



Teco Image Systems Co., Ltd.

2022 Annual Report

Note to Readers:

If there is any discrepancy between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System

<http://mops.twse.com.tw>

Corporate Website

<http://www.tecoimage.com.tw>

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V. Name(s) of the exchange(s) where our securities are traded offshore, and the method(s) with which the information of the offshore securities is/are accessed: None

VI. Corporate Website: <http://www.tecoimage.com.tw>: <http://www.tecoimage.com.tw>

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One. Letter to Shareholders

I. 2022 Business Report

(I) Results of the Business Plan

2022 was a year of drastic changes. The global semiconductor shortages persisted in the first quarter. China imposed tighter lockdown measures in the second quarter due to the spread of COVID-19 and it deferred the procurement demand for office equipment. Semiconductor shortages gradually improved in the third quarter and demand for equipment appeared to have rebounded. However, when lockdown measures in China ended in the fourth quarter, the outbreak of the epidemic and logistics disruptions led to increased caution in the market once again. According to a report released by Key Research, the sales of A3 monochrome printers in the multi-functional printer market in China fell by 26.5% in 2022 compared to the previous year.

Industrial color inkjet printers, label printers, and cutting plotters are mainly sold to Europe and the Americas. Sales gradually increased in 2022 and its share of the revenue increased from 10% in the previous year to 16%.

In response to the changes in the 2022 MFP market, TIS has adopted a long pre-order strategy for key electronic components and changed the designs to replace key components whose shortage formed bottlenecks. During the logistics disruptions, we managed to obtain distribution channels from key module suppliers to secure quotas from semiconductor manufacturers. We are committed to ensuring stable production and supply to satisfy customer requirements.

The Company recorded a consolidated net operating revenue of NT\$1.72 billion in 2022 and the revenue attainment rate was approximately 85.4%. The net profit after tax totaled NT\$64 million and the earnings per share after tax was NT\$0.81.

(II) 2022 Budget Implementation Status

Unit: NT\$1,000

Item	Amount	Attainment rate %
Operating revenue	1,722,767	85.4%
Operating costs	1,466,262	88.7%
Gross profit	256,505	79.5%
Operating expenses	303,799	94.6%
Operating profits (losses)	(47,294)	-269.5%
Non-operating income (expenses)	138,017	123.8%
Pre-tax gain or loss	90,723	83.1%
Income after tax	64,384	66.1%
Earnings per share after tax (NT\$)	0.81	70.43%

(III) Income and Expenditures and Profitability Analysis

1. Income and expenditures

The interest income in 2022 was NT\$1,236 thousand, which was the interest from demand deposits.

2. Profitability analysis

Item	2021	2022
Return on assets (%)	1.98	2.26
Return on equity (%)	2.64	2.99
Ratio of operating profits to paid-in capital (%)	(2.13)	(4.20)
Ratio of net income before tax to paid-in capital (%)	5.00	8.06
Net profit margin (%)	2.93	3.74
Earnings per share (NT\$)	0.51	0.81

(IV) Research and Development

1. Research and development

In 2022, we dealt with material shortage problems and sought alternative materials for products in production. We also worked on the upgrade of MFPs, verification of UV spray printing technology, creation of a drone platform, and development of 3DP post-processing technology. The main results were as follows:

- (1) Multi-function peripheral: In addition to using alternative materials to reduce production risks, we successfully launched new models that replaced the functions of the chip with firmware. We also received a new project from customers to upgrade functionality and we expect the mass production of the new model to commence in 2023/Q3. In addition, the printing speed improvement project (increase from 22ppm to 24ppm and 26ppm) passed preliminary validation and the kick-off is scheduled for 2023/Q3. The project will ensure the competitiveness of MFPs and revenue and profitability for the next two years.
- (2) Industrial cutters and wide-format printers: We have successfully completed the optimization of the industrial cutters for OEM production and delivered them with consistent quality. We will continue to discuss the next generation of cutters and wide format printers with our customers for production and joint development opportunities. The optimized design for the ODM color industrial labeling machine was adopted in April 2023, and it will ensure the Company's future revenue and profitability. In addition, we will focus on transitioning to ODM to develop the next-generation cutters and wide-format printers. In addition to improving gross profit, it will also expand TIS's product portfolio other than MFPs.
- (3) 3DP printing production: After years of development and marketing, TIS received the recognition of more than 35 customers with the TIS 3DP technology and continues to receive orders for printing. We also applied 3DP printing to the weight-reduction design of drones, which was well received by customers. The Company thus obtained the opportunity to work with drone manufacturers for development and OEM production.
- (4) Drone development: With the 3DP lightweight design, TIS completed the UAV payload platform with a takeoff weight of 7kg and a payload of 24.9kg. It can be used for training, inspections, search and rescue, firefighting, and environmental monitoring. With these development results and pilot attestation, we have obtained opportunities for the 3DP production of drone parts. We also discussed the opportunities for drone assembly at the Guanyin Plant with customers.

(5) Growth and optimization of Guanyin production line: Despite the epidemic and shortage of materials, the factory staff at Guanyin Plant continued to optimize the production process and won recognition from customers for the high quality of the products.

2. Annual research and development expense invested in the most recent year and technologies developed successfully in the most recent year

Year	Research expenses (NT\$1,000)	Results
2018	170,625	Committed to the technical development of the first-generation industrial label printer. Committed to the technical development of the first-generation automatic laminating machine. Committed to the technology development of 3D printing for mass production.
2019	147,350	3D Printing for Mass Production – Industrial Color Inkjet Print Engine with controller, 4D Mouse. Establish TIS’s own post-processing technology for 3D printing. Completed the technology development of double-sided scanning DADF for A4 Size. Completed the technology development of double-sided scanning RADF for A3 size. Launched A3 monochrome laser MFP module with mobile printing. Launched the first-generation automatic laminator in the market Launched the first-generation portable fast coffee brewer in the market
2020	120,831	3D printing for mass production - industrial color inkjet print engine, Sensor Module, driving module of electric skateboard, etc. Established TIS’s OEM production line and design capabilities for industrial cutting machines. Foot health inspection device - Apply scan technology with wireless transmission to mobile phones to perform smart detection with the app. Established TIS’s thermal transfer label printer technology, including whole machine assembly and software and hardware platforms. Developed TIS’s drone control technology, including software and firmware.
2021	127,292	Applied 3D printing technology to mass production of the industrial color label printer (ODM) for the German industrial machine manufacturer. Started to manufacture industrial cutting/plotting machines for Japanese wide-format printer and cutting/plotting machine company.
2022	104,547	Enhanced MFP functions. Adoption and verification of UV spray printing technology, creation of a drone payload platform, development of 3DP post-processing technology (dyeing, color homogenization, hybrid design, weight reduction design, etc.), and the development of a new platform for future system control.

II. 2023 Business Plan Summary and Future Development Strategies

(I) Business Plan

In the face of unfavorable factors such as the Russo-Ukrainian War, inflation, and high material prices, TIS has increased safety inventory for key components and evaluated alternative materials for key electronic components. We stay away from parts for which we compete with automotive producers to increase supply security and reduce the

impact of material shortages.

This year, the Company shall focus on the development of MFP products and expand into UV spray printing technologies, the establishment of a drone payload platform, development of 3DP post-processing technology, and the development of a new system control platform.

- (1) Development of a new system control platform: Create a unified platform for products such as MFPs, industrial cutters, and wide-format printers. In addition to providing new products for A3 monochrome business machines, we will also develop low-end A3 color printer products. We will seek out opportunities for ODM (design + manufacturing) cooperation with major foreign manufacturers.
- (2) Intensify 3D printing applications: After years of development, TIS has proven that they can be used in end-use products with actual case studies. TIS will continue to make the most use of 3D printing advantages to create business opportunities for the special shapes, weight-reduction designs, and reduced design and delivery schedule required for drones, industrial printers, and factory automation.
- (3) Drone system integration: TIS already has the capacity to integrate mechanical parts and hardware, but we lack the capacity for independent design of flight controllers and we must make more improvements. We will focus on the system integration of firmware engineering, software ground monitoring system, and automatic navigation to enhance TIS's system integration capabilities and strengthen the differentiation from other manufacturers.
- (4) Develop new business opportunities for Industrial cutters and wide-format printers: In the future, we will focus on replacing the existing EMS model with the ODM (design + manufacturing) model. The ODM model and the joint development of entire machines with customers increase the gross profit and ensure closer integration with customers.
- (5) Plant production cost control: TIS shall launch automation and AI. TIS shall introduce collaborative robotic arms and AI production. With the participation of ASD employees, they can solve the problem of labor shortage in Taiwan, improve production stability and product quality, and reduce production costs.

(II) Expected Sales Volume and Its Basis

The Company's product categories have gradually diversified due to its expansion into different areas of the product market. The product categories and estimated sales targets are as follows:

Unit: unit	
Item	Sales Volume Value
Multi-function peripherals	331,495
Label printers	20,040
Start-up (3D printing)	24,132
Office & Consumer	35,820
Cutting Plotter	9,000

(III) Important Production and Sales Policies

In the next year, the production team will focus on the introduction of collaborative robotic arms to work alongside operators in the production process for ASD employees and robotic arms to work together. It can solve the problem of labor shortage in Taiwan, increase production stability, improve product quality, and reduce production costs.

III. Impact of Competitive, Regulatory, and Overall Business Environment

China's economic growth had clearly declined in 2022. Many cities across the country imposed lockdown measures, making it impossible to carry out economic activities. The photocopier market thus suffered a significant decline in 2022. Starting from 2023, social activities in China have resumed and the economy has gradually recovered. In the overall photocopier market, customers and sellers have increased investments in the sales of color photocopier and promotion of solutions. We expect the color photocopier market to continue to grow and replace parts of the monochrome photocopier market in the future. This shift is both a challenge and a business opportunity for TIS.

It is a crisis and a great opportunity. In the face of unfavorable factors such as the China-US trade war, Russo-Ukrainian War, inflation, and rising material prices, TIS will closely monitor conditions and exercise caution. In addition to improving inventory and hedging preparation for material management, we also continue to improve the production process and automation, and develop new products other than MFPs to respond to continuous changes in the market. We will also uphold our business philosophy for professionalism and innovation, and strive to improve profitability for shareholders, customers, and employees to share the fruits of our success.

Ko Ikujin, Chairman

Two. Company Profile

I. Company Introduction

(I) Date of Incorporation: September 8, 1997

(II) Company History

Teco Image Systems Co., Ltd. (TIS) was incorporated in Guanyin Township, Taoyuan County on October 1, 1997. It was formerly the Fax and Scanner Division of Teco Information Co. Ltd. At the early stage, TIS's employees were mainly transferred from the former Fax and Scanner Division. The capital was NT\$500 million, contributed by Teco Information Co. Ltd., Mustek Systems Inc., and Koos Group. This session of Board of Directors is the 10th Board of Directors, which was elected on September 24, 2021 at the first extraordinary shareholders' meeting in 2021 for a term from September 24, 2021 to September 23, 2024.

Shortly after incorporation, TIS expanded beyond the scanner and fax business to dive into the development of new products. We launched the first-generation optoelectronic products such as cameras and printer-based MFPs while keeping transcending those technological barriers. Between 1998 and 2001, we launched Taiwan's first ever Scanner G3 Laser Fax, the A3 Sheet-fed Flatbed Printer, and the world's first ever A6 sheet-fed USB Color Scanner. We then actively developed the laser-based color systems. In 2010, TIS began design and manufacturing of A3 sheet-fed laser printer systems. Aside from the R&D and design of laser printers, we also rolled out the interactive whiteboards for the education market. We then reached a series of milestones with the start of the development of 3D technologies in 2013, R&D of mobile commerce products in 2014, development of technologies for wide format printers in 2015, and a new generation A3 sheet-fed monochrome laser MFP module in 2016, development of technologies for a new generation A3 sheet-fed monochrome laser MFP module and industry-level inkjet engines in 2017, development of technologies for the first-generation industry-level label printers/automatic laminator, as well as 3D printing for production purpose in 2018, launch of the first-generation A3 sheet-fed monochrome laser MFP system and module and the first-generation automatic laminator in 2019, and mass production and shipment of the industry-level label printer, developed using the 3D printing technology in 2020. In 2021, we were contracted by German industrial machine brands under an ODM model to mass-produce industry-level color label printers using the 3D printing technologies. We were also contracted by Japanese brands that produced wide-format printers and label printing machines under an OEM model to produce industry-level cutters.

Our milestones in order of calendar year are as follows:

1982	·TECO Electric and Machinery Co., Ltd. set up the OA Div. to engage in R&D of fax machines.
1986	·TECO launched Taiwan's first ever thermal fax. ·TECO surveyed the scanner market and began R&D
1988	·TECO launched Taiwan's first ever computer- and fax-based thermal MFP. ·TECO launched the A4 sheet-fed monochrome scanner.
1989	·TECO Information was incorporated and subordinated under the OA Div. of TECO Electric and Machinery Co., Ltd. to continue the R&D of communication products and image products
1990	·TECO launched the 3 pass A4 sheet-fed color scanner.
1992	·TECO launched the A4 sheet-fed high-speed scanner.
1993	·TECO's scanner product was awarded the Taiwan Products Image Award.
1994	·TECO introduced Taiwan's first ever fax-based plain paper LED MFP.

