	(333)
Increase in prepayments for business facilities		(45,612)	(22,537)
Increase in other non-current assets		(1,603)	(1,008)
Net cash flows used in investing activities		(252,230)	(95,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		-	(11,009)
Proceeds from long-term borrowings	6(33)	196,530	119,200
Repayment of long-term borrowings	6(33)	(72,186)	(37,656)
Exercise of employee share options	6(19)	28,533	16,940
Payments of lease liabilities	6(9)(33)	(28,866)	(24,148)
Increase in guarantee deposits received		-	198
Cash capital increase	6(19)(33)	328,000	-
Net cash flows from financing activities		452,011	63,525
Effect of exchange rate changes on cash and cash equivalents		13,411	(2,289)
Net increase (decrease) in cash and cash equivalents		388,176	(63,430)
Cash and cash equivalents at beginning of year		840,787	904,217
Cash and cash equivalents at end of year		\$ 1,228,963	\$ 840,787

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

SYSGRATION LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

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

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to 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 that came into effect as endorsed by the FSC 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 Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments issued by FSC but not yet included in the IFRSs that came into effect as endorsed by the Group 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 (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with 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”) 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.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (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.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)	
			December 31, 2022	December 31, 2021
SYSGRATION LTD.	SYSGRATION USA INC.	Sale of electronic products	100	100
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	Investment holding of overseas	100	100
SYSGRATION LTD.	SYSGRATION TECHNOLOGY (SAMOA) LTD.	Investment holding of overseas	100	100
SYSGRATION TECHNOLOGY (SAMOA) LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing and sale of energy storage productss	100	100
SYSGRATION (SAMOA) LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing and sale of electronic products	100	100

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest 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 dollars, which is the Company's functional and the Group'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 other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income.

(d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) 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.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the 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) Financial assets at fair value through other comprehensive income

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

(9) Financial assets at amortised cost

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

(10) 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.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor) – operating leases

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

(14) Inventories

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

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and

Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(16) 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 following:

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

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(17) Investment property

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

(18) Intangible assets

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

(19) Impairment of non-financial assets

The 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. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

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

(21) Notes and accounts payable

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

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

(22) Convertible bonds payable

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

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as

‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.

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

(23) Derecognition of financial liabilities

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

(24) Non-hedging and embedded derivatives

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.

(25) 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.

(26) Employee benefits

A. Short-term employee benefits

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

expense in that period when the employees render service.

B. Pensions

Defined contribution plans

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

(27) 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.

(28) 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.

(29) Share capital

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

(30) Revenue recognition

Sales of goods

A. The Group manufactures and sells automobile electronics products and power management products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the 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.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(32) 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, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these 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

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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 879	\$ 721
Checking accounts and demand deposits	648,084	790,066
Time deposits	580,000	50,000
	<u>\$ 1,228,963</u>	<u>\$ 840,787</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. As of December 31, 2022 and 2021, cash and cash equivalents amounting to \$121,201 and \$125,301, respectively, were pledged to others as collateral on short-term and long-term borrowings and were classified as financial assets at amortised cost.

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

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

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

	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Debt instruments	\$ 460	\$ 496
Derivatives	(1,338)	(773)
	<u>(\$ 878)</u>	<u>(\$ 277)</u>

B. Derivatives are call options of the convertible bonds issued by the Company.

C. The Group had no financial assets at fair value through profit or loss pledged to others as collateral.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(3).

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

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

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

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

C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value

through other comprehensive income held by the Group were \$148,952 and \$96,038 as at December 31, 2022 and 2021, respectively.

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

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

(4) Financial assets at amortised cost

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

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

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

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

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

(5) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 2,546	\$ 5,418
Less: Allowance for uncollectible accounts	(25)	(31)
	<u>\$ 2,521</u>	<u>\$ 5,387</u>
Accounts receivable	\$ 924,849	\$ 641,197
Less: Allowance for uncollectible accounts	(6,814)	(24,512)
	<u>\$ 918,035</u>	<u>\$ 616,685</u>

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 707,880	\$ 2,521	\$ 457,624	\$ 5,387
Up to 30 days	79,956	-	70,257	-
31 to 120 days	130,170	-	79,509	-
121 to 180 days	29	-	3,125	-
Over 180 days	-	-	6,170	-
	<u>\$ 918,035</u>	<u>\$ 2,521</u>	<u>\$ 616,685</u>	<u>\$ 5,387</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$336,064.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$2,521 and \$5,387, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$918,035 and \$616,685, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 237,084	(\$ 21,964)	\$ 215,120
Work in progress	114,183	-	114,183
Finished goods	106,070	(12,371)	93,699
	<u>\$ 457,337</u>	<u>(\$ 34,335)</u>	<u>\$ 423,002</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 412,819	(\$ 14,881)	\$ 397,938
Work in progress	44,531	-	44,531
Finished goods	107,385	(1,366)	106,019
	<u>\$ 564,735</u>	<u>(\$ 16,247)</u>	<u>\$ 548,488</u>

The cost of inventories recognised as expense for the period:

	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 2,581,785	\$ 1,953,920
Loss on decline in market value	18,019	12,233
	<u>\$ 2,599,804</u>	<u>\$ 1,966,153</u>

The Group had no inventories pledged to others as collateral.