- TECO launched the ultra-speed automatic document feeder (ADF) scanner.
- 1995 ·TECO introduced Taiwan's first ever fax-based plain paper laser MFP.
- TECO launched the upgradable high-speed color scanner.
- 1996 ·TECO's R&D of the laser fax UA3410 obtained the grants through the Leading New Products Projects Grants program organized by the Industrial Development Bureau, Ministry of Economic Affairs.
- 1997 ·Teco image Systems (TIS) was incorporated in Guanyin Township, Taoyuan County on October 1 as a spin-off from the Fax and Scanner Division of TECO Information.
- TIS launched the world's first ever USB A4 sheet ADF color scanner and high-speed scanner.
- TIS launched UA3410, the fax-based plain paper laser MFP.
- TIS launched the 270,000-pixel dual-aperture memory card camera.
- 1998 ·TIS introduced Taiwan's first ever Super G3 Laser Fax.
- TIS launched the world's first ever USB A6 sheet-fed duplex color scanner.
- TIS launched the contact image sensor (CIS) scanner.
- TIS launched the 350,000-pixel patented automatic dual-aperture camera and the 1,000,000-pixel automatic camera with color screen
- TIS passed ISO-9002 quality assurance under the consultation of Electric-Electronic & Environmental Technology Development Association of R.O.C. (CED) and was thus authorized to establish a bonded factory.
- TIS was approved by the Securities and Futures Commission to conduct public offering.
- TIS obtained the BCIQ (Bureau of Commodity Inspection and Quarantine) ISO-9002 assurance.
- TIS launched the world's first ever 600dpi USB A6 sheet-fed duplex color scanner and the 1,500,000-pixel camera with a color screen.
- TIS received the Award for Excellent Trading Businesses from the Bureau of Foreign Trade, Ministry of Economic Affairs.
- TIS passed the technology industry entity review conducted by the Industrial Development Bureau, Ministry of Economic Affairs.
- 1999 ·TIS established a production base in China for scanners and cameras.
- TIS completed the integration of company-wide operating systems.
- TIS introduced the 2-wire Fax-based Super G3 Laser MFP.
- TIS started R&D of the flatbed printer-based MFP.
- 2000 ·TIS launched the world's first ever 600dpi USB A6 sheet-fed photomask color scanner, which was awarded the Excellent Photonics Product Award by the Photonics Industry & Technology Development Association (PIDA).
- TIS launched A4 sheet-fed printer-based MFP.
- TIS was approved by the securities and Futures Commission to be listed on the OTC market on June 17.
- 2001 ·TIS launched Taiwan's first ever A3 sheet-fed flatbed printer.
- TIS's A4 sheet-fed flatbed printer was awarded the Energy Star mark.
- TIS's UA3530 laser fax and UA3600 flatbed printer received the 9th Taiwan Excellence Award.
- 2002 ·TIS began sale of the A3 flatbed laser MFP on the China market.
- TIS started R&D of scanner modules and introduced new ODM business.
- 2003 ·TIS launched a new generation A3 sheet-fed and A4 sheet-fed printer-based MFP.
- TIS established the investee Teco Image Systems (Suzhou) Co., Ltd. on February 20, 2003 to engage in production of MFP systems and subsystems.
- 2004 ·TIS worked with clients to develop color laser systems.
- TIS launched the first-generation laser fax machine.
- TIS established the investee Teco Image Systems (Dongguan) Co., Ltd. on March 2, 2004

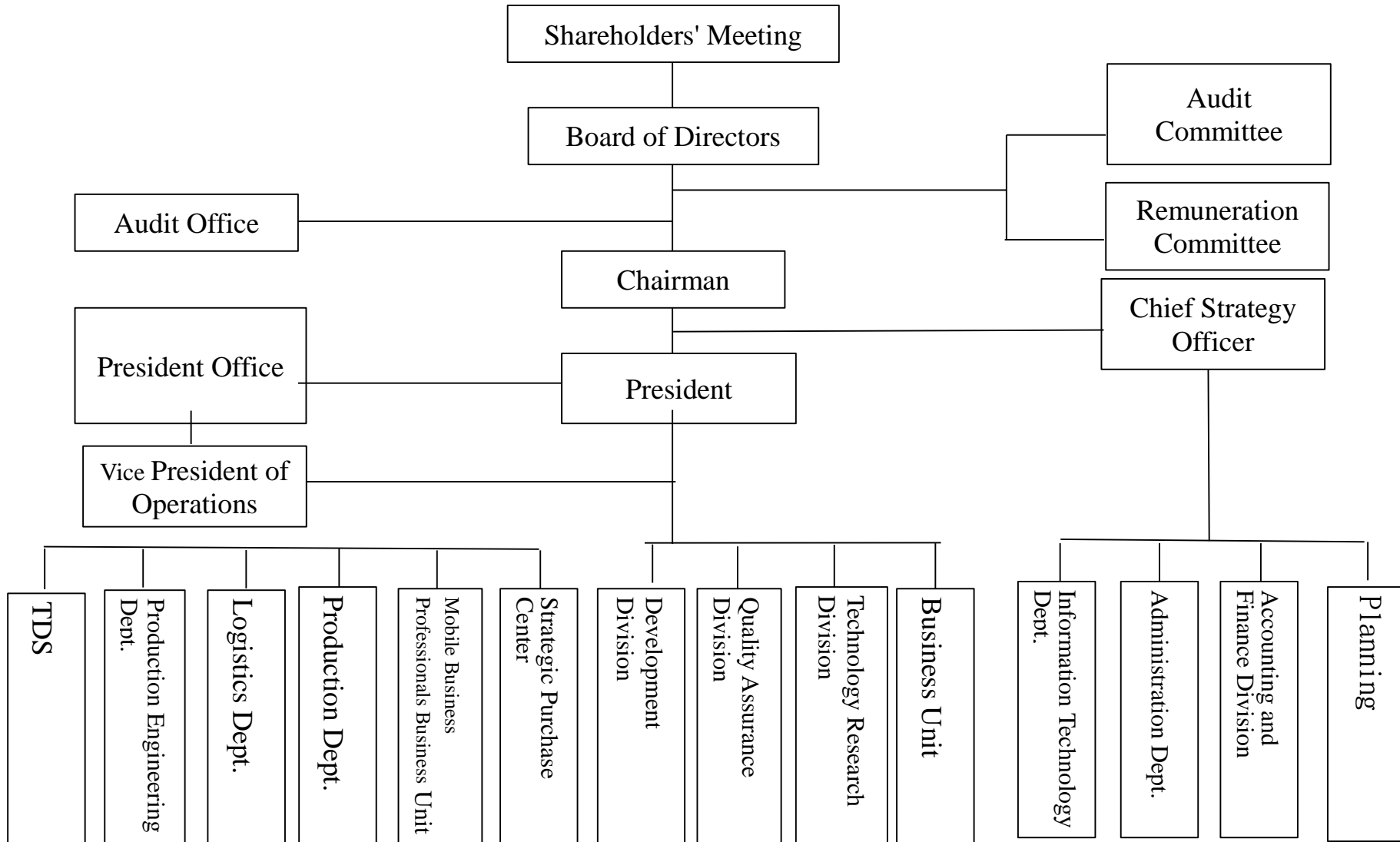
- for the production of MFP systems and related products.
- 2005 ·TIS launched color laser MFP modules.
·TIS launched the price-competitive monochrome laser MFP modules.
 - 2006 ·TIS launched color laser MFP systems.
·TIS launched a new generation monochrome laser MFP module.
 - 2007 ·TIS launched the third generation A3 sheet -fed flatbed laser printer UA2110.
·TIS launched the first-generation Business Inkjet MFP.
·TIS launched the fifth generation monochrome laser MFP module.
 - 2008 ·TIS began introduction of tandem-mode color laser MFPs.
·TIS launched two types of color laser MFP systems.
·TIS launched two types of monochrome laser MFP modules.
 - 2009 ·TIS established the platform technology for the engine of A3 laser printer.
·TIS launched a new generation A3 sheet-fed monochrome laser MFP module.
·TIS launched a new generation A4 sheet-fed monochrome laser MFP module.
·TIS established Teco Pro-Systems (JiangXi) Co., Ltd. to tap into the China market.
·TIS Karrie Technologies (H.K.) Company Limited was established, with 51% investment from Image Holding Limited, the Company's investee, and another 49% investment from Karrie Technologies Company Limited, an investee of Karrie International Holdings Limited. Investment in China can be made via TIS Karrie Technologies (H.K.) Company Limited.
 - 2010 ·TIS began design and manufacturing of the A3 laser printer systems.
·TIS launched the first generation self-developed A3 laser printer.
·TIS launched a new generation of tandem-mode color laser MFPs.
 - 2011 ·TIS launched the brand-new A4 sheet-fed Mono AIO (13ppm).
·TIS launched the second-generation Low cost A3 sheet-fed Mono MFP (design and manufacturing of engines).
· TIS ceased the operations of and liquidated the investee Teco Image Systems (Dongguan) Co., Ltd. in September 2011;the business registration was canceled and filed with the local government.
 - 2012 ·TIS launched a new generation Business Inkjet MFP.
·TIS launched the third-generation Low cost A3 sheet-fed Mono MFP (design and manufacturing of engines).
·TIS launched the brand-new interactive whiteboard.
 - 2013 ·TIS launched a new generation A3 sheet-fed monochrome laser MFP module.
·TIS launched a new generation A3 sheet-fed RADF.
·TIS started development of 3D printing technology.
·TIS established Teco Image Systems (DongGuan) Co., Ltd.
 - 2014 ·TIS launched the first-generation 3D printer.
·TIS launched the first-generation mobile print server.
·TIS launched a new generation of tandem-mode color laser MFP modules.
· Officially contracted as a distributor of the JVC brand, introducing earphones, operations, and distribution channels.
 - 2015 ·TIS started the development of technology for wide format printers.
·TIS started the development of technology for mobile and smart scanner.
·TIS launched a new generation A3 sheet-fed monochrome laser MFP system and module.
·TIS introduced JVC projectors and camcorders to broaden the lineup.
 - 2016 ·TIS launched the first-generation wide format printer.
·TIS launched a new generation A3 sheet-fed monochrome laser MFPmodule.
 - 2017 · TIS started the development of technology for a new generation A3 sheet-fed monochrome laser MFP module.

- 2018 ·TIS started the development of technology for industry-level inkjet engines.
- 2018 ·TIS started the development of technology for industry-level label printers.
- 2018 ·TIS started the development of technology for a new generation laminator.
- 2018 ·TIS started development of 3D printing technology for production purpose.
- 2019 ·TIS launched a new generation A3 sheet-fed monochrome laser MFP system and module.
- 2019 ·TIS launched the first-generation automatic laminator.
- 2020 ·TIS began shipment of the industry-level label printer developed using the 3D printing technology.
- 2020 ·TIS established the development of technology for wide format cutters.
- 2020 ·TIS launched the first-generation A3 sheet-fed monochrome laser MFP system with cloud printing function.
- 2021 ·TIS were contracted with German industrial machine brands under an ODM model and began mass production of the industry-level color label printers using the 3D printing technologies.
- 2021 ·Started to manufacture products for Japanese wide-format printer and cutting/plotting machine company.
- 2022 ·Drone development: With the 3DP lightweight design, TIS completed the UAV payload platform with a takeoff weight of 7kg and a payload of 24.9kg. It can be used for training, inspections, search and rescue, firefighting, environmental monitoring.

Three. Corporate Governance Report

I. Organization System

(I) Organization Chart



(II) Responsibilities of Major Divisions:

Major Division	Key Responsibilities
Audit Office	Review and assess the correctness, reliability, efficiency and effectiveness of the Company's internal control, and provide recommendations for improvement to promote efficiency and effective implementation of internal control.
President Office	Planning and implementation of the Company's operation, decision making, and management issues.
Planning Division	Directing the Company's business plans and annual management policy. Planning and implementation of the Company's operation, decision making, and management issues. Review the operating performance of each department of the Company. Providing product information and after-sales service based on the Company's product sales plan and clients' demand.
Accounting and Finance Division	Planning the strategic directions for new product development. Financial coordination and fund management between parent company and overseas subsidiaries. Accounting management of the parent company and overseas subsidiaries. Collection, preparation and analysis of accounting data, and establishment and implementation of accounting management system.
Administration Dept.	Human resource planning, and HR management system establishment and implementation. Establishment and implementation of general affairs, and environmental, health and safety policy.
Information Technology Dept.	Establishment and implementation of management information system and digitalization of company operations.
Business Unit	Development and maintenance of clients and distribution channels. By establishing connections with distributors and end customers, the Business Division learns about the needs of customers in different markets and uses the information as references for future product development. Providing product information and after-sales service based on the Company's product sales plan and clients' demand.
Technology Research Division	Determining the technology development strategy and promotion of new technologies.
Quality Assurance Division	Quality inspection and analysis, cause analysis and improvement of quality abnormalities.
Development Division	Designing and developing new products according to the Company's product sales plan and clients' demand. Developing clients and products, providing product information and after-sales services based on the Company's product sales plan and clients' demand. Managing project development progress, quality, budget, communication and coordination with customers.
Strategic Purchase Center	Work related to procurement of mechanisms and electronic materials. Annual bargaining and supplier evaluations for mechanisms and electronic materials.
Mobile Business Professionals Business Unit	Designing and developing new products according to the Company's product sales plan and clients' demand. Developing clients and products, providing product information and after-sales services based on the Company's product sales plan and clients' demand.

Production Dept.	Managing production costs, human resources and equipment, and executing production schedules to achieve production capacity and shipment targets.
Logistics Dept.	Production planning and progress control, bonding, import and export. Materials control, inventory management, receiving and dispatching of goods.
Production Engineering Dept.	Factory technology transfer for new products. Mass production machine management and maintenance and technical support for overseas plants. Production technology improvement and process rationalization.
TDS	Planning and execution of production and manufacturing in overseas plants. Production control, material control, and supply chain logistics.

II. Directors and the Management Team:

(I) Directors:

1. Information of Directors

March 31, 2023

Job Title	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date of Election (Appointment)	Term of Office	Date of Initial Election	Shareholding when Elected		Current Number of Shares Held		Current Number of Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Professional (Educational) Experience (Note 4)	Other Current Positions within the Company and in Other Companies	Executives, Directors or Supervisors who are Spouses or Within Two Degrees of Kinship			Notes
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relation	
Chairman	Japan	Ko Ikujin	Male 51-60 years old	September 24, 2021	3	June 7, 2002	478,686	0.43%	478,686	0.43%	0	0.00%	0	0.00%	M.E.E. of Columbia University Chairman of TECO Image Systems Co., Ltd.	Note 1	-	-	-	-
Director	Republic of China	Fang Sung-jen	Male 51-60 years old	September 24, 2021	3	September 24, 2021	0	0.00%	0	0.00%	25,000	0.02%	130,000	0.12%	Ph.D. in Materials Science Engineering, Stanford University, USA Vice President, United Microelectronics Corporation		-	-	-	-
Director	Republic of China	Chang Chung-te	Male 71-80 years old	September 24, 2021	3	June 17, 2008	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.S. in Electrical Engineering, University of Texas, USA Vice Chairman, United Microelectronics Corporation		-	-	-	-
Director	Republic of China	Creative Sensor Inc.	Male 51-60 years old	September 24, 2021	3	June 17, 2005	28,142,000	25.01%	33,408,000	29.69%	0	0.00%	0	0.00%	M.S., Institute of Regional Economics, Jinan University, Guangzhou, China Vice Chairman, Koryo Electronics Co., Ltd. Legal Representative, Weng San Foods Co., Ltd. Consultant, VTeam Financial Technology Co., Ltd.		-	-	-	-
	Republic of China	Wang En-kuo				July 19, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0		0.00%	Secretary General, ROC Money and Finance Association Consultant, Taiwan Academy of Banking and Finance Special Assistant to the Chairman of the Board of Directors, Taiwan International Securities Co., Ltd.	-	-
Director	Republic of China	Koryo Electronics Co., Ltd.	Male 51-60 years old	September 24, 2021	3	September 24, 2021	6,982,000	6.20%	10,074,000	8.95%	0	0.00%	0	0.00%	Master's Degree, National Taiwan University School of		-	-	-	-

Job Title	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date of Election (Appointment)	Term of Office	Date of Initial Election	Shareholding when Elected		Current Number of Shares Held		Current Number of Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Professional (Educational) Experience (Note 4)	Other Current Positions within the Company and in Other Companies	Executives, Directors or Supervisors who are Spouses or Within Two Degrees of Kinship			Notes
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relation	
	Republic of China	Chen Chien-lung				July 19, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Management M.S., Electrical Engineering, National Taiwan University of Science and Technology Vice President, Creative Sensor Inc. Senior Vice President, Teco Image Systems Co., Ltd. Senior Manager, De Xin Technology Co., Ltd.		-	-	-	-
Director	Republic of China	TECO International Investment Co., Ltd.	Male 51-60 years old	September 24, 2021	3	June 17, 2005	6,377,052	5.67%	6,377,052	5.67%	0	0.00%	0	0.00%	Ph.D., Graduate Institute of Industrial Engineering, National Taiwan University Vice President of Operations, An-Shin Food Services Co., Ltd.		-	-	-	-
	Republic of China	Ho Chi-yin				April 7, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%		0	0.00%		-	-
Director	Republic of China	Kuang Yuan Industrial Co., Ltd.	Male 71-80 years old	September 24, 2021	3	June 7, 2005	4,771,631	4.24%	4,771,631	4.24%	0	0.00%	0	0.00%	Corporate Managers Class for Advanced Studies, National Chengchi University Chairman of the Board of Directors, Inotec Taiwan Co., Ltd. Chairman of the Board of Directors, Yuban & Company		-	-	-	-
	Republic of China	Kao Tung-hai				June 17, 2005	11,350	0.01%	11,350	0.01%	0	0.00%	0	0.00%		0	0.00%		-	-
Independent Director	Republic of China	Tan Yao-nan	Male 51-60 years old	September 24, 2021	3	September 24, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	M.B.A., Carnegie Mellon University, USA J.D., University of Pittsburgh, USA Attorney at Law, New York and Washington, D.C. Independent Director, Green World Fintech Service Co., Ltd. Partner, K&L Gates Law Firm Visiting Fellow, Brookings Institution, USA		-	-	-	-

Job Title	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date of Election (Appointment)	Term of Office	Date of Initial Election	Shareholding when Elected		Current Number of Shares Held		Current Number of Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Professional (Educational) Experience (Note 4)	Other Current Positions within the Company and in Other Companies	Executives, Directors or Supervisors who are Spouses or Within Two Degrees of Kinship			Notes
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relation	
Independent Director	Republic of China	Lu Wentsung	Male 61-70 years old	September 24, 2021	3	September 24, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Graduated from the Accounting Track, Department of Business Administration, National Taiwan University M.B.A., National Taiwan University Attended Technology Law Track, Graduate Institute of Law, Soochow University Auditor, Group Leader, Manager, Partner, PwC Taiwan CPA, PwC Taiwan Chairman, Cross-Border Innovation and Entrepreneur Association		-	-	-	-
Independent Director	Republic of China	Hsu Wan-chi	Female 51-60 years old	September 24, 2021	3	September 24, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor of Business Administration, National Central University Master of Business Administration, National Taipei University Consultant, Taipei Tech GLORIA 2.0, National Taipei University of Technology Adjunct Associate Professor, National Taipei University of Technology Chairman, Small and Medium Enterprise Credit Guarantee Fund of Taiwan President, Taiwan Small & Medium Enterprise Counseling Foundation Assistant Vice President, General Management Department, Yang Ming Marine Transport Corporation	Note 1	-	-	-	-

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							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relation	
Independent Director	Republic of China	Yang Pei-chieh	Male 61-70 years old	September 24, 2021	3	September 24, 2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Laws, Institute of Police Studies, Central Police University Director, Taiwan Tea Corporation Director, Hey Song Corporation Supervisor, Ta I Technology Co., Ltd. Supervisor, Golden Bridge Electech Inc. Director, Kao Hsing Chang Iron & Steel Corp. Director, Southeast Cement Corporation Director, Cheng Tai Cement Plant Co. Director, Taiwan Concrete Co. Supervisor, TMMC Shipyard Co., Ltd. Supervisor, CSB Battery Technologies CEO, Selco International Corporation		-	-	-	-

Note 1: Other Current Positions within the Company and in Other Companies

Job Title	Name	Other Current Positions within the Company and in Other Companies
Chairman	Ko Ikujin	Chairman of the Board of Directors: Creative Sensor Inc., Teco Pro-Systems (JiangXi) Co., Ltd. Director: Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.; Creative Sensor Co., Ltd. (HK); Creative Sensor Inc. (BVI) Independent Director: Genetics Generation Advancement Corp. Chief Strategy Officer: Teco Image Systems Co., Ltd., Creative Sensor Inc.
Director	Fang Sung-jen	Chairman of the Board of Directors: Quantek, Inc., Darwin System Technology Corporation, Darwin Venture Management Co., Ltd., Da Han Investment Co., Ltd., Da Long Asset Management Co., Ltd., Darzhen Venture Corporation, Da Chun Venture Capital Corporation, Darhe II Venture Capital Co., Ltd., Affluent Asset Management Co., Ltd. Director: Multilite International Co., Ltd., Culture-Ing Co., Ltd., GTM Holdings Corporation, Da Chun Asset Management Co., Ltd., Chen Fu Tai Investment Co., Ltd., Da Chun Asset Management Co., Ltd., Lin Hsin Investment Co., Ltd., TECO Electric & Machinery Co., Ltd., Scientech Corporation, Chien Chun Investment Co., Ltd., Le Ta Investment Co., Ltd., Macronix International Co., Ltd.
Director	Chang Chung-te	Independent Director: Epoch Chemtronics Corp.
Director	Wang En-kuo	Chairman of the Board of Directors: Hsin Ben Investment Co., Ltd., Nanchang Creative Sensor Technology Co., Ltd., Chu Hsi Investment Co., Ltd., You Ching Management Consulting Co., Ltd. Vice Chairman of the Board of Directors: Teco Image Systems Co., Ltd. Director: Wuxi Creative Sensor Technology Co., Ltd., ProMOS Technologies Inc. Independent Director: Energy Moana Technology Co., Ltd. Supervisor: Fu Guo Online Streaming Co., Ltd.
Director	Chen Chien-lung	Chairman of the Board of Directors: Wuxi Creative Sensor Technology Co., Ltd. President: Koryo Electronics Co., Ltd. Supervisor: Innochip Technology Inc.
Director	Ho Chi-yin	Chairman of the Board of Directors: Jinglaoman Food & Beverage Co., Ltd., Teco Appliance (Hong Kong) Company Limited Director: Fujio Food System Taiwan Co., Ltd, An-Hui Information Technology Co., Ltd., Fujiatetsu Multimedia, Inc., Atetsu International Inc., Blue Pacific International Co., Ltd., Innovation to Industry Co., Ltd. Supervisor: Tzu Lien Co., Ltd. Director/President: E-Joy Electronics Managing Director: MOS Burger Australia Pty Ltd.; Director: E joy-Australia Pty Ltd.
Director	Kao Tung-hai	Chairman of the Board of Directors: Yuban & Company, Kuang Yuan Industrial Co., Ltd., Yutek Electronics Co., Ltd., Blue Pacific International Co., Ltd., An-Fu International Investment Co., Ltd. Director: Inotec Taiwan Co., Ltd., Toptek Electronics Corporation, Jinglaoman Food & Beverage Co., Ltd., Victron Technology Co., Ltd., KROM Electronics Co., Ltd., Gao Le Food and Beverage Co., Ltd., Jollywiz Digital Technology Co., Ltd., Tong Ho Global Investment Co., Ltd.
Independent Director	Tan Yao-nan	Independent Director: Green World Fintech Service Co., Ltd., Ancang Construction Co., Ltd. Others: Attorney at Law, New York and Washington, D.C.
Independent Director	Lu Wen-tsung	Chairman of the Board of Directors: Hao Hsiang Co.
Independent Director	Hsu Wan-chi	Others: Adjunct Assistant Professor, Central Taiwan University of Science and Technology
Independent Director	Yang Pei-chieh	Director: Ta I Technology Co., Ltd., Sunmax Biotechnology Co., Ltd., Hach Co., Ltd. Independent Director: Roo Hsing Co., Ltd.

Note 2: Where the chairman of the board of directors and the president or person of an equivalent post (top-level manager) of the company are the same person, spouses, or relations within the first degree of kinship, the reasons, reasonableness, necessity, and measures to address the situation shall be stated:

The Company's Chairman of the Board of Directors concurrently serves as the Chief Strategy Officer to enhance

operational efficiency, decision making and execution. The Chairman of the Board of Directors also closely communicates with the directors on recent operational status and planning guidelines to implement corporate governance. The Company has implemented the following measures to address the situation:

- (1) Members of the Board of Directors: Except for the Chairman, no employees or managers concurrently serve as directors. The Board includes members of diverse backgrounds and consists of prominent professionals in technology, finance and accounting, investment, legal and academics, who shall provide professional advice on management decisions.
- (2) The current independent directors have expertise in management and technology, communicating with the CPAs and directors regularly to effectively perform their duty of supervision. The Company has increased the number of independent directors at the first extraordinary shareholders' meeting in 2021 to enhance corporate governance.
- (3) The independent directors conduct comprehensive discussions in functional committees and provide recommendations for the Board's reference to implement corporate governance.

2. Major shareholders of the corporate shareholders

March 31, 2023

Name of the Corporate Shareholder	Major Shareholders of the Corporate Shareholder
Creative Sensor Inc.	Teco Image Systems (19.39%), Universal Cement Corporation (8.83%), Tien Da Investment Co., Ltd. (8.26%), Yu Rui Co., Ltd. (6.05%), Universal Cement Investment Co., Ltd. (6.04%), Teco Capital Investment Co., Ltd. (5.31%), Creative Sensor Inc. (treasury stock 5.19%), Koryo Electronics Co., Ltd. (3.82%), Teco International Investment Co., Ltd. (3.56%), TECO Electric and Machinery Co., Ltd. (1.43%)
Koryo Electronics Co., Ltd.	Teco Image Systems (19.29%), Creative Sensor Inc. (19.07%), Multilite International Co., Ltd. (11.30%), Lu Chuan-Fu (10.95%), Tien Da Investment Co., Ltd. (9.82%), Yang Tse-Hang (2.91%), Joyce Worldwide Ltd. (2.91%), Huang-Lin Ho-Hui (2.22%), Yang Ching-Fen (2.06%), Huang Mao-Hsiung (0.94%)
Teco International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Kuang Yuan Industrial Co., Ltd.	Huang-Lin Ho-Hui (51.58%), East Glory Investment Limited (34.46%), Bright Lane Investment Limited (10%), Tung Ho International Investment Co., Ltd. (0.74%), Others (3.22%)

3. Major shareholders whose major shareholders are corporations

March 31, 2023

Name of Corporation	Major Shareholders of the Corporation
Teco Image Systems Co., Ltd.	Creative Sensor Inc. (29.69%), Koryo Electronics Co., Ltd. (10.15%), Tien Da Investment Co., Ltd. (9.75%), An Fu International Investment Co., Ltd. (9.41%), Teco Capital Investment Co., Ltd. (7.28%), Teco International Investment Co., Ltd. (5.67%), Kuang Yuan Industrial Co., Ltd. (4.24%), CTBC Bank as the Custodian of the Employee Stock Ownership Trust Account of Teco Image Systems (1.62%), An-Tai International Investment Co., Ltd. (1.13%), Chen Hung-Li (0.73%)
Universal Cement Corporation	Sheng Yuan Investment Co., Ltd. (9.98%), Yu Sheng Investment Co., Ltd. (9.87%), Hou Po-Yi (7.79%), Investment account with HSBC in custody of Pictet (5.94%), Bozhi Investment Limited (4.27%), Hou-Su Chin-Chien (3.43%), Standard Chartered Custodian of DBS Bank 0600049662 (3.09%), Hou Po-Yu (2.62%), T.H. Wu Foundation (1.79%), Long Yi Chang Sand & Gravel Co., Ltd. (1.72%)
Tien Da Investment Co., Ltd.	Creative Sensor Inc. (29.85%); Koryo Electronics Co., Ltd. (27.27%); Teco Image Systems Co., Ltd. (25.17%); Lien Chang Electronic Enterprise Co., Ltd. (9.79%); Multilite International Co., Ltd. (6.99%); Victron Technology Co., Ltd. (0.92%)