(7) Other current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Advance payment	\$ 38,049	\$ 41,041
Tax credit	20,549	44,625
Other prepayments	13,482	8,159
Others	3,798	2,673
	<u>\$ 75,878</u>	<u>\$ 96,498</u>

(8) Property, plant and equipment

	2022								Total
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	
At January 1									
Cost	\$ 18,807	\$ 307,249	\$ 327,779	\$ 25,421	\$ 100,641	\$ 11,944	\$ 20,944	\$ 18,249	\$ 831,034
Accumulated depreciation and impairment	-	(129,295)	(157,950)	(20,010)	(69,379)	(4,758)	(18,838)	(12,771)	(413,001)
	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 169,829</u>	<u>\$ 5,411</u>	<u>\$ 31,262</u>	<u>\$ 7,186</u>	<u>\$ 2,106</u>	<u>\$ 5,478</u>	<u>\$ 418,033</u>
Opening net book amount as at January 1	\$ 18,807	\$ 177,954	\$ 169,829	\$ 5,411	\$ 31,262	\$ 7,186	\$ 2,106	\$ 5,478	\$ 418,033
Additions	-	976	33,564	2,705	54,626	6,115	2,821	5,202	106,009
Disposals	-	-	(1,734)	(735)	(316)	-	-	-	(2,785)
Depreciation charge	-	(6,474)	(36,222)	(3,121)	(16,440)	(2,621)	(1,770)	(3,518)	(70,166)
Net exchange differences	-	-	1,414	68	430	23	35	-	1,970
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 172,456</u>	<u>\$ 166,851</u>	<u>\$ 4,328</u>	<u>\$ 69,562</u>	<u>\$ 10,703</u>	<u>\$ 3,192</u>	<u>\$ 7,162</u>	<u>\$ 453,061</u>
At December 31									
Cost	\$ 18,807	\$ 306,326	\$ 355,523	\$ 16,639	\$ 151,184	\$ 18,134	\$ 23,769	\$ 23,081	\$ 913,463
Accumulated depreciation and impairment	-	(133,870)	(188,672)	(12,311)	(81,622)	(7,431)	(20,577)	(15,919)	(460,402)
	<u>\$ 18,807</u>	<u>\$ 172,456</u>	<u>\$ 166,851</u>	<u>\$ 4,328</u>	<u>\$ 69,562</u>	<u>\$ 10,703</u>	<u>\$ 3,192</u>	<u>\$ 7,162</u>	<u>\$ 453,061</u>

	2021								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 307,249	\$ 304,486	\$ 25,350	\$ 84,735	\$ 7,874	\$ 20,507	\$ 14,748	\$ 783,756
Accumulated depreciation and impairment	-	(122,659)	(127,253)	(17,587)	(66,035)	(4,733)	(17,286)	(9,739)	(365,292)
	<u>\$ 18,807</u>	<u>\$ 184,590</u>	<u>\$ 177,233</u>	<u>\$ 7,763</u>	<u>\$ 18,700</u>	<u>\$ 3,141</u>	<u>\$ 3,221</u>	<u>\$ 5,009</u>	<u>\$ 418,464</u>
Opening net book amount as at January 1	\$ 18,807	\$ 184,590	\$ 177,233	\$ 7,763	\$ 18,700	\$ 3,141	\$ 3,221	\$ 5,009	\$ 418,464
Additions	-	-	24,649	1,826	23,453	7,067	858	3,520	61,373
Disposals	-	-	(3)	(36)	(126)	(1,440)	-	-	(1,605)
Depreciation charge	-	(6,636)	(31,266)	(4,094)	(10,636)	(1,571)	(1,950)	(3,051)	(59,204)
Net exchange differences	-	-	(784)	(48)	(129)	(11)	(23)	-	(995)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 169,829</u>	<u>\$ 5,411</u>	<u>\$ 31,262</u>	<u>\$ 7,186</u>	<u>\$ 2,106</u>	<u>\$ 5,478</u>	<u>\$ 418,033</u>
At December 31									
Cost	\$ 18,807	\$ 307,249	\$ 327,779	\$ 25,421	\$ 100,641	\$ 11,944	\$ 20,944	\$ 18,249	\$ 831,034
Accumulated depreciation and impairment	-	(129,295)	(157,950)	(20,010)	(69,379)	(4,758)	(18,838)	(12,771)	(413,001)
	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 169,829</u>	<u>\$ 5,411</u>	<u>\$ 31,262</u>	<u>\$ 7,186</u>	<u>\$ 2,106</u>	<u>\$ 5,478</u>	<u>\$ 418,033</u>

A. The significant components of buildings and structures include main plants and structure improvements, which are depreciated over 55 and 2~45 years, respectively.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

C. The Group's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

- A. The Group leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and sublet without agreement.
- B. Short-term leases with a lease term of 12 months or less comprise offices. On December 31, 2022 and 2021, payments of lease commitments for short-term leases amounted to \$5,007 and \$5,557, respectively.
- 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	\$ 24,827	\$ 44,330
Transportation equipment	5,128	5,647
	<u>\$ 29,955</u>	<u>\$ 49,977</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 25,677	\$ 21,167
Transportation equipment	2,587	2,460
	<u>\$ 28,264</u>	<u>\$ 23,627</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$7,871 and \$35,012, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended</u> <u>December 31, 2022</u>	<u>Year ended</u> <u>December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 611	\$ 740
Expense on short-term lease contracts	5,007	5,557
	<u>\$ 5,618</u>	<u>\$ 6,297</u>

- F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$28,866 and \$24,148, respectively.

(10) Investment property

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

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

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

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

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

(11) Intangible assets

	2022		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,894	\$ 44,188	\$ 62,082
Accumulated amortisation and impairment	(17,659)	(29,773)	(47,432)
	<u>\$ 235</u>	<u>\$ 14,415</u>	<u>\$ 14,650</u>
Opening net book amount as at January 1	\$ 235	\$ 14,415	\$ 14,650
Additions – acquired separately	-	21,865	21,865
Amortisation charge	(50)	(16,672)	(16,722)
Net exchange differences	4	46	50
Closing net book amount as at December 31	<u>\$ 189</u>	<u>\$ 19,654</u>	<u>\$ 19,843</u>
At December 31			
Cost	\$ 17,901	\$ 66,188	\$ 84,089
Accumulated amortisation and impairment	(17,712)	(46,534)	(64,246)
	<u>\$ 189</u>	<u>\$ 19,654</u>	<u>\$ 19,843</u>
	2021		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,897	\$ 31,381	\$ 49,278
Accumulated amortisation and impairment	(13,427)	(23,153)	(36,580)
	<u>\$ 4,470</u>	<u>\$ 8,228</u>	<u>\$ 12,698</u>
Opening net book amount as at January 1	\$ 4,470	\$ 8,228	\$ 12,698
Additions – acquired separately	-	12,872	12,872
Amortisation charge	(4,233)	(6,658)	(10,891)
Net exchange differences	(2)	(27)	(29)
Closing net book amount as at December 31	<u>\$ 235</u>	<u>\$ 14,415</u>	<u>\$ 14,650</u>
At December 31			
Cost	\$ 17,894	\$ 44,188	\$ 62,082
Accumulated amortisation and impairment	(17,659)	(29,773)	(47,432)
	<u>\$ 235</u>	<u>\$ 14,415</u>	<u>\$ 14,650</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Operating costs	\$ 1,577	\$ 2,405
Selling expenses	1,742	314
Administrative expenses	5,524	6,500
Research and development expenses	7,879	1,672
	<u>\$ 16,722</u>	<u>\$ 10,891</u>