Yu Rui Co., Ltd.	Kuang Yuan Industrial Co., Ltd. (15%), Teco Capital Investment Co., Ltd. (25%), Chao Yuan-Chi (15%), Kao Shun-Fa (25%), Kuo Kuan-Chun (9%), Wang Mei-Wen (11%)
Universal Cement Investment Co., Ltd.	Universal Cement Corporation (100%)
Tong-An Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (99.60%); An-Tai International Investment Co., Ltd. (0.20%); TECO International Investment Co., Ltd. (0.20%)
Koryo Electronics Co., Ltd.	Teco Image Systems (19.29%), Creative Sensor Inc. (19.07%), Multilite International Co., Ltd. (11.30%), Lu Chuan-Fu (10.95%), Tien Da Investment Co., Ltd. (9.82%), Yang Tse-Hang (2.91%), Joyce Worldwide Ltd. (2.91%), Huang-Lin Ho-Hui (2.22%), Yang Ching-Fen (2.06%), Huang Mao-Hsiung (0.94%)
Teco International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (17.45%), Walsin Lihwa Corporation (10.81%), Chia Yuan Investment Co., Ltd. (6.34%), Creative Sensor Inc. (2.87%), Ho Yuan International Investment Co., Ltd. (2.36%), East Glory Investment Limited (1.50%), Citibank (Taiwan) as custodian of Norges Bank investment account (1.45%), JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Group's Vanguard Emerging Markets Stock Index Fund investment account (1.3%), Kuang Yuan Industrial Co., Ltd. (1.25%), JP Morgan Chase Bank Taipei Branch as custodian of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds investment account (1.21%)
Creative Sensor Inc.	Teco Image Systems (19.39%), Universal Cement Corporation (8.83%), Tien Da Investment Co., Ltd. (8.26%), Yu Rui Co., Ltd. (6.05%), Universal Cement Investment Co., Ltd. (6.04%), Teco Capital Investment Co., Ltd. (5.31%), Creative Sensor Inc. (treasury stock 5.19%), Koryo Electronics Co., Ltd. (3.82%), Teco International Investment Co., Ltd. (3.56%), TECO Electric and Machinery Co., Ltd. (1.43%)
Multilite International Co., Ltd.	Kuang Yuan Industrial Co., Ltd. (22.28%), Joyce Investment Corp. (18.38%), Joyce Worldwide Ltd. (15.19%), Huang Mao-Hsiung (10.04%), East Glory Investment Limited (9.88%), Lin Hsin-Pei (5.11%), Chang Li-Chun (3.80%), Huang-Lin Ho-Hui (3.74%), Chang Li-Yu (3.74%), Chang Ping-Yen (2.27%)
Kuang Yuan Industrial Co., Ltd.	Huang-Lin Ho-Hui (51.58%), East Glory Investment Limited (34.46%), Bright Lane Investment Limited (10%), Tung Ho International Investment Co., Ltd. (0.74%), Others (3.22%)
Joyce Worldwide Ltd.	Ming Cheng Investment Co., Ltd. (75.75%), Kai Yue Industries Co., Ltd. (17.25%), others (7%)
East Glory Investment Limited	Kuang Yuan Industrial Co., Ltd. (39.28%); Ho-Hui Huang Lin (35.01%); Hong Kong Mingye Investment Co., Ltd. (12.73%); Tong Ho Global Investment Co., Ltd. (6.00%); others (6.98%)
Bright Lane Investment Limited	Teng Mei-Ling (100%)
Tung Ho International Investment Co., Ltd.	Huang Shang-li (25.89%), Wang Bo-Yuan (20%), Kuang Yuan Industrial Co., Ltd. (29.5%), Ko Ikujin (17.78%), others (6.83%)

4. Disclosure of information on the professional qualifications of Directors and independence of Independent Directors:

Qualifications Name	Professional Qualifications and Experience	Compliance with Independence Criteria	Number of Other Public Companies in which the Independent Director Concurrently Serves as an Independent Director
Ko Ikujin	Lecturer or above in business, law, finance, accounting or related technology required for the Company's business at public or private universities or colleges Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 3, 4, 6, 9, 10, 11 and 12 Serves as the Company's Chief Strategy Officer and the Chairman of the Board of Directors of an affiliated company — Creative Sensor Inc.	1
Fang Sung-jen	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 1, 3, 4, 5, 6, 7, 9, 10, 11 and 12 Serves as the Chairman of the Board of Directors of the Company's financial asset — Da He Er	0
Chang Chung-te	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 1, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12	1
Wang En-kuo, Representative of Creative Sensor Inc.	Lecturer or above in business, law, finance, accounting or related technology required for the Company's business at public or private universities or colleges Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 3, 4, 5, 6, 9, 10, and 11	0
Koryo Electronics Co., Ltd. Chen Chien-lung, Representative	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 1, 3, 4, 6, 7, 9, 10 and 11 Serves as President of Koryo Electronics Co., Ltd., a shareholder holding over 5% of the shares	0
Ho Chi-yin, Representative of Teco International Investment Co., Ltd.	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 1, 3, 4, 5, 6, 7, 8, 9, 10 and 11	0
Kao Tung-hai, Representative of Kuang Yuan Industrial Co., Ltd.	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence items (Note) 1, 3, 4, 5, 6, 7, 8, 9, 10 and 11	0

Tan Yao-nan	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Complies with independence requirements in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	1
Lu Wen-tsung	Certified professional and technical personnel who have passed the national examination for accountants Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	●The independent directors and their spouses and relatives within second degree do not serve as directors, supervisors, or employees of the Company or any of its affiliates.	0
Hsu Wan-chi	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	●The independent directors and their spouses and relatives within second degree do not hold shares of the Company in their own names (or in any third party's name).	0
Yang Pei-chieh	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	●The independent directors and their spouses and relatives within second degree do not serve as directors, supervisors, or employees of any company that has a specific relationship with the Company. ●The independent directors did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years.	1

Note: Independence criteria:

(1) Not an employee of the Company or its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (Does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.

(4) Not a managerial officer listed in the preceding Subparagraph (1) or a spouse, relative within second degree of kinship, or direct blood relative within third degree of kinship of personnel listed in the preceding Subparagraphs (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act. (Does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

(6) If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. (Does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

(7) If the chairman, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. (Does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (Does not apply if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company, and if the independent director is appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship of other directors.
- (11) Not under any of the circumstances specified in Article 30 of the Company Act.
- (12) Not elected as a government agency, a juristic person or their proxy as provided in Article 27 of the Company Act.

5. Diversity and independence of the Board of Directors:

(1) Diversity of the Board: The Company's "Corporate Governance Best Practice Principles" stipulates a policy on diversity of board members:

The composition of the Board of Directors shall take into account diversity. The number of directors who concurrently serve managers of the Company shall not exceed one-third of the total number of directors. The Company shall also formulate an appropriate diversity policy with respect to its operation, business model, and development needs, including but not limited to the following two major criteria:

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors as a whole shall possess the following abilities:

	Ko Ikujin	Fang Sung-jen	Chang Chung-te	Wang En-kuo	Chen Chien-lung	Kao Tung-hai	Ho Chi-yin	Tan Yao-nan	Lu Wen-tsung	Hsu Wan-chi	Yang Pei-chieh
Title	Chairman	Director	Director	Vice Chairman	Director			Independent Director			
Gender	Male	Male	Male	Male	Male	Male	Male	Male	Male	Female	Male
Nationality	Japan	Republic of China									
Age	51-60	51-60	71-80	51--60	51-60	71-80	51-60	51-60	61-70	51-60	61-70
Concurrent role as company employee	V										
Professional knowledge and skills											
Business	V	V	V	V	V	V		V	V	V	V
Technology	V	V	V		V		V				
Finance/accounting						V	V	V	V	V	V
Law						V		V			V
Marketing	V			V	V	V	V			V	
Information security					V	V					
Skills and experience											
Leadership abilities	V	V	V	V	V	V	V	V	V	V	V

Decision-making abilities	v	v	v	v	v	v	v	v	v	v	
International market perspective	v	v	v	v	v	v		v	v	v	v
Industry knowledge	v	v	v		v	v				v	
Crisis management abilities	v	v	v	v	v	v	v	v	v	v	v
Accounting and financial analysis abilities	v	v			v	v	v	v	v	v	v
Ability to make sound business judgments	v	v	v		v	v		v	v	v	
Environmental sustainability	v	v	v	v	v	v					
Social engagement	v	v		v	v	v		v		v	

The Company's Board of Directors currently has 11 Directors including 4 Independent Directors (36%). The members have experience in the areas of law, accounting, business and education. The Company's 4 Independent Directors include 1 female Independent Director. The Company places importance on gender equality among the board members, achieving a specific management objective for the diversity of the Board of Directors.

(2) Independence of the Board of Directors:

The Company currently has 4 Independent Directors and 7 general Directors, and the Independent Directors account for 36%. None of the Directors and Independent Directors of the Company are related to each other as provided in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act, and none of the Directors and Independent Directors are related to each other as spouses or within the second degree of kinship.

(II) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers:

March 31, 2023

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Number of Shares Held		Number of Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Professional (Educational) Experience	Concurrent Positions in Other Companies	Managers who are Spouses or Relatives Within the Second Degree of Kinship			Notes
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Job Title	Name	Relationship	
Chief Strategy Officer	Japan	Ko Ikujin	Male	March 2021	478,686	0.43%	0	0.00%	0	0.00%	M.E.E. of Columbia University Chairman of TECO Image Systems Co., Ltd.	Chairman of the Board of Directors: Creative Sensor Inc., Teco Pro-Systems (JiangXi) Co., Ltd. Director: Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.; Creative Sensor Co., Ltd. (HK); Creative Sensor Inc. (BVI) Independent Director: Genetics Generation Advancement Corp. Chief Strategy Officer: Creative Sensor Inc.	-	-	-	
President	Japan	Kanji Wada	Male	March 2021	0	0.00%	0	0.00%	0	0.00%	Modern Controlling Theory of Institute of Engineering, Keio-Gijyuku University Senior Executive Officer, Direct Link Co., Ltd.	Adviser: N.GeN Corporation	-	-	-	
Vice President of Operations	Taiwan	Li Li-chiu	Female	January 2022	117,631	0.10%	0	0.00%	0	0.00%	Master's degree, Andrew Jackson University, USA Bachelor's degree, Department of International Trade, Lan Yang Institute of Technology	Director, Teco Image Systems (DongGuan) Co., Ltd. Director, Koryo Electronics Co., Ltd.	-	-	-	
Assistant Vice President	Taiwan	Chang Chen-cheng	Male	January 2022	115,225	0.10%	0	0.00%	0	0.00%	Graduate Institute of Business Management, Chung Yuan Christian University Bachelor of Science in Mechanical Engineering, Chung Yuan Christian University	Director, Solmax Power Taiwan Limited Supervisor, Wuxi Creative Sensor Technology Co., Ltd.	-	-	-	

Note 1: Where the chairman of the board of directors and the president or person of an equivalent post (top-level manager) of the company are the same person, spouses or relations within the first degree of kinship, the reasons, reasonableness, necessity and measures to address the situation shall be stated:

The Company's Chairman of the Board of Directors concurrently serves as the Chief Strategy Officer to enhance operational efficiency, decision making and execution. The Chairman of the Board of Directors also closely communicates with the directors on recent operational status and planning guidelines to implement corporate governance. The Company has implemented the following measures to address the situation:

- (1) Members of the Board of Directors: Except for the Chairman, no employees or managers concurrently serve as directors. The Board includes members of diverse backgrounds and consists of prominent professionals in technology, finance and accounting, investment, legal and academics, who shall provide professional advice on management decisions.
- (2) The current independent directors have expertise in management and technology, communicating with the CPAs and directors regularly to effectively perform their duty of supervision. The Company has increased the number of independent directors at the first extraordinary shareholders' meeting in 2021 to enhance corporate governance.
- (3) The independent directors conduct comprehensive discussions in functional committees and provide recommendations for the Board's reference to implement corporate governance.

III. Remuneration Paid to Directors, Management Team in the Most Recent Year

(I) Remuneration of Directors and Independent Directors

Unit: NT\$1,000

No.	Job Title	Name	Remuneration of Directors								Sum of A, B, C, and D as a percentage of net income (%)		Remuneration received as employees								Sum of A, B, C, D, E, F and G as a percentage of net income		Compensation received from investees or parent company other than subsidiaries																													
			Remuneration (A)		Pension (B)		Remuneration of Directors (C)		Business execution expenses (D)				Salary, bonuses, and special allowances (E)		Pension (F)		Employee compensation (G)																																			
			The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies listed in the financial statements																														
1	Chairman	Ko Ikujin	4,385	4,385	0	0	3,317	3,317	210	210	7,912	12.29%	7,912	12.29%	7,548	7,548	0	0	197	0	197	0	15,657	24.32%	15,657	24.32%	19,652																									
2	Director	Fang Sung-jen																																																		
3	Director	Chang Chung-te																																																		
4	Director	Creative Sensor Inc. Representative: Wang En-kuo																																																		
5		Koryo Electronics Co., Ltd. Representative: Chen Chien-lung																																																		
6	Director	Teco International Investment Co., Ltd. Representative: Ho Chi-yin																																																		
7	Director	Kuang Yuan Industrial Co., Ltd. Representative: Kao Tung-hai																																																		
8	Independent Director	Tan Yao-nan																										4,360	4,360	0	0	442	442	260	260	5,062	7.86%	5,062	7.86%	0	0	0	0	0	0	0	0	0	0	0	0	0
9		Independent Director																																																		
10	Independent Director	Hsu Wan-chi																																																		
11	Independent Director	Yang Pei-chieh																																																		

- Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance between the amount of remuneration and the factors including responsibilities, risks, the time spent by the individual, etc.: The remuneration for Directors is determined based on the degree of their participation and contributions to business operations of the Company as well as prevailing rates in the industry in Taiwan and in foreign countries in accordance with the Articles of Incorporation of the Company. If the Company makes a profit in the current year, the Board of Directors may pass a resolution to set aside no more than 5% as remuneration for Directors. The Company established the "Regulations Governing Allocation of Remuneration to Directors". The performance evaluation and the reasonableness of the remuneration is reviewed by the Remuneration Committee and the Board of Directors.
- Except as disclosed above, remuneration received by directors in the latest year for services (e.g., acting as a non-employee consultant of the parent company/any company in the financial statements/investee) provided by the Directors: NT\$2,040,000

Remuneration Brackets

Brackets of remuneration paid to the Company's Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies listed in the financial statements H	The Company	All companies listed in the financial statements I
Under NT\$1,000,000	1, 2, 3, 4, 6, 7, 8, 9, 10, 11	1, 2, 3, 4, 6, 7, 8, 9, 10, 11	2, 3, 4, 6, 7, 8, 9, 10, 11	2, 3, 4, 6, 7, 8, 9, 10, 11
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	12, 13, 14, 15	12, 13, 14, 15	12, 13, 14, 15	12, 13, 14, 15
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	5	5	5	5
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)			1	1
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
Total	15	15	15	15

(II) Remuneration of Presidents and Vice Presidents

Unit: NT\$1,000

Job Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Employee compensation (D)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation received from investees or parent company other than subsidiaries
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements		The Company	All companies listed in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
1	Chief Strategy Officer Ko Ikujin	15,706	16,186	0	0	2,869	2,869	1,179	0	1,179	0	19,754 30.68%	20,234 31.43%	10,601
2	President Kanji Wada													
3	Vice President of Operations Li Li-chiu (Appointed on January 5, 2022)													

Remuneration Brackets

Brackets of remuneration paid to the Company's president and vice presidents	Names of presidents and vice presidents (Note)	
	The Company	All companies listed in the financial statements
Under NT\$1,000,000		
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	3	3
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	1, 2	1, 2
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		
Total	3	3

Note: Represented with the number of each manager

(III) Names of managers who receive employee compensation and status of distribution

Unit: NT\$1,000

Manager	Job Title	Name	Stock amount	Cash amount (Note)	Total	Total amount as a percentage of net income after tax (%)
	Chief Strategy Officer	Ko Ikujin	0	1,392 (Estimate)	1,392 (Estimate)	2.16%
	President	Kanji Wada				
	Vice President of Operations	Li Li-chiu				
	Assistant Vice President	Chang Chen-cheng				
	Financial Manager	Yen Chun-mei (Note 2)				
	Accounting Manager	Hsu Cheng-chen				
	Acting spokesperson	Lai Chien-I				

Note 1: Please specify the employee compensation allocated to managerial officers (including stock dividend and cash dividend) upon resolution by the Board of Directors meeting in the most recent year. If it is impossible to forecast the same, please calculate the amount allocated based on the allocation percentage adopted last year. The net income after tax refers to the net income after tax for the most recent year.

Note 2: The Financial Manager Yen Chun-mei was appointed on March 17, 2023.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the Company and by all companies included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Analysis of total remuneration, as a percentage of net income, as paid by the Company and by all companies included in the consolidated financial statements to directors, presidents, and vice presidents:

Year	Remuneration of Directors		Presidents and vice presidents	
	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements
2022	20.15%	20.15%	30.68%	31.43%
2021	20.71%	21.17%	24.49%	25.50%

2. The remuneration of Directors as a percentage of the net profit after tax decreased in 2022 compared to 2021.

- (1) The directors and supervisors' remunerations provided pursuant to the Articles of Incorporation are based on the balance of net income before tax deducting the profit before distribution of employees, directors and supervisors' remunerations, and setting aside the reserves to offset the cumulative deficit.
- (2) Due to the drastic changes in China's MFP market and the persistent global

semiconductor shortages in 2022, the revenue decreased by 3% compared to the previous year. However, the net income after tax increased by 24.23% in 2022 compared to 2021 due to an increase in the share of profits/losses on equity-accounted associated companies and joint ventures compared to 2021. As a result, the remuneration of directors and supervisors as a percentage of net income after tax decreased in 2022 compared to 2021.

3. The policies, standards, combinations, and procedure of decision-making of remuneration and their relation to business performance and future risks on the payment of Directors' remuneration.

- (1) The policies, standards, combinations

The Company pays remuneration to the Directors, including independent directors, pursuant to the Company Act with the approval of the Board of Directors.

Compensations for the Directors: Their involvement in the Company's operation, and the value of their contribution will be considered as well as the domestic and overseas compensation standard. The proposal will be adopted by the board of directors as authorized.

Remuneration for the Directors: When the Company has profits, it will be paid according to the proportion specified in the Articles of Incorporation.

Director attendance fee: Will be paid according to their attendance of Board Meetings, Remuneration Committees Meetings, and Audit Committees Meetings.

- (2) Procedure of decision-making of remuneration: According to Articles of Incorporation, to reward Directors, if the Company makes a profit for the year, the Company shall contribute not more than 5% of the directors' remuneration, from the Company's profit before taxation, after retaining the profit needed to cover any accumulated losses.

The Company pays remuneration to the Directors, including independent directors, pursuant to the Company Act with the approval of the Board of Directors.

- (3) Their relation to business performance and future risks.

The Company paid remuneration to directors in accordance with the Articles of Incorporation, and depending on the Company's annual profit situation, hence it is closely related to operating performance. Meanwhile, the Company has established the "Regulations Governing Allocation of Remuneration to Directors" to govern the allocation of remuneration to the Company's directors. The remuneration and salary paid to the Company's Directors will be reviewed by Remuneration Committee and are based on their business performance, value, and conscientiousness as well as the standard prevailing in the same trade and relation to future risk.

4. The remuneration of the President and Vice Presidents as a percentage of the net profit after tax in 2022 increased compared to 2021 and the main reasons are as follows:

- (1) The remuneration of the President and Vice Presidents is determined based on their participation and contributions to the Company's operations, and it accounts for the prevailing rates in the industry and linkage to future risk exposure.
- (2) In addition to the reasons that also apply to the remuneration of directors and supervisors, the timing of the promotion of the President and the Vice President of Operations also caused an increase in the remuneration paid to Presidents and Vice Presidents as a percentage of net income after tax.

5. The policies, standards, combinations, and procedure of decision-making of remuneration and their relation to business performance and future risks on the payment of President and Vice President remuneration.

(1) The policies, standards, combinations

The salary structure of the President and Vice President is divided into two types: fixed salary and variable salary. The fixed salary is the salary paid every month; the variable salary is the employee compensation and year-end bonus.

The employee compensation and year-end bonus of the President and Vice President are based on their contribution to the Company's operations and their current year's performance will be evaluated as the standard to pay according to the Employee Performance Management. The Remuneration Committee shall make recommendations before the matter is submitted to the Board of Directors for deliberation.

(2) Procedure of decision-making of remuneration: According to Articles of Incorporation, to reward and motivate employees and the management team, if the Company makes a profit for the year, the Company shall contribute 5% to 15% of the employee's remuneration, from the Company's profit before taxation, after retaining the profit needed to cover any accumulated losses.

The Company will determine the amount of year-end bonus distribution based on the annual operating performance, and the distribution method is then approved by the chairman of the board, and the total amount of payment must comply with the annual budget approved by the Board of Directors.

(3) Their relation to business performance and future risks.

The review of the Company's remuneration-related payment standards and systems is based on the Company's overall operating conditions as the main consideration, and the performance achievement rate and contribution payment standard approved to improve the effectiveness of the Board of Directors and the management team. It will also be based on the salary standard of the same industry to ensure that the salary of the company's management team is competitive in the industry, so as to retain management talents.

The Company has established a standard for remuneration for managers, which is based on the value of the manager's participation and contribution to the Company's operations and management, and the risk, whether there are major changes in the Company's operating conditions or business performance, and other factors will be taken into account as the basis for compensation calculation.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

The Board of Directors held 6 meeting in the most recent year. The Directors' attendance is as follows:

Job Title	Name	Times of attendance in person (either as a non-voting participant or a voting participant) B	Attendance by proxy	Rate of Attendance in person (either as a non-voting participant or a voting participant) (%) (B/A)	Notes
Chairman	Ko Ikujin	6	0	100%	None
Director	Fang Sung-jen	6	0	100%	None
Director	Chang Chung-te	6	0	100%	None
Director	Creative Sensor Inc. Representative: Wang En-kuo	6	0	100%	None
Director	Koryo Electronics Co., Ltd. Representative: Chen Chien-lung	6	0	100%	None
Director	TECO International Investment Co., Ltd. Representative: Ho Chi-yin	6	0	100%	None
Director	Kuang Yuan Industrial Co., Ltd. Representative: Kao Tung- hai	5	1	83%	None
Independent Director	Tan Yao-nan	6	0	100%	None
Independent Director	Lu Wen-tsung	6	0	100%	None
Independent Director	Hsu Wan-chi	6	0	100%	None
Independent Director	Yang Pei-chieh	6	0	100%	None

Other matters that require reporting:

1. If any of the following circumstances apply to the operation of the board of directors' meeting, the date, term, contents of the motions, the opinions of all independent directors and the Company's handling of the opinions of the independent directors shall be stated:
 - (1) Matters listed in Article 14-3 of the Securities and Exchange Act: Please refer to the operations of the Audit Committee specified in this annual report. All motions were approved and passed unanimously by all Independent Directors.
 - (2) In addition to the foregoing, other resolutions passed at a meeting of the board of directors about which any independent director expresses an objection or reservation that has been included in records or stated in writing: None
2. For the recusal of Independent Directors to motions due to conflicts of interests, the name of the Independent Director, content of the motion, reason for recusal, and participation of the resolution shall be listed: None

3. Implementation of evaluations on the Board of Directors and functional committees:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Description of evaluation results:
Once a year	January 1, 2022 to December 31, 2022	Board of Directors individual board members, functional committees	Self-evaluation by the board of directors, self-evaluation by the board members and self-evaluation by the functional committees	<p>1.Board performance evaluation:</p> <p>A. Level of involvement in the Company's operations</p> <p>B. Improvement of the quality of board decisions</p> <p>C. Composition and structure of the Board of Directors</p> <p>D. Election of Directors and continuing education</p> <p>E. Internal control</p> <p>2.Self-evaluation of board members</p> <p>A. Mastery of company goals and tasks</p> <p>B. Awareness of directors' responsibilities</p> <p>C. Level of involvement in the Company's operations</p> <p>D. Internal relations management and communication</p> <p>E. Directors' professional competence and continuing education</p> <p>F. Internal control</p> <p>3.Self-evaluation of the Audit Committee:</p> <p>A. Level of involvement in the Company's operations</p> <p>B. Awareness of responsibilities of the functional committee</p> <p>C. Improvement of committee decision quality</p> <p>D. Committee composition and selection of members</p> <p>E. Internal control</p> <p>4.Self-evaluation of the Remuneration Committee:</p> <p>A. Level of involvement in the Company's operations</p> <p>B. Awareness of responsibilities of the functional committee</p> <p>C. Improvement of committee decision quality</p> <p>D. Committee composition and selection of members</p>
<p>1.Description of evaluation results:</p> <p>(1)Self-evaluation results of the Board of Directors' performance: 45 indicators in five major areas, with an evaluation result of "Excellent (4.94)."</p> <p>(2)Self-evaluation results of the Board members' performance: 23 indicators in six major areas, with an evaluation result of "Excellent (4.95)."</p> <p>(3)Self-evaluation results of the Audit Committee's performance: 22 indicators in five major areas, with an evaluation result of "Excellent (4.95)."</p> <p>(4)Self-evaluation results of the Remuneration Committee's performance: 19 indicators in four major areas, with an evaluation result of "Outstanding (5.00)."</p> <p>2.Conclusion</p> <p>The results of these self-evaluations show that the Board of Directors has been responsible for properly guiding and supervising the Company's strategies, major business and risk management, and that the overall operation is sound and meets the requirements of corporate governance.</p>				

4. An evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years:

- (1) On December 20, 2011, the Company established the Remuneration Committee to take charge of the policy, system, standard, and structure, assessment, and determination of the remuneration and performance evaluation of directors, supervisors, and managerial officers.
- (2) On June 24, 2010, the Company established the Audit Committee, which shall be responsible for all matters and duties assigned to supervisors by the Securities and Exchange Act, the Company Act, and other laws, except the matters and duties specified in Article 14-4, Paragraph 4 of the Securities and Exchange Act. The provisions of Article 14-4, Paragraph 4 of the Securities and Exchange Act regarding the actions of supervisors or their roles as representatives of the Company in the Company Act shall apply mutatis mutandis to the Independent Director members of the Committee.
- (3) Directors' education: In addition to encouraging Directors to pursue further education on their own, the Company arranges for lecturers to provide lectures to Directors and managers every year to continuously enrich their knowledge and increase the benefits of interactions. In 2022, the Board of Directors reached a total of 72 hours of study, and the Company invited the Corporate Operation and Sustainable Development Association to organize the course "Launch of Corporate Governance Roadmap 3.0 in Taiwan".
- (4) Directors' liability insurance: In order to protect Directors against the risks they assume in the execution of their business, the Company takes out directors' liability insurance for Directors every year, regularly reviews the contents of the policy to ensure that the indemnity and coverage meet the needs, and reports results to the Board of Directors.
- (5) The Company has established the "Performance Evaluation Measures of the Board of Directors and Functional Committees." After each year's performance evaluation, the executive unit of the Board of Directors shall compile and analyze the data and submit an evaluation report to the Board of Directors. The evaluation of the Board of Directors' performance for 2022 has been completed.

(II) Operations of the Audit Committee:

The main matters reviewed by the Audit Committee are as follows

- Financial statements.
- Internal control system and related policies and procedures, and assessment of effectiveness.
- Compliance with Article 36-1 of the Securities and Exchange Act.
- Major asset or derivative transactions.
- Lending, endorsement or guarantee of major funds.
- Matters involving Directors' personal interests.
- Offering, issuance, or private placement of equity-type securities.
- Appointment, dismissal, and compensation of CPAs.
- Appointment and dismissal of finance, accounting, and internal audit managers.