(12) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank unsecured borrowings	\$ 8,816	3.65%	None
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank unsecured borrowings	\$ 8,688	3.85%	None

A. Aforementioned borrowings were from short-term financing contracts which the Company entered into with financial institutions. Each contract has different restrictions on the Company's capital maintenance and the purpose of capital in the borrowing period.

B. Interest expense recognised in profit or loss amounted to \$209 and \$678 for the years ended December 31, 2022 and 2021, respectively.

(13) Bonds payable

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

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

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

- i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 20, 2020 ~ October 20, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 20, 2020.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after 3 month (January 21, 2021) of the bonds issue to the maturity date (October 20, 2023), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of

the new shares converted from the bonds are the same as the issued and outstanding common shares.

- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$34.5 (in dollars) per share.
 - iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
 - v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (January 21, 2021) to 40 days before the maturity date (September 11, 2023), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (January 21, 2021) to 40 days before the maturity date (September 11, 2023).
 - vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2022, the bonds totaling NTD\$37,900 (face value) had been converted into 2,857 common shares, 219,998 common shares, 679,988 common shares, 45,713 common shares and 136,023 common shares. On May 11, 2021, January 18, 2022, August 9, 2022, October 18, 2022 and January 9, 2023, the Board of Directors resolved to set the effective date were May 11, 2021, January 18, 2022, August 9, 2022, October 18, 2022 and January 9, 2023, the registration of changes had been completed.
- B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts which was classified as 'capital surplus—share options' amount to \$11,131 and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.9112%.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.77%	None.	\$ 2,777
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.5%	None.	35,000
Unsecured Borrowing	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.41%	None.	17,797
Secured borrowings	Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.	1.875%	Note	44,600
Unsecured borrowings	Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.	1.82%	None.	23,233
Secured borrowings	Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable monthly.	1.875%	Note	14,077
Unsecured borrowings	Borrowing period is from March 30, 2022 to March 30, 2027; interest is repayable monthly.	1.445%	None.	39,100
Secured borrowings	Borrowing period is from April 15, 2022 to April 15, 2027; interest is repayable monthly.	1.525%	Note	41,600
Secured borrowings	Borrowing period is from May 16, 2022 to May 16, 2027; interest is repayable monthly.	1.805%	Note	70,667
Secured borrowings	Borrowing period is from October 17, 2022 to October 15, 2027; interest is repayable monthly.	1.375%	Note	22,148
				<u>310,999</u>
Less: Current portion				(83,410)
				<u>\$ 227,589</u>

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

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

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

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

(15) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	\$ 120,707	\$ 76,068
Payables for machinery and equipment	5,141	6,168
Others	53,474	58,221
	<u>\$ 179,322</u>	<u>\$ 140,457</u>

(16) Pensions

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 second-tier subsidiaries, SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD. and SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD. have defined contribution pension plans under local regulations.
- C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$18,602 and \$15,957, respectively.

(17) Share-based payment

- A. On November 12, 2019, December 27, 2016 and November 11, 2015, the Board of Directors of the Company resolved to issue employees' options of 5,000 units (every unit can purchase 1,000 shares of the Company's common share, the total number of common shares which can be purchased was 5,000,000 shares with the exercise price of \$33.80 (in dollars)), 4,500 units (every unit can purchase 1,000 shares of the Company's common share, the total number of common shares which can be purchased was 4,500,000 shares with the exercise price of \$10.00 (in dollars)) and 5,000 units (every unit can purchase 1,000 shares of the Company's common share, the total number of common shares which can be purchased was 5,000,000 shares with exercise price of \$21.80 (in dollars)), respectively, except for the 4,731 units were issued out of 5,000 units on August 20, 2020, others were issued 4,500 units and 5,000 units on October 15, 2018 and January 12, 2016, respectively. The exercise price under the aforementioned stock-based employee compensation plan is at least the closing price of the Company's common stock at the grant date. There will be adjustment to the exercise price in accordance with specific formula if there is any change in the Company's ordinary shares or distribution of cash dividend after the issuance of stock options. The life of the options is 5 years. After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.
- B. To attract and retain talents, encourage employees and strengthen coherence of the Company, the Board of Directors at their meeting on October 18, 2022 resolved to issue employees' stock options of 10,000 units. The issuance had been approved by the competent authority and could be issued over several installments within two years. As of December 31, 2022, the employees' stock options had not yet been issued.

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

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

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

(a). Employees' options which were issued in 2020

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

Note: Due to employees' retirement or termination.

(b). Employees' options which were issued in 2018

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

Note: Due to employees' retirement or termination.

(c). Employees' options which were issued in 2016

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

Note: Due to employees' retirement or termination.

E. 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)
2018.10.15	2023.10.14	2,424	\$ 10.00	1,182	\$ 10.00
2020.08.20	2025.08.19	336	33.80	3,493	33.80

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

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

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

	Year ended	Year ended
	December 31, 2022	December 31, 2021
Equity-settled	\$ 10,834	\$ 14,527

(18) Provisions

	2022	2021
	Warranty	Warranty
At January 1	\$ 7,179	\$ 1,008
Additional provisions	20,535	10,095
Used during the period	(6,468)	(3,924)
At December 31	<u>\$ 21,246</u>	<u>\$ 7,179</u>

The Group gives warranties on automobile electronics products sold. Provision for warranty is estimated based on historical warranty data of the product. It is expected that provision will be used within the next year.

(19) Share capital

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

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

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

Note: Expressed in thousands of shares.

B. To increase the Company's working capital, the shareholders at their meeting on April 29, 2022 resolved to conduct private placements of common shares with a par value at \$10 (in dollars) per share, and the total number of shares issued shall not exceed 25,000 thousand shares which would be issued over several installments within one year from the date of the shareholders' meeting resolution. On October 18, 2022, the Board of Directors resolved the first effective date of capital increase through private placement was set on November 1, 2022 and total number of private ordinary shares amounted to 10,250 thousand with an issuance price of NT\$32 (in dollars) per share. The total amount of private placement was NTD 328,000 thousand and the registration of changes had been completed. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

- C. As of December 31, 2022, the Company's employees' options which were issued in 2016 were applied for purchasing 380 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021; the effective dates were set on May 11, 2021. Exercise price was \$21.8 (in dollars), the registration of changes had been completed.
- D. As of December 31, 2022, the Company's employees' options which were issued in 2016 were applied for purchasing 380 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021; the effective dates were set on May 11, 2021. Exercise price was \$21.8 (in dollars), the registration of changes had been completed.
- E. As of December 31, 2022, the Company's employees' options which were issued in 2018 were applied for purchasing 90 thousand shares, 776 thousand shares, 39 thousand shares, 66 thousand shares and 631.1 thousand shares and were resolved by the Board of Directors to increase capital on May 11, 2021, January 18, 2022, May 10, 2022, August 9, 2022 and January 9, 2023; the effective date was set on May 11, 2021, January 18, 2022, May 10, 2022, August 9, 2022 and January 9, 2023 respectively. All purchase price was \$10.
- F. As of December 31, 2022, the Company's employees' options which were issued in 2020 were applied for purchasing 430.8 thousand shares and 195.6 thousand shares and were resolved by the Board of Directors to increase capital on October 18, 2022 and January 9, 2023; the effective date was set on October 18, 2022 and January 9, 2023 respectively. All purchase price was \$33.8.

(20) 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 offset accumulated deficit unless the legal reserve is insufficient.
- B. The Company's shareholders approved the deficit compensation on April 29, 2022. The capital surplus of \$122,699 was used to offset accumulated deficit which had been completed.
- C. Movements in the number of the Company's ordinary shares outstanding are as follows: (Share in thousands)

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

2021						
	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	\$ 60,273	\$ 45,941	\$ 17,335	\$ 2,654	\$ 9,693	\$ 135,896
Employee stock options exercised	8,464	(3,980)	-	-	-	4,484
Exercise of conversion right of convertible bonds	5,615	-	(173)	-	-	5,442
Share-based compensation cost	-	14,527	-	-	-	14,527
At December 31	<u>\$ 74,352</u>	<u>\$ 56,488</u>	<u>\$ 17,162</u>	<u>\$ 2,654</u>	<u>\$ 9,693</u>	<u>\$ 160,349</u>

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and to be resolved by the stockholders

at the stockholders' meeting.

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

(22) Other equity items

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

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

(23) Operating revenue

	Year ended	Year ended
	December 31, 2022	December 31, 2021
Revenue from contracts with customers	<u>\$ 3,404,355</u>	<u>\$ 2,454,678</u>

A. Disaggregation of revenue from contracts with customers

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

2022	Automobile Electronics Products	Power management products	All other segments	Total
	Total segment revenue	\$ 3,761,052	\$ 1,139,668	\$ 909
Inter-segment revenue	(1,083,526)	(412,839)	(909)	(1,497,274)
Revenue from external customer contracts	<u>\$ 2,677,526</u>	<u>\$ 726,829</u>	<u>\$ -</u>	<u>\$ 3,404,355</u>
2021	Automobile Electronics Products	Power management products	All other segments	Total
	Total segment revenue	\$ 2,237,138	\$ 1,289,849	\$ 2,311
Inter-segment revenue	(666,437)	(405,872)	(2,311)	(1,074,620)
Revenue from external customer contracts	<u>\$ 1,570,701</u>	<u>\$ 883,977</u>	<u>\$ -</u>	<u>\$ 2,454,678</u>

B. Contract assets and liabilities

The Group has not recognised the revenue-related contract assets as of December 31, 2022 and 2021 and January 1, 2021, and the Group has recognised the following contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities –			
Advance sales receipts	\$ 10,112	\$ 21,198	\$ 3,811

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

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

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ 20,020	\$ 2,455

(24) Interest income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Interest income from bank deposits	\$ 1,446	\$ 1,354
Interest income from financial assets measured at amortised cost	2,041	129
Other interest income	1	-
	<u>\$ 3,488</u>	<u>\$ 1,483</u>

(25) Other income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Rent income	\$ 1,386	\$ 1,303
Government grant revenues	1,275	1,509
Dividend income	1,105	1,874
Design fees revenue	-	10,074
Other income, others	1,766	5,350
	<u>\$ 5,532</u>	<u>\$ 20,110</u>

(26) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
(Losses) gains on disposals of property, plant and equipment	(\$ 2,362)	\$ 45
Foreign exchange gains (losses)	37,193	(2,306)
Losses on financial assets at fair value through profit or loss	(878)	(277)
Other losses	(124)	(40)
	<u>\$ 33,829</u>	<u>(\$ 2,578)</u>

(27) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense	\$ 3,573	\$ 2,043
Interest expense on lease liabilities	611	740
Interest expense on convertible bonds	4,288	4,446
	<u>\$ 8,472</u>	<u>\$ 7,229</u>