Professional qualifications and experience of the members of the Audit Committee

Qualifications	Professional Qualifications and Experience
Name	
Tan Yao-nan	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business
Lu Wen-tsung	Certified professional and technical personnel who have passed the national examination for accountants Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business
Hsu Wan-chi	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business

Yang Pei-chieh	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business
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The Audit Committee held a total of 6 meetings in the most recent fiscal year (2022). The attendance of Independent Directors was as follows:

Job Title	Name	Number of actual attendances (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Notes
Independent Director	Tan Yao-nan	6	0	100%	
Independent Director	Lu Wen-tsung	6	0	100%	
Independent Director	Hsu Wan-chi	6	0	100%	
Independent Director	Yang Pei-chieh	6	0	100%	

Other matters that require reporting:

1. If any of the following circumstances apply to the operation of the Audit Committee, the date and term of the meeting, contents of the motions, contents of objections, reservations or material recommendations from the Independent Directors, Audit Committee resolution and the Company's handling of the Audit Committee's opinion shall be stated:

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

Date of Audit Committee meeting	Term	Content of the motion	Independent Directors' dissenting opinions, reservations or significant recommendations	Audit Committee resolution	The Company's response to Committee's opinions
January 5, 2022	2nd term 2nd meeting	Report on the execution of derivative financial instrument transactions	No objections or qualified opinions expressed by Independent Directors	Passed unanimously by all members of the Committee in attendance	None
		Internal audit report			
		2022 budget			
		Evaluation of the independence of the certifying CPAs			
		Proposal for the appointment of the CPA for 2022 and remuneration			
March 16, 2022	2nd term 3rd meeting	Appointment of senior executives	No objections or qualified opinions expressed by Independent Directors	Passed unanimously by all members of the Committee in attendance	None
		Report on the execution of derivative financial instrument transactions			
		Internal audit report			
		2021 Business Report and financial statements			
		2021 earnings appropriation			
May 5, 2022	2nd term 4th meeting	Issuance of the 2021 "Statement of Internal Control System"	No objections or qualified opinions expressed by Independent Directors	Passed unanimously by all members of the Committee in attendance	None
		Report on the execution of derivative financial instrument transactions			
		Internal audit report			
August 4, 2022	2nd term 5th meeting	Q1 2022 financial statements	No objections or qualified opinions expressed by Independent Directors	Passed unanimously by all members of the Committee in attendance	None
		Report on the execution of derivative financial instrument transactions			
		Internal audit report			
		Q2 2022 financial statements			

November 3, 2022	2nd term 6th meeting	Report on the execution of derivative financial instrument transactions	No objections or qualified opinions expressed by Independent Directors	Passed unanimously by all members of the Committee in attendance	None
		Internal audit report			
		Q3 2022 financial statements			
		2022 audit plan			
December 23, 2022	2nd term 7th meeting	Report on the execution of derivative financial instrument transactions	No objections or qualified opinions expressed by Independent Directors	Passed unanimously by all members of the Committee in attendance	None
		Internal audit report			
		2023 budget			
		Evaluation of the independence of the certifying CPAs			

(2) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but passed in a resolution by more than two thirds of all Directors: None.

2. For the recusal of Independent Directors to motions due to conflicts of interests, the name of the Independent Director, content of the motion, reason for recusal, and participation of the resolution shall be listed: No such circumstances.
3. Communication between independent directors, the head of internal audit, and the CPAs: The independent directors may communicate with the head of internal audit and CPAs at any time regarding the Company's finances and businesses, and receive reports on various business matters from the directors and management and participate in discussions and decision making when attending board meetings.

(1) Communication between independent directors and the head of internal audit:

- The head of audit submits the audit report to all Audit Committee members for review by the end of the month following the completion of the audit project.
- The audit director attends every audit committee meeting to report on the status of audit and to communicate in person with the Independent Directors.
- The internal auditors immediately report to the Independent Directors if they discover any material violation of rules or if the Company is in danger of material loss.

Meeting Date	Meeting	Communication Matters	Communication Results
January 5, 2022	2nd term 2nd meeting Audit Committee	Internal audit report for 2022	Noted
March 16, 2022	2nd term 3rd meeting Audit Committee	Internal audit report for 2022 2021 "Statement of Internal Control System"	Noted Reviewed and passed and submitted to the Board of Directors for resolution
May 5, 2022	2nd term 4th meeting Audit Committee	Internal audit report for 2022	Noted
August 4, 2022	2nd term 5th meeting Audit Committee	Internal audit report for 2022	Noted
November 3, 2022	2nd term 6th meeting Audit Committee	Internal audit report for 2022 2023 audit plan	Noted Reviewed and passed and submitted to the Board of Directors for resolution

December 23, 2022	2nd term 7th meeting Audit Committee	Internal audit report for 2022	Noted
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- (2) Communication between Independent Directors and CPAs:
The CPA responsible for auditing the Company's semi-annual and annual financial statements reported the review results or audit results as well as other statutory communication matters at the Audit Committee meeting.

Meeting Date	Meeting	Communication Matters	Communication Results
March 16, 2022	In-person meeting	The CPA provided a description of the key audit matters identified during auditing the financial statements for 2021	Reviewed and submitted to the Board of Directors for resolution
May 5, 2022	In-person communication	The CPA provided a description of the audit of the Q1 2022 financial statements	Reviewed and submitted to the Board of Directors for resolution
August 4, 2022	In-person communication	The CPA provided a description of the audit of the Q2 2022 financial statements	Reviewed and submitted to the Board of Directors for resolution
November 3, 2022	In-person communication	The CPA provided a description of the audit of the Q3 2022 financial statements	Reviewed and submitted to the Board of Directors for resolution
December 9, 2022	Communication in writing	The CPA provided a description of the key audit matters identified during auditing the financial statements for 2022	Noted

(III) Status of corporate governance, deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons for such deviations

Evaluation Items	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Has the Company established and disclosed the governance practice principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Group has formulated and disclosed its own corporate governance principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."	The Group has adopted the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" as the basis for corporate governance.
II. Equity structure and shareholders' rights of the Company		✓	(I) The Group has not established such procedures, but the Company has appointed a spokesperson, acting spokesperson, and stock affairs units to handle issues such as shareholders' proposals and disputes.	No deviation
(I) Has the Company defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?				No deviation
(II) Does the Company have the list of the major shareholders who actually control the Company and the persons who control the major shareholders?	✓		(II) The Group keeps track of the shareholdings of Directors, managers and substantial shareholders holding 5% or more of the shares and reports the shareholdings of major shareholders on a regular basis.	No deviation
(III) Has the Company established or implemented some risk control and firewall mechanisms between the Company and its affiliates?	✓		(III) The financial and business operations of the Group and its affiliates are independent of each other. The Group has also established the "Regulations Governing the Control of Subsidiaries" to monitor the operations of its subsidiaries.	No deviation
(IV) Has the Company established internal regulations to prohibit Company insiders from using information not available to the market to trade securities?	✓		(IV) The Company established related regulations in the "Internal Material Information Handling Operation Procedure". It also provides related information on regulations when insiders are appointed. The Company also specified in the Internal Material Information Handling Operation Procedure that Directors may not trade shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. The Company sends reminders in advance of the closed period on to prevent any accidental breach of the regulation by Directors.	
III. Composition and responsibilities of Board of				

<p>Directors</p> <p>(I) Has the Company formulated a policy of diversity for the formation of the Board of Directors and implemented it thoroughly?</p> <p>(II) Is the Company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Group's "Corporate Governance Best Practice Principles" stipulates a policy on diversity of board members and it is fully implemented.</p> <p>(II) The Group has established the Remuneration Committee, and established the Audit Committee after the election of the Directors in the shareholders' meeting in 2020 (June 24, 2020). The Group will evaluate the establishment of other functional committees as necessary in the future.</p>	<p>No deviation</p> <p>The Group has established the Remuneration Committee, and established the Audit Committee after the election of the Directors in the shareholders' meeting in 2020 (June 24, 2020). The Group will evaluate the establishment of other functional committees as necessary in the future.</p>
<p>(III) Has the Company established guidelines for evaluating the performance of the Board of Directors and conducted regular performance evaluations every year? Does the Company submit results of evaluations to the Board of Directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?</p>	<p>✓</p>		<p>(III) The Company has established the "Rules Governing the Performance Evaluation of the Board of Directors and Functional Committees," which stipulates that the Board of Directors shall conduct a performance evaluation at least once a year. The performance evaluation of the current year shall be conducted at the end of each year during the internal evaluation, and the evaluation results shall be completed before the nearest board meeting to be held in the following year. The performance evaluation of the Board of Directors for 2022 has been completed through self-evaluation by the Board members, the scope of the self-evaluation including performance evaluation of the Board of Directors, self-evaluation of individual Board members and performance evaluation of the functional committees. The average score of the evaluation exceeded 4.9 (full score being 5), which indicates that the operation systems of the Board of Directors and the functional committees are sound and comprehensive. The results were reported to the Board of Directors on March 17, 2023.</p>	<p>No deviation</p>
<p>(IV) Does the Company assess the CPAs for their independence on a regular basis?</p>	<p>✓</p>		<p>(IV) The Company evaluates the independence and competence of the CPAs regularly every year, examining whether they are shareholders or have received a salary from the Company to ensure they are not our stakeholders. We also</p>	<p>No deviation</p>

			<p>ensure that they are not involved in any lawsuit. The Company also obtained the declaration of independence and Audit Quality Indicators (AQIs) issued by the CPAs. The financial and accounting department of the Company conducts the preliminary review on the independence and competence of the CPAs. The Audit Committee discussed in its meetings on December 23, 2022 and March 17, 2023 (7th and 8th meeting of the 2nd term) and reported the results to the Board of Directors (7th and 8th meeting of the 10th term), which passed a resolution to approve the independence and competence evaluation of the CPAs.</p>	
<p>IV. Does the TWSE/TPEX listed company set up designated (concurrent) corporate governance units or personnel responsible for related matters (including but not limited to providing information required for Directors and Supervisors to perform their duties, handling matters related to Board of Directors' and shareholders' meetings, dealing with company and change registration, and making minutes of the Board of Directors' and shareholders' meetings, etc.)?</p>	✓		<p>The Company's Finance and Accounting Division is responsible for corporate governance matters:</p> <p>(I) Provide directors and independent directors with required information, assign a person to be responsible for board meetings and shareholders' meetings, handle the registration and changes of the Company, and prepare the minutes of board meetings and shareholders' meetings.</p> <p>(II) Coordinate the improvement plan and implementation of corporate governance projects in respective departments.</p> <p>(III) Monitor amendments of corporate governance regulations by the competent authorities, revise internal corporate governance related regulations accordingly, review the regulations with external lawyers, and submit results to the Board of Directors.</p>	No deviation
<p>V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues of interest to the stakeholders?</p>	✓		<p>The Group has established a communication channel with stakeholders and has responded appropriately to their concerns on important corporate social responsibility issues.</p>	No deviation
<p>VI. Does the Company commission a professional registrar to deal with the affairs of shareholders' meetings?</p>	✓		<p>The Group has engaged the Agency Department of CTBC Bank to act on behalf of the Company in shareholder matters and has established the "Regulations Governing Stock Affairs" to regulate</p>	No deviation

			related matters.	
<p>VII. Information disclosure</p> <p>(I) Has the Company built a website to disclose the financial and corporate governance information of the Company?</p> <p>(II) Does the Company use other information disclosure methods (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?</p> <p>(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?</p>	<p>∨</p> <p>∨</p> <p>∨</p>	<p>(I) The Group's website has "Financial Information," "Investor Services," and "Corporate Governance" sections to fully disclose financial operations and corporate governance information.</p> <p>(II) The Group has set up a website in both English and Chinese, appointed dedicated personnel responsible for collecting and disclosing company information, and implements the spokesperson system.</p> <p>(III) The Company publicly announces and registers with the competent authority its annual financial reports (within three months), first, second and third quarter financial reports (within 45 days) and monthly operating status (within the first ten days of each calendar month) in accordance with Article 36 of the Securities and Exchange Act. Due to the Group's merger, it has not yet been possible to announce and register the annual financial reports within two months after the end of the fiscal year. The financial statements for 2022 were announced and registered on March 17, 2023.</p>	No deviation	
<p>VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, continuing education of Directors and Supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for Directors and Supervisors)?</p>	∨	<p>(I) Employee rights and employee care: The Company offers labor conditions superior to those required in the Labor Standards Act and the Employment Service Act, and fulfills its social responsibility to take care of its employees and the disadvantaged in its employment.</p> <p>(II) Investor relations: The Company's website has an "investors" section for investors to access information about the Company; the Company also designates a spokesperson to handle shareholder suggestions.</p> <p>(III) Supplier relations: The Company has always maintained good relations with its suppliers. In addition to communication through procurement channels, the Company holds</p>	No deviation	

		<p>annual supplier meetings to connect and exchange views with suppliers.</p> <p>(IV) Stakeholders' rights: Stakeholders may communicate with the Company and make suggestions in order to protect their legitimate rights and interests.</p> <p>(V) Directors' and supervisors' continuing education: The Company's Directors and Supervisors have continued their education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." (Note 1)</p> <p>(VI) Implementation of risk management policies and risk measurement standards: Please refer to the description of "Risk Analysis and Assessment" in this report (pages 100-101).</p> <p>(VII) Implementation of customer policy: The Company maintains a stable and good relationship with its customers to generate profits.</p> <p>(VIII) Liability insurance for all directors of the Company: The Company has taken out liability insurance for all directors and managers in 2023 with a coverage of US\$10 million. -- AIG Taiwan: Insurance Certificate No. 2900-2331000819-10</p> <p>(IX) Certification and licenses of personnel related to the transparency of financial information as specified by the competent authorities: The Company's Finance and Accounting Division is responsible for matters related to the transparency of financial information, and its personnel has passed the stock affair specialists basic competency test held by the Securities and Futures Institute and obtained certification.</p>	
<p>IX. Please specify the status of the improvement made, based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified.</p>	<p>✓</p>	<p>In the eighth annual corporate governance evaluation in 2021, the Company was graded between 66% and 80%. Based on the eighth annual corporate governance evaluation results in 2021, the Company has first made the following improvements: (1) uploaded material information in English and the shareholders' meeting handbook; (2) disclosed the results of the Board of Directors'</p>	<p>Based on the evaluation results, the Company has prioritized its efforts to comply with the Corporate Governance Best Practice Principles.</p>

			performance evaluation in the annual report, etc. Moving forward, the Company will strengthen its corporate governance, which requires additional improvements, including implementing corporate social responsibility, and continuing to strengthen corporate governance.	
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Note: 1. Directors and managers' continuing education in 2022

a. Continuing education of Directors and Supervisors:

Job Title	Name	Date	Course	Hours
Chairman	Ko Ikujin	December 22, 2022	Green Digital Transformation	3
		December 28, 2022	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3
Director	Fang Sung-jen	March 3, 2022	Key to Corporate Sustainability - External Innovation	3
		July 27, 2022	Sustainable Development Guidemap Industry Seminar	3
Director	Chang Chung-te	November 24, 2022	Management Rights Dispute and Introduction to the Commercial Case Adjudication Act	3
		December 1, 2022	Impact of Global Net Zero Emissions and ESG Actions	3
Director	Wang En-kuo	December 21, 2022	Problematic Canceled Orders: How to Process Semi-Finished Products and Materials	6
		December 22, 2022	Green Digital Transformation	3
Director	Chen Chien-lung	August 19, 2022	Management Rights Dispute Case Studies	3
		November 4, 2022	Analysis of the Practices and Case Studies of Corporate Mergers	3
		December 22, 2022	Green Digital Transformation	3
		December 28, 2022	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3
Director	Ho Chi-yin	August 9, 2022	Information Security Governance Strategies for Listed Companies from the Perspective of ESG and Corporate Sustainable Development	3
		August 15, 2022	Outlook of the Global Economy in the Second Half of 2022	3
Director	Kao Tung-hai	December 5, 2022	Corporate Governance Policy and Corporate Governance Evaluation Case Studies	3
		December 28, 2022	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3
Independent Director	Tan Yao-nan	September 22, 2022	Concepts, Practices, and Tools for Group Tax Governance	3
		September 22, 2022	Net Zero Emissions, Carbon Neutrality, and Compliance	3
Independent Director	Lu Wen-tzung	July 15, 2022	True or False? Crisis Management for False Claims in the Media	3
				3
Independent Director	Yang Pei-chieh	November 9, 2022	Amendments to the Corporate Governance Regulations and Case Studies of Listed Companies	3
		November 9, 2022	Amendments to the Corporate Governance Regulations and Case Studies of Listed Companies	3
Independent Director	Hsu Wan-chi	September 6, 2022	The Real Value Created by the Circular Economy and Low-Carbon Innovations - Understanding the Circular Economy and Governance	3
		September 23, 2022	Advent of the Virtual World: Future Development of the Metaverse, Crypto, and Blockchain	3

b. Continuing education of managerial officers

Job Title	Name	Date	Course	Hours
Assistant Vice President	Chang Chen-cheng	September 29, 2022 to September 30, 2022	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Manager	Hsu Cheng-chen	September 15 to 16, 2022	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12

(IV) Operations of the Remuneration Committee:

1. Information about members of the Remuneration Committee

March 31, 2023

Qualifications		Professional Qualifications and Experience	Compliance with Independence Criteria	Number of positions as a Remuneration Committee Member in other public listed companies
Title / Name				
Independent Director (Convener)	Hsu Wan-chi	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	Meet related regulations for independence Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange".	0
Independent Director	Lu Wen-tsung	Certified professional and technical personnel who have passed the national examination for accountants Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	<ul style="list-style-type: none"> ●The independent directors and their spouses and relatives within second degree do not serve as directors, supervisors, or employees of the Company or any of its affiliates. ●The independent directors and their spouses and relatives within second degree do not hold shares of the Company in their own names (or in any third party's name). ●The independent directors and their spouses and relatives within second degree do not serve as directors, supervisors, or employees of any company that has a specific relationship with the Company. ●The independent directors did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years. 	0
Other	Chen Hui-ling	Work experience necessary for business administration, legal affairs, finance, accounting, or the Company's business	<ul style="list-style-type: none"> ●The independent directors and their spouses and relatives within second degree do not serve as directors, supervisors, or employees of any company that has a specific relationship with the Company. ●The independent directors did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years. 	0

2. Operations of the Remuneration Committee

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

(2) The term of office of the current members: From November 8, 2021 to September 23, 2024. 2 (A) meetings of the Remuneration Committee were held in the most recent year (2022). The qualifications of the members and attendance were as follows:

Job Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Notes
Convener	Hsu Wan-chi	2		100%	Appointed on November 8, 2021 (required to attend 2 meeting)
Committee Member	Lu Wen-tsung	2		100%	Appointed on November 8, 2021 (required to attend 2 meeting)
Committee Member	Chen Hui-ling	2		100%	Appointed on November 8, 2021 (required to attend 2 meeting)

Other matters that require reporting:

- I. If the Board of directors does not adopt or revise the Remuneration Committee's proposals, date, period, motion contents, and resolution decisions of the board meeting as well as the method in which the Company handles the Remuneration Committee's opinions shall be disclosed in detail (e.g., if the salary rate passed by the Board of Directors is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.
- II. If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.

(V) Discrepancies between the implementation of social responsibility status and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Company set up a governance structure for sustainable development, established an exclusively (or concurrently) dedicated unit to implement sustainable development, and have senior executives appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?		✓	Although the Company has not assigned a dedicated unit, the Administration Dept. serves concurrently as the unit responsible for promoting sustainable development and it performs its duties based on requirements.	No material deviation
II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?	✓		The Company has established the Sustainable Development Best Practice Principles and upholds the principle of materiality in the implementation of corporate governance, development of a sustainable environment, protection of public interests, and enhancement of the disclosure of corporate social responsibility information.	No material deviation
III. Environmental issues (I) Has the Company established environmental policies suitable for characteristics of the industry?	✓		(I) The Company complies with the regulations in the ISO 14001 Environmental Management System for the establishment of the Environmental Management Manual and implementation procedures. We comply with environmental laws and regulations and aim to achieve energy conservation and carbon emissions reduction and promote environmentally friendly activities.	No material deviation
(II) Is the Company committed to improving the efficiency of the use of energy and using recycled materials which have a low impact on the environment?	✓		(II) The Company considers the reuse of resources and energy consumption in new product development. We purchase RoHS-compliant components and materials to reduce the impact on the environment.	
(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?	✓		(III) The Company has established an Environmental Safety Implementation Center and appointed management personnel to promote and maintain the management of the internal environment. The Company has formulated energy conservation and carbon reduction plans and has implemented them in accordance with the plans.	

<p>(IV) Has the Company analyzed the statistics of greenhouse gas emission, water usage and waste total weight over the past years, and has the Company established policies for greenhouse emission reduction, reduction of water usage, or other waste management?</p>	<p>✓</p>		<p>(IV) The Company's total greenhouse gas emissions for in 2021 and 2022 were 687.70 metric tons of carbon dioxide equivalent (CO2e) and 728.51 metric tons of carbon dioxide equivalent (CO2e), respectively; the water consumption was 10,802 cubic meters and 6,822.4 cubic meters, respectively; and the total weight of waste was 7.945 tons and 5.391 tons, respectively. The main source of greenhouse gas emissions was electricity use and the increase was mainly due to the new production plants in Taiwan. In the future, we will continue to promote environmental management programs to reduce waste water emissions and waste generation through the implementation of energy control measures to attain our carbon reduction targets.</p>	
<p>IV. Social issues (I) Does the Company develop management policies in accordance with relevant regulations and international human rights conventions?</p> <p>(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave and other welfare etc.), and has the Company appropriately reflected the operation performance or outcome in the remuneration of employees?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company complies with the labor regulations of the Company's operations as well as the values enshrined in the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact", Conventions of the International Labour Organization, and other international human rights conventions. We uphold diversity and equality in the hiring of employees, require humane treatment of disadvantaged groups, and ban the use of child labor. We also do not engage in unlawful forced labor practices. We offer reasonable salaries, set up smooth grievance channels, and provide a safe and healthy work environment.</p> <p>(II) The Company has established the work rules and relevant personnel management regulations. They include regulations on the salary of employees, working hours, leave, pension payment, occupational disaster compensation, etc. and they meet related regulations in the Labor Standards Act. The Company has established an Employee Welfare Committee to process employee welfare measures. The employee remuneration policy is based on the ability, contribution, and performance of individual employees and the remuneration is positively correlated with the Company's business performance.</p>	<p>No material deviation</p>

<p>(III) Does the Company provide a safe and healthy work environment for its employees? Does the Company regularly provide its employees with safety and health education?</p>	<p>✓</p>		<p>Remuneration for employees distributed in 2022: NT\$7,111,553.</p> <p>(III) To provide a safe and healthy work environment for employees, the Company has established the Occupational Safety and Health Center to implement occupational safety and health related activities. We organize regular employee health examinations each year and assign healthcare professionals to provide monthly health consultation services to employees in accordance with the "Labor Health Protection Rules". We regularly conduct water quality tests for the office environment and organize labor safety courses and fire drills to prevent accidents and provide a healthy workplace environment.</p> <p>Number of occupational accidents in 2022: 0. We will continue to promote the four major programs for labor health protection in the future to implement occupational safety measures and protect the health of employees.</p>	
<p>(IV) Has the Company established effective career development training plans for employees?</p> <p>(V) Has the Company complied with laws and international standards with regards to the customer health and safety of products and services, customer privacy, marketing and labeling of products and services, and has the Company established policies and reporting procedure related to consumer right and benefit protection?</p> <p>(VI) Has the company established supplier management policy, requested suppliers to comply with relevant regulations with regards to the issues of the environmental protection, occupational</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(IV) The Company has a comprehensive promotion system. We plan internal and external training programs to improve employees' professional skills and encourage employees to engagement in independent learning and diverse development.</p> <p>In 2022, employees registered 27 enrollments in professional training courses and we also held many professional training courses within the Company.</p> <p>(V) The Company has set up an open communication channel and assigned personnel to respond to customer complaints.</p> <p>(VI) The Company has established the "Supplier Evaluation Management System" and "Environmental Management Substance Control Procedures". The procurement, quality assurance, R&D, and engineering</p>	

<p>safety and health or labor rights etc. and the implementation status thereof?</p>			<p>personnel conduct document review or onsite evaluations of suppliers and the key items include ensuring that suppliers comply with environmental protection and occupational safety and health regulations. We require suppliers to issue the "Zero-use Commitment for Environmental Hazardous Substances" and conduct environmental management operations on suppliers from time to time. We also conduct labor rights assessments to ensure the stability and quality of materials used by the Company.</p>	
<p>V. Has the Company stipulated standards or guidelines according to internationally accepted reporting standards or guidelines, prepared sustainability report, and other reports for disclosing non-financial information of the Company? Has the Company obtained assurance from a supplier verification unit for the aforementioned reports?</p>	<p>√</p>		<p>The Company's implementation of sustainable development was conducted in accordance with the regulations of the competent authority and related regulations. The Company has not yet prepared the sustainability report.</p>	<p>No material deviation</p>
<p>VI. If the Company has established sustainable development principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" please describe any discrepancy between the principles and their implementation: No material deviation</p>				
<p>VII. Other information material to the understanding of sustainable development practices: The Company attaches great importance to environmental protection as well as occupational safety and health. We received the "Zero Disaster Work Hours" medal from the Council of Labor Affairs of the Executive Yuan, and we also support energy conservation and carbon emissions reduction activities to combat global warming. We implement energy conservation measures such as turning off lights during lunch break and replacing lights with energy-efficient LED lights. We also regularly organize environmental protection courses to fulfill our obligations as a member of the global village and our corporate responsibility to the society.</p>				

(VI) Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
<p>I. Enactment of ethical management policy and program</p> <p>(I) Has the Company established ethical management policies approved by the board of directors’ meeting and stated in its memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess operating activities with higher risk of unethical conducts on a regular basis, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company established any operational procedures, behavioral guidelines, disciplinary actions and complaint systems in the plan for preventing unethical conducts, and is such plan implemented properly? In addition, is the</p>	<p>√</p> <p>√</p> <p>√</p>		<p>(I) The Board of Directors of the Company passed the "Code of Ethical Conduct for Director, Supervisors and Managers" on December 19, 2014. The Board of Directors resolved to establish the Company's "Ethical Corporate Management Best Practice Principles" on November 7, 2017. The members of the Board of Directors and the management of the Company conduct business operations in accordance with the Ethical Corporate Management Best Practice Principles. The Board of Directors amended the "Ethical Corporate Management Principles" on March 19, 2018 to support the actual operations of the Company. In response to the establishment of the Company's Audit Committee, the Board of Directors amended the "Code of Ethical Conduct for Directors and Managers" and the "Ethical Corporate Management Best Practice Principles" on May 4, 2020.</p> <p>(II) The Group signed the "Employment Agreement" with new employees. The Agreement specifies that the employees pledge to comply with the "Employee Work Rules" announced by the Company and that they may be held accountable for violations and may be dismissed in accordance with the law.</p> <p>(III) The Board of Directors of the Company passed a resolution on November 7, 2017 for the establishment of the Company's "Ethical Corporate Management Operating Procedures and Code of Conduct". The Board of Directors amended the "Ethical Corporate Management Operating Procedures and Code of Conduct" on</p>	<p>No material deviation</p>

<p>aforementioned plan reviewed periodically before amendment?</p>			<p>March 19, 2018 to support the actual operations of the Company. In response to the establishment of the Company's Audit Committee, the Board of Directors amended the "Ethical Corporate Management Operating Procedures and Code of Conduct" on May 4, 2020. The Board of Directors amended the "Ethical Corporate Management Operating Procedures and Code of Conduct" on August 26, 2021 in response to inflation in the market. The Group issues the "Employee Work Rules" to new employees and organizes training for them to fully understand the Company's ethical corporate management philosophy. We organize training and awareness campaigns for all employees from time to time to remind them to adhere to the principles of integrity in their conduct.</p>	
<p>II. Implementation of ethical management (I) Has the Company assessed a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart? (II) Has the Company established a dedicated unit for promoting the corporate ethical management under the Board of Directors and reporting its ethical management policy and plan for preventing unethical conducts as well as the supervision of implementation status to the Board of Directors periodically (at least once annually)?</p>	<p>√ √</p>		<p>(I) The Group regularly checks the financial and credit positions of the customers to avoid trading with anyone with unethical conduct record, and also set forth the ethical conduct-related provisions in its business contracts. (II) To achieve sound ethical corporate management, the Company's audit unit is responsible for establishing and supervising the implementation of the Ethical Corporate Management Policy and prevention programs. The Office shall be in charge of the following matters, of which items 1 to 5 are assigned to administrative units for implementation: 1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. 2. Establishing programs to prevent unethical conduct and setting out in each program the standard operating procedures and code of conduct. 3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p>	<p>No material deviation</p>