(28) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expense	\$ 512,327	\$ 435,386
Depreciation charges on property, plant and equipment	70,166	59,204
Depreciation charges on right-of-use assets	28,264	23,627
Depreciation charges on investment property	137	138
Amortisation charges on intangible assets	16,722	10,891
	<u>\$ 627,616</u>	<u>\$ 529,246</u>

(29) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 425,712	\$ 354,521
Employee stock options	10,834	14,527
Labour and health insurance fees	31,326	26,845
Pension costs	18,602	15,957
Other personnel expenses	25,853	23,536
	<u>\$ 512,327</u>	<u>\$ 435,386</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between

10%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

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

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

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Income tax expense	\$ -	\$ -

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

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

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 84,496	\$ 24,804
Expenses disallowed by tax regulation	438	359
Temporary differences not recognised as deferred tax assets	(14,273)	(5,188)
Use tax losses not recognized in prior years	(70,162)	(20,457)
Taxable loss not recognised as deferred tax assets	(499)	482
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2022			
	January 1	Recognised in profit or loss	Translation differences	December 31
— Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 2,265	\$ 3,420	\$ -	\$ 5,685
Unrealised foreign exchange loss (gain)	2,174	(1,092)	-	1,082
Exchange differences on translation of foreign financial statements	16,014	-	(3,130)	12,884
Valuation of financial assets measured at fair value through other comprehensive income	7,729	-	2,874	10,603
Others	2,925	(2,328)	-	597
	<u>\$ 31,107</u>	<u>\$ -</u>	<u>(\$ 256)</u>	<u>\$ 30,851</u>

2021				
	January 1	Recognised in profit or loss	Translation differences	December 31
– Deferred tax assets:				
- Temporary differences:				
Allowance for obsolescence and market value decline	\$ 4,546	(\$ 2,281)	\$ -	\$ 2,265
Unrealised foreign exchange loss	1,079	1,095	-	2,174
Exchange differences on translation of foreign financial statements	15,258	-	756	16,014
Valuation of financial assets measured at fair value through other comprehensive income	9,741	-	(2,012)	7,729
Others	1,739	1,186	-	2,925
	<u>\$ 32,363</u>	<u>\$ -</u>	<u>(\$ 1,256)</u>	<u>\$ 31,107</u>

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

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

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

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

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

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

(31) Earnings per share

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

(32) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of property, plant and equipment	\$ 106,009	\$ 61,373
Add: Opening balance of payable on equipment	6,168	4,983
Less: Ending balance of payable on equipment	(5,141)	(6,168)
Cash paid during the period	<u>\$ 107,036</u>	<u>\$ 60,188</u>

B. Financing activities with no cash flow effects

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

(33) Changes in liabilities from financing activities

	2022			Liabilities from financing activities-gross
	Short-term borrowings	Long-term borrowings	Lease liabilities	
At January 1	\$ 8,688	\$ 186,655	\$ 50,451	\$ 245,794
Changes in cash flow from financing activities	-	124,344	(28,866)	95,478
Changes in other non-cash items	-	-	7,871	7,871
Interest expense on lease liabilities	-	-	611	611
Impact of changes in foreign exchange rate	128	-	375	503
At December 31	<u>\$ 8,816</u>	<u>\$ 310,999</u>	<u>\$ 30,442</u>	<u>\$ 350,257</u>

	2021			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 19,697	\$ 105,111	\$ 39,054	\$ 163,862
Changes in cash flow from financing activities	(11,009)	81,544	(24,148)	46,387
Changes in other non-cash items	-	-	35,012	35,012
Interest expense on lease liabilities	-	-	740	740
Impact of changes in foreign exchange rate	-	-	(207)	(207)
At December 31	<u>\$ 8,688</u>	<u>\$ 186,655</u>	<u>\$ 50,451</u>	<u>\$ 245,794</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Oro Technology Co., Ltd.	Other related party (Note)
Lee, Yi-Ren	The Company's Chairman

Note: Starting from June 1, 2021, the Company resigned as a director of Oro Technology Co., Ltd.

Accordingly, Oro Technology Co., Ltd. is no longer a related party to the Company.

(3) Significant related party transactions

Royalty for software (shown as 'operating cost')

	Year ended December 31, 2022	Year ended December 31, 2021
Other related party	\$ -	\$ 7,117

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

(4) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 29,131	\$ 28,805
Post-employment benefits	675	709
Share-based payments	567	2,805
	<u>\$ 30,373</u>	<u>\$ 32,319</u>

(5) Endorsements and guarantees provided by related parties

As of December 31, 2022 and 2021, the Company borrowed from financial institutions. Lee, Yi-Ren is the guarantor, and the aforementioned financing facilities which were provided by related parties were \$2,136,840 and \$875,000, respectively.

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court as Tsuzuki Denki Co., Ltd. (Tsuzuki Denki) filed a civil litigation with the Taiwan Taipei District Court. Tsuzuki Denki claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer's comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that the Company took counter-action to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories.' As of December 31, 2022, the case is still under trial with the Taiwan Taipei District Court. The Company has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Please refer to Notes 6(13) and 6(19) for the related information.

B. On March 9, 2023, the Board of Directors of the Company resolved the appropriation of earnings for the year 2022. After offsetting losses from previous years, setting aside a legal reserve of 10% of the remaining profits of \$4,497 thousand and a special reserve of \$1,563 thousand the total distributable profit for the year ended December 31, 2022 was \$38,908 thousand, which is less

than 5% of the paid-in capital of the Company. In accordance with Article 26 of the Company's Articles of Incorporation, it is proposed that no dividends be distributed for the year 2022 and the profits be retained.

- C. On March 9, 2023, the Board of Directors of the Company resolved the second private placement and issued less than 14,750 thousand common shares at NT\$10 (in dollars) per share.
- D. To enhance competitiveness and operational performance, the Company plans to carry out organizational restructuring and specialization by splitting off the related business of the power management division as a separate business, POWER TANK ENERGY Ltd., which will be wholly owned by SYSGRATION Ltd. From the spin-off date, POWER TANK ENERGY Ltd. will assume the relevant business of the power management division, and issue new shares to SYSGRATION Ltd. as consideration. This proposed spin-off is an organizational adjustment and should have no impact on the Company's shareholders' equity. Within one year of the completion date of the registration, the Company may release its shares in installments and withdraw from POWER TANK ENERGY Ltd. 's cash capital increase plan.

12. OTHERS

(1) Capital management

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 1,626,590	\$ 1,695,792
Total equity	1,942,771	1,206,120
Total capital	<u>\$ 3,569,361</u>	<u>\$ 2,901,912</u>
Gearing ratio	<u>46%</u>	<u>58%</u>

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 12,599	\$ 1,477
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	148,952	96,038
Financial assets at amortised cost		
Cash and cash equivalents	1,228,963	840,787
Financial assets at amortised cost	121,201	125,301
Notes receivable	2,521	5,387
Accounts receivable	918,035	616,685
Other receivables	12,317	13,831
Refundable deposits	9,479	8,128
	<u>\$ 2,454,067</u>	<u>\$ 1,707,634</u>
	December 31, 2022	December 31, 2021
<u>Financial liabilities</u>		
Short-term borrowings	\$ 8,816	\$ 8,688
Notes payable	1,724	986
Accounts payable	589,317	773,660
Other accounts payable	179,322	140,457
Bonds payable	458,964	484,437
(including current portion)		
Long-term borrowings		
(including current portion)	310,999	186,655
Guarantee deposits received	198	198
	<u>\$ 1,549,340</u>	<u>\$ 1,595,081</u>
Lease liabilities	<u>\$ 30,442</u>	<u>\$ 50,451</u>

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. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

- commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.
 - iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
 - iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 34,859	30.71	\$ 1,070,518	1%	\$ 10,705
HKD:NTD	786	3.94	3,094	1%	31
USD:RMB	1,218	6.97	37,401	1%	374
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 6,339	30.71	\$ 194,676	1%	\$ 1,947
USD:RMB	7,375	6.97	226,486	1%	2,265
HKD:RMB	3,649	0.89	14,370	1%	144

December 31, 2021

(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 21,153	27.68	\$ 585,516	1%	\$ 5,855
HKD:NTD	1,942	3.55	6,892	1%	69
USD:RMB	2,237	6.37	61,919	1%	619
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$ 7,094	27.68	\$ 196,367	1%	\$ 1,964
USD:RMB	7,023	6.37	194,388	1%	1,944
HKD:RMB	3,459	0.82	12,275	1%	123
HKD:NTD	2,364	3.55	8,391	1%	84

vi. The total exchange gain(losses), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$37,193 and (\$2,306) respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit (loss) for the years ended December 31, 2022 and 2021 would have increased/decreased by \$101 and \$15, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,490 and \$960, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were mainly

denominated in New Taiwan dollars and RMB Dollars.

- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit (loss), net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,559 and \$1,563, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the 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, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions with no recent major defaults are accepted. 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 Company assumes that if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 360 days, a default has been occurred.
- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments have occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2022 and 2021, the provision matrix and loss rate methodology is as follows:

<u>At December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 712,573	(\$ 2,172)
Up to 30 days	1%	80,770	(814)
31 to 120 days	1%~5%	134,020	(3,850)
121 to 180 days	10%	32	(3)
Over 180 days	40%~100%	-	-
		<u>\$ 927,395</u>	<u>(\$ 6,839)</u>
<u>At December 31, 2021</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 464,418	(\$ 1,407)
Up to 30 days	1%	70,969	(712)
31 to 120 days	1%~5%	80,470	(961)
121 to 180 days	10%	3,472	(347)
Over 180 days	40%~100%	27,286	(21,116)
		<u>\$ 646,615</u>	<u>(\$ 24,543)</u>

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

	<u>2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 24,512	\$ 31
Reversal of impairment loss	2,330	(6)
Write-offs	(20,381)	-
Effect of foreign exchange	353	-
At December 31	<u>\$ 6,814</u>	<u>\$ 25</u>
	<u>2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 28,438	\$ -
(Reversal of) provision for impairment loss	(3,311)	31
Write-offs	(434)	-
Effect of foreign exchange	(181)	-
At December 31	<u>\$ 24,512</u>	<u>\$ 31</u>

(c) 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.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, capital-guaranteed income-based wealth management products, forward foreign exchange contracts, and convertible bonds (classified as current financial assets at fair value through profit or loss), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Group held money market position of \$1,228,084 and \$840,066, respectively, and capital-guaranteed income-based wealth management products and derivatives from convertible bonds (classified as current financial assets at fair value through profit or loss) of \$139 and \$1,477, respectively, and private equity fund (classified as non-current financial assets at fair value through profit or loss) of \$12,460 and \$0, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2022 and 2021, the Group has the undrawn borrowing of \$1,344,607 and \$213,297, respectively.
- iv. 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 8,816	\$ -	\$ -	\$ -
Notes payable	1,724	-	-	-
Accounts payable	589,317	-	-	-
Other payables	179,322	-	-	-
Lease liabilities	20,834	8,438	1,170	-
Bonds payable	458,964	-	-	-
Long-term borrowings	83,410	81,972	145,617	-

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 8,688	\$ -	\$ -	\$ -
Notes payable	986	-	-	-
Accounts payable	773,660	-	-	-
Other payables (including related parties)	140,457	-	-	-
Lease liabilities	24,749	16,779	8,923	-
Bonds payable	492,200	-	-	-
Long-term borrowings	48,774	45,175	92,706	-

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The carrying amounts of the Group's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables which not measured at fair value are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

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

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

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

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

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

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

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

- E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022	
	Equity instrument	Debt instrument
At January 1	\$ 60,593	\$ -
Gains recognised in profit or loss	460	-
Gains recognised in other comprehensive income	(9,149)	-
Acquired in the period	92,786	-
Sold in the period	(16,087)	-
At December 31	<u>\$ 128,603</u>	<u>\$ -</u>
	2021	
	Equity instrument	Debt instrument
At January 1	\$ 29,990	\$ 43,770
Gains recognised in profit or loss	603	496
Acquired in the period	30,000	60,816
Sold in the period	-	(104,236)
Effect of exchange rate changes	-	(846)
At December 31	<u>\$ 60,593</u>	<u>\$ -</u>

- G. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of external financial instruments entrusted by finance segment.
- 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
Non-derivative equity instrument:					
Unlisted shares	\$ 116,143	Market comparable companies	No open market saleability discount	25%	The higher the discount for lack of marketability, the lower the fair value
Private equity fund	12,460	Net asset value method	Net asset value	Not applicable	The higher the net asset value, the higher the fair value

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

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

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

(4) Other matter

- A. Due to Covid-19 outbreak and the various government epidemic prevention measures, the Group assessed that there was no significant impact on the operation, no doubt about the Group's ability to continue as a going concern, no assets impaired and no financing risks increased. The Group's epidemic management had complied with the measures related to the declaration of Level 3 epidemic alert issued by the Central Epidemic Command Centre and the epidemic prevention requirements under the Prevention and Control of Infectious Diseases Act.
- B. In order to expand business in America and expand market share, the Company's Board of Directors during their meeting on November 10, 2022 resolved to invest and establish wholly-owned subsidiaries in America. The estimated investment periods are from 2022 to 2025, and the estimated investment amount is USD 15 million.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacturing and sale of automobile electronic products and power management products from a product type perspective. On the manufacturing and sale of products, the Group divided them into two main segments which include automobile electronics business and power management business.

As the nature, production and sales mode of the 2 segments differ from each other, also the Group's management performs the financial management and assesses operating performances separately, these 2 main segments are summarised as the reportable segments in the operating segment information.

(2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based

on operating revenue and net operating profit (loss) (excluding administration costs). All operating segments apply the same accounting policies. Sales between segments are carried out at arm's length. 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.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Automobile electronic products	Power management products	Other products	Eliminated by consolidation	Total
<u>Year ended December 31, 2022</u>					
Revenue from external customers	\$ 2,677,526	\$ 726,829	\$ -	\$ -	\$ 3,404,355
Inter-segment revenue	1,083,526	412,839	909	(1,497,274)	-
Total segment revenue	<u>\$ 3,761,052</u>	<u>\$ 1,139,668</u>	<u>\$ 909</u>	<u>(\$ 1,497,274)</u>	<u>\$ 3,404,355</u>
Segment income	<u>\$ 529,913</u>	<u>(\$ 15,250)</u>	<u>\$ 909</u>	<u>(\$ 10,560)</u>	\$ 505,012
Company general income					9,020
Company general expense					(167,061)
Interest expense					(8,472)
Profit from continuing operations before tax					<u>\$ 338,499</u>
	Automobile electronic products	Power management products	Other products	Eliminated by consolidation	Total
<u>Year ended December 31, 2021</u>					
Revenue from external customers	\$ 1,570,701	\$ 883,977	\$ -	\$ -	\$ 2,454,678
Inter-segment revenue	666,437	405,872	2,311	(1,074,620)	-
Total segment revenue	<u>\$ 2,237,138</u>	<u>\$ 1,289,849</u>	<u>\$ 2,311</u>	<u>(\$ 1,074,620)</u>	<u>\$ 2,454,678</u>
Segment income	<u>\$ 220,618</u>	<u>\$ 11,604</u>	<u>\$ 2,311</u>	<u>(\$ 4,016)</u>	\$ 230,517
Company general income					24,918
Company general expense					(152,859)
Interest expense					(7,229)
Profit from continuing operations before tax					<u>\$ 95,347</u>

(4) Reconciliation for segment income (loss)

- A. Sales between segments are carried out at arm's length. 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.
- B. Details of the adjusted consolidated total profit (loss) and reconciliation for profit before tax of reportable segment for the current period are provided in Note 14(3).

(5) Information on products and services

Information on products 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>
Automobile electronic products	\$ 2,677,526	\$ 1,570,701
Power management products	726,829	883,977
	<u>\$ 3,404,355</u>	<u>\$ 2,454,678</u>

(6) Geographical information

Geographical 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>	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 388,213	\$ 387,877	\$ 428,222	\$ 344,152
Asia regions	1,298,142	197,501	824,307	173,949
American regions	1,596,346	-	1,184,968	-
Others	121,654	-	17,181	-
	<u>\$ 3,404,355</u>	<u>\$ 585,378</u>	<u>\$ 2,454,678</u>	<u>\$ 518,101</u>

(7) Major customer information

Major customer information of the Group 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>	
	Revenue	Segment	Revenue	Segment
A	\$ 964,478	Automobile electronic products	\$ 454,091	Automobile electronic products
B	954,165	Automobile electronic products	524,306	Automobile electronic products
C	287,230	Power management products	304,243	Power management products

SYSGRATION LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

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

(1) The ceiling on total loans granted to others is 40% of the Company's net assets.

(2) Loans granted to a single party for business transactions: Limit on loans granted to a single party for business transactions is the total value of business transactions in 1 year or 12 months. The value of business transactions refers to the higher of purchase or sales.

SYSGRATION LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

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

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

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

SYSGRATION LTD. AND SUBSIDIARIES

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

December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

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

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

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

SYSGRATION LTD. 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 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

SYSGRATION LTD. AND SUBSIDIARIES

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

December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

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

SYSGRATION LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

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

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

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

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

SYSGRATION LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

SYSGRATION LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

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

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

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

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

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

Note 7: Through SYSGRATION (SAMOA) LTD..

SYSGRATION LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2022

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note: Please refer to table 2.

SYSGRATION LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2022

Table 10

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

Appendix II :
2022 Annual CPA Audit Report and Parent Company Only Financial Statements

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

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

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

To the Board of Directors and Shareholders of Sysgration Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Sysgration Ltd. as at December 31, 2022 and 2021, and the related parent company only balance statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sysgration Ltd. as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

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

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

~5~

Existence and occurrence of revenue

Description

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

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

How our audit addressed the matter

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

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

Valuation of allowance for inventory valuation losses

Description

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

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

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

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

How our audit addressed the matter:

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

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

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

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

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

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

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

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

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

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

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

- B. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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


Chih, Ping-Chiun


Chiu, Chao-Hsien

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2023

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

SYSGRATION LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by 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 that came into effect as endorsed by the FSC but not yet adopted by the Company

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

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

(2) Basis of preparation

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

(4) Classification of current and non-current items

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

- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

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

(8) Financial assets at amortised cost

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

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

(12) Inventories

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

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

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

(14) Property, plant and equipment

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

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

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

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

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

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

Lease payments are comprised of the following:

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

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

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

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

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

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

(16) Leasing arrangements (lessor) – operating leases

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

(17) Investment property

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

(18) Intangible assets

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

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Notes and accounts payable

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

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

(22) Convertible bonds payable

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

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

(23) Derecognition of financial liabilities

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

(24) Provisions

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

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

(26) Employee share-based payment

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

(27) Income tax

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

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

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

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

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

(28) Share capital

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

(29) Revenue recognition

Sales of goods

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

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

(30) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Financial assets at amortised cost

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

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

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

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

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

(5) Notes and accounts receivable

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

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

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

The above ageing analysis was based on past due date.

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

(6) Inventories

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

The cost of inventories recognised as expense for the year :

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

The Company had no inventories pledged to others as collateral.

(7) Investments accounted for using equity method

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

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

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

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

(8) Property, plant and equipment

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

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

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

(9) Leasing arrangements — lessee

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

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

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

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

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

(10) Investment property

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

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

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

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

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

(11) Intangible assets

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

Details of amortisation on intangible assets are as follows:

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

(12) Long-term borrowings

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

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

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

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

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

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

(13) Bonds payable

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

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

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

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

and obligations attached to the bonds are also extinguished.

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

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

(14) Other payables

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

(15) Pensions

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

(16) Share-based payment

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

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

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

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

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

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

i. Employees' options which were issued in 2020

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

Note: Due to employees' retirement or termination.

ii. Employees' options which were issued in 2018

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

Note: Due to employees' retirement or termination.

iii. Employees' options which were issued in 2016

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

Note: Due to employees' retirement or termination.

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

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

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

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

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

	Year ended December 31, 2022	Year ended December 31, 2021
Equity-settled	\$ 10,834	\$ 14,527

(17) Provisions

	2022	2021
	Warranty	Warranty
At January 1	\$ 7,179	\$ 1,008
Additional provisions	20,535	10,095
Used during the period	(6,468)	(3,924)
At December 31	\$ 21,246	\$ 7,179

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

(18) Share capital

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

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

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

Note: Expressed in thousands of shares.

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

(19) Capital surplus

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

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

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

(20) Unappropriated retained earnings

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

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

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

(21) Other equity items

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

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

(22) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

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

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

B. Contract assets and liabilities

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

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

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

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

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

(23) Interest income

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

(24) Other income

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

(25) Other gains and losses

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

(26) Expenses by nature

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

(27) Employee benefit expense

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

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

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

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

(28) Finance costs

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

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Income tax expense	\$ -	\$ -

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

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

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

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

(30) Earnings per share

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

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

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

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

B. Financing activities with no cash flow effects

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

(32) Changes in liabilities from financing activities

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

(2) Names of related parties and relationship

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

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

(3) Significant related party transactions

A. Operating revenue:

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

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

B. Purchases:

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

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

C. Operating costs and operating expenses:

	Year ended December 31, 2022	Year ended December 31, 2021
Subsidiaries	\$ 913	\$ 2,473

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

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

	Year ended December 31, 2022	Year ended December 31, 2021
Other related party	\$ -	\$ 7,117

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

E. Receivables from related parties:

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

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

F. Accounts payable:

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

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

G. Other receivables from related parties:

	December 31, 2022	December 31, 2021
Other receivables:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 68,418	\$ 68,409

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

H. Other payables

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

(4) Key management compensation

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

(5) Endorsements and guarantees provided by related parties

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

8. PLEDGED ASSETS

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

12. OTHERS

(1) Capital management

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

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

commercial transactions and recognised assets and liabilities.

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

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

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

Price risk

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

Cash flow and fair value Interest rate risk

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

(b) Credit risk

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

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

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

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

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

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

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

(c) Liquidity risk

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

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

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

(3) Fair value information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

exchange rate.

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

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

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

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

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

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

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

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

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

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

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

(4) Other matter

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

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

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

SYSGRATION LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

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

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

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

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

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

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

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

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

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

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

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

SYSGRATION LTD.

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

December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

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

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

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

SYSGRATION LTD.

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

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

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

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

SYSGRATION LTD.

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

December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

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

SYSGRATION LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

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

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

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

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

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

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

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

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

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

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

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

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

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

Note 7: Through SYSGRATION (SAMOA) LTD..

SYSGRATION LTD.

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

For the year ended December 31, 2022

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

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

Note: Please refer to table 2.

SYSGRATION LTD.
Major shareholders information
December 31, 2022

Table 10

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

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

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

Form 1

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

SYSGRATION LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022

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

Form 2

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

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

SYSGRATION LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022

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

Form 3

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

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

Form 4

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

SYSGRATION LTD.
STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022

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

Form 5

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

SYSGRATION LTD.

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

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

Form 6

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

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

Form 7

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

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

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

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

Form 8

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

SYSGRATION LTD.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2022

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

Form 9

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

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

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

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

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

Form 10

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

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

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

Form 11

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

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

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

Form 12

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

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

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

Form 13

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

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

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

Form 14

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

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

Form 15

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

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

Form 16

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

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

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

Form 16

(4) Salary and remuneration policies of the Company

I. Directors' remuneration

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

II. Managers' remuneration

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

III. Employees' remuneration

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

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

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Form 16

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

v. Employee stock options

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

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

SYSGRATION LTD.
LEE, YI-REN