<p>(III) Has the Company established policies to prevent conflicts of interests, provided adequate communication channels, and implemented such policies and communication channels?</p> <p>(IV) Has the Company implemented effective accounting system and internal control system for the purpose of maintaining ethical operation? Has the internal audit unit established relevant audit plan according to the assessment result of unethical conduct risk and audit the status of compliance with the prevention against unethical conduct plan, or entrusted a CPA to perform the audit?</p> <p>(V) Has the Company periodically organized internal/external training programs for ethical management?</p>	<p>√</p> <p>√</p> <p>√</p>	<p>4. Promoting and coordinating awareness and educational activities with respect to the ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p> <p>(III) According to the Group's employment contract, if Directors have a conflict of interest in business operations, they are required to inform the Group and recuse themselves in advance. When there is a conflict of interest in the Board of Directors' meeting, Directors must recuse themselves from the discussion and voting in accordance with the recusal principle.</p> <p>(IV) The Company's accounting system is based on the Securities and Exchange Act, Company Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and related interpretation, announcements, and regulations. The system was also established based on the actual operations of the Company. The internal control system is established based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and it has been fully implemented. The audit department regularly audits the compliance of the accounting system and internal control system and reports results to the Board of Directors. The CPAs also perform audit procedures on internal audit and internal control systems as a part of the annual audit procedures.</p> <p>(V) The Company uses department meetings and internal training to communicate with employees and help them understand the Company's ideas and regulations regarding ethical corporate management.</p>	
<p>III. Status of the Company's complaint system</p> <p>(I) Has the Company defined a specific complaints and rewards system, and established some convenient</p>	<p>√</p>	<p>(I) The Group has not yet established a specific complaints and rewards system, but it has set up an employee feedback and</p>	<p>No material deviation</p>

<p>complaint channel, and assigned competent dedicated personnel to deal with the situation?</p> <p>(II) Has the Company established any investigation standard operation procedures for accepting reported misconducts, subsequent measures and relevant confidentiality measures required to be performed after the completion of the investigation?</p> <p>(III) Has the Company adopted any measures to prevent the complainants from abuse after filing complaints?</p>	<p>✓</p> <p>✓</p>	<p>whistleblowing system on the Company's website, and designated a unit to respond to the feedback.</p> <p>(II) The Group specifies related confidentiality obligations in the Employee Confidentiality Agreement.</p> <p>(III) The Company protects the anonymity of whistleblowers and protects them from abuse or unfair treatment.</p>	
<p>IV. Enhancing information disclosure</p> <p>Has the Company has disclosed the Ethical Corporate Management Best Practice Principles it established and the effect of implementation thereof on its website and Market Observation Post System?</p>	<p>✓</p>	<p>The Group established the Ethical Corporate Management Best Practice Principles. We also disclose the Company's business overview, basic information, and financial information on the official website and the Market Observation Post System for the Company to engage in business activities in a fair and transparent manner.</p>	<p>No material deviation</p>
<p>V. If the Company has established Ethical Corporate Management Best Practice Principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe any deviation between the principles and their implementation: The Company has established Ethical Corporate Management Best Practice Principles and published them on the Company's website. There is no deviation between the principles and the Company's implementation.</p>			
<p>VI. Other information material to the understanding of ethical management operation (e.g., discussion of an amendment to the ethical management best practice principles defined by the Company):</p> <p>(I) The Company has established an internal audit and control system as well as management regulations. They are used as guidelines for suppliers and customers and they communicate the Company's resolve to implement ethical corporate management.</p> <p>(II) The Company assigns Directors and managers to attend training programs related to ethical management and corporate governance, and the competitive actions which the Directors and managers were engaged in were already reported to and approved by the shareholders' meetings and the Board of Directors.</p>			

(VII) If the Company has established a corporate governance best-practice principles and related provisions, its inquiry method must be disclosed:
The corporate governance regulations established by the Company were published on the Market Observation Post System of Taiwan Stock Exchange Corporation under "Corporate Governance Related Regulations and Procedures" in "Corporate Governance". Investors can find the results on <http://mops.twse.com.tw>.

(VIII) Other important information to facilitate better understanding of the state of implementation of corporate governance:
Please refer to the Company's website <http://www.tecoimage.com.tw> and the Market Observation Post System <http://mops.twse.com.tw/mops/web/index>

(IX) Operation Status of the Internal Control System

1.State,emt on Internal Control

Teco Image Systems Co., Ltd.
Statement on Internal Control System

Date: March 17, 2023

We make the following statement based on the result of the self-inspection of the internal control system in 2022:

- I. We acknowledge that the Board of Directors and managers are responsible for the establishment, operation and maintenance of the internal control system. We have established such a system to provide reasonable assurance for achievement of the objectives concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance for the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism, and we take corrective actions immediately once a nonconformity is identified.
- III. We judge the design and operation of the internal control system for their effectiveness with reference to the items to be judged for the effectiveness of the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The internal control systems are divided into the following five constituent elements in the management control process in terms of the items to be judged pursuant to the "Regulations": 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element contains a number of items. Refer to the provisions of the above-mentioned "Regulations."
- IV. We have adopted the judgment items of the internal control system to assess its design and operation for their effectiveness.
- V. Based on the results of the above-mentioned assessment, we confirm that our internal control system on December 31, 2022 (including monitoring and management of subsidiaries) was effective in terms of its design and operation with respect to understanding the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws in order to reasonably ensure that these objectives are achieved.
- VI. The Statement will be a major part of the Company's annual reports and prospectuses, and will be disclosed to the public. If there is any misrepresentation, nondisclosure or other illegality in the contents open to the public referred to above, legal responsibility specified in Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall apply.
- VII. The Statement was approved at the Board of Directors' meeting on March 17, 2023. None of the 11 Directors present at the meeting expressed any dissent and all Directors approved the contents of the Statement as stated herein.

Teco Image Systems Co., Ltd.

Chairman:

Signature and Seal

President:

Signature and Seal

2. The internal control system review was conducted by a contracted CPA: None.

(X) Penalties imposed on the Company and its internal employees, penalties imposed on its internal employees by the Company for violation of internal control regulations, major deficiencies and status of improvements made in the most recent fiscal year up to the publication date of this annual report: None.

(XI) Major resolutions made by shareholders' meetings and board meetings in the most recent year and up to the printing date of the annual report:

1. Important resolutions made by the general shareholders' meeting and the implementation
The important resolutions made by the general shareholders' meeting on June 17, 2022 and the implementation are as follows:

Important Resolutions	Implementation Status
Acknowledged 2021 business report and financial statements.	Proposal recognized as proposed according to the voting result.
Acknowledged 2021 earnings appropriation	1. Proposal recognized as proposed according to the voting result. 2. The cash dividend to be allocated was NT\$0.41 per share. The ex-dividend date was set as July 17, 2022, and the cash dividend to be allocated on August 5, 2022.
Approved the proposal for amendment to the "Articles of Incorporation" of the Company	Received approval from the Ministry of Economic Affairs on August 2, 2022, and announced on the company website
Approved the amendment of the Company's "Rules of Procedure for Shareholders' Meetings".	Announced on the company website
Approved the proposal for amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company	Announced on the Market Observation Post System on June 17, 2022.

2. Important resolutions of board meetings

Meeting Date	Term	Important Resolutions
January 5, 2022	10th term 3rd meeting	1. Approved the appointment of senior executives.
March 16, 2022	10th term 4th meeting	1. Approved the Company's 2021 business report and financial statements. 2. Approved the Company's 2021 earnings distribution. 3. Approved the agenda of the 2022 general shareholders' meeting.
May 5, 2022	10th term 5th meeting	1. Passed the consolidated financial statements of the Company for Q1 2022. 2. Approved the agenda of the 2022 general shareholders' meeting.
August 4, 2022	10th term 6th meeting	1. Passed the consolidated financial statements of the Company for Q2 2022.
November 3, 2022	10th term 7th meeting	1. Passed the consolidated financial statements of the Company for Q3 2022.
March 17, 2023	10th term 9th meeting	1. Approved the Company's 2022 business report and financial statements. 2. Approved the Company's 2022 earnings distribution. 3. Approved the agenda of the 2023 general shareholders' meeting. 4. Approved the appointment of senior executives.

(XII) Main content of dissenting opinions from Directors on record or stated in a written statement, with respect to a material resolution passed by the Board of Directors in the most recent year and up to the date of publication of the annual report:

Meeting Date	Term	Main contents
January 5, 2022	10th term 3rd meeting	Appointment of senior executives

(XIII) Resignation or dismissal of the Directors, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year and up to the

printing date of the annual report:

JOB TITLE	NAME	DATE APPOINTED	DATE OF DISMISSAL	REASON OF RESIGNATION OR DISMISSAL
Financial Manager	Chang Chen-cheng	January 5, 2022	March 17, 2023	Job duty adjustment

V. Information on CPA Fees:

Unit: NT\$1,000

Accounting Firm Name	CPA Name	CPA Audit Period	Audit Fees	Non-Audit Fees	Total	Note
Pricewaterhouse Coopers Certified Public Accountants	Huang Shih-chun, Yeh Tsui-miao	January 1, 2022 to December 31, 2022	4,125	724	4,849	Other non-audit fees mainly included business income tax audit and certification fees.

VI. Information on Change of CPAs: None.

VII. The Auditing Firm or Its Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/Her Name, Position and Employment Period Shall Be Disclosed: None.

VIII. Change of Shares Transferred and Pledged for Directors, Managers and any Shareholder Who Holds More Than 10% of the Company's Shares During the Most Recent Year Until the Date on Which the Annual Report was Printed:

1. Changes in shareholdings of directors, managers, and substantial shareholders:

Job Title	Name	2022		As of March 31, 2023	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in pledged shares
Chairman of the Board of Directors / Chief Strategy Officer	Ko Ikujin	0	438,000	0	0
Vice Chairman of the Board of Directors	Representative of Creative Sensor Inc.: Wang En-kuo	0	0	0	0
Shareholder holding more than 10% of all shares	Creative Sensor Inc.				
Director	Representative of Koryo Electronics Co., Ltd.: Chen Chien-lung	1,351,000	0	0	0
Shareholder holding more than 10% of all shares	Koryo Electronics Co., Ltd. (date of appointment: July 5, 2022)				
Director	Representative of Teco International Investment Co., Ltd.: Ho Chi-yin	0	0	0	0
Director	Representative of Kuang Yuan Industrial Co., Ltd.: Kao Tung-hai	0	0	0	0

Job Title	Name	2022		As of March 31, 2023	
		Increase (decrease) in number of shares held	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in pledged shares
Director	Chang Chung-te	0	0	0	0
Director	Fang Sung-jen	0	0	0	0
Independent Director	Yang Pei-chieh	0	0	0	0
Independent Director	Tan Yao-nan	0	0	0	0
Independent Director	Lu Wen-tsung	0	0	0	0
Independent Director	Hsu Wan-chi	0	0	0	0
President	Kanji Wada	0	0	0	0
Vice President	Li Li-chiu	72,497	0	0	0
Spokesperson	Chang Chen-cheng (date of appointment: January 5, 2022)	50,748	0	0	0
Acting Spokesperson	Lai Chien-l	86,996	0	0	0
Financial Manager	Yen Chun-mei (date of appointment: March 17, 2023)	0	0	0	0
Accounting Manager	Hsu Cheng-chen	43,498	0	0	0

2. Information on transfer of equity from a director, manager, and major shareholder to a related party: None.

3. Information on pledge of equity created by a director, manager, and major shareholder for a related party: None.

IX. Relationship Information, if Any of the Top 10 Shareholders is a Related Party, or is the Spouse or a Relative Within the Second Degree of Kinship with Another July 17, 2022

NAME	SHAREHOLDINGS BY THE SHAREHOLDER		NUMBER OF SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		SHARES HELD IN THE NAME OF OTHER PERSONS		DISCLOSURE OF INFORMATION ON RELATED PARTIES OR SPOUSE RELATIONSHIP OR RELATIONS WITHIN THE SECOND DEGREE OF KINSHIP, AMONG TOP TEN SHAREHOLDERS, INCLUDING THEIR NAMES AND RELATIONSHIPS		NOTES
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Creative Sensor Inc. representative: Ko Ikujin	33,408,000	29.69%	-	-	-	-	Koryo Electronics Co., Ltd.	Director of the company	None
							Tong-An Investment Co., Ltd.	Related within the second degree of kinship to the Company's Chairman	
							TECO International Investment	Related within the second degree of kinship to the Company's Chairman	
							An-Tai International Investment Co., Ltd.	Related within the second degree of kinship to the Company's Chairman	
							Kuang Yuan Industrial Co., Ltd.	The company's director and supervisor are related within the second degree of kinship to the Chairman of Creative Sensor Inc.	
Koryo Electronics Co., Ltd. representative: Liao Shun-jung	11,425,000	10.15%	-	-	-	-	Creative Sensor Inc.	Director of the company	None
							Tien Da Investment Co., Ltd.	Director of the company	
Tien Da Investment Co., Ltd. representative: Yang Chien-kuo	10,970,477	9.75%	-	-	-	-	None	None	None
An-Fu International Investment Co., Ltd. representative: Kao Tung-hai	10,587,505	9.41%	-	-	-	-	Kuang Yuan Industrial Co., Ltd.	The Chairman is the same person	None
Tong-An Investment Co., Ltd. representative: Huang Mao-hsiung	8,196,501	7.28%	-	-	-	-	Creative Sensor Inc.	Related within the second degree of kinship to the Company's Chairman	None
							TECO International Investment	The Chairman is the same person	
							Kuang Yuan Industrial Co., Ltd.	The company's supervisor and the Chairman of Tong-An Investment Co., Ltd. are the same person	
							An-Tai International Investment Co., Ltd.	1. The Chairman is the same person 2. A director of the company is related within the second degree of kinship to the Chairman of Tong-An Investment Co., Ltd.	
Teco International Investment Co., Ltd. representative: Huang Mao-hsiung	6,377,052	5.67%	-	-	-	-	Creative Sensor Inc.	Related within the second degree of kinship to the Company's Chairman	None
							Tong-An Investment Co., Ltd.	1. The Chairman is the same person 2. The supervisor of the company	

							Kuang Yuan Industrial Co., Ltd.	The company's supervisor and the Chairman of TECO International Investment Co., Ltd. are the same person	
							An-Tai International Investment Co., Ltd.	1. The Chairman is the same person 2. A director of the company is related within the second degree of kinship to the Chairman of TECO International Investment Co. Ltd.	
Kuang Yuan Industrial Co., Ltd. representative: Kao Tung-hai	4,771,631	4.24%	-	-	-	-	Creative Sensor Inc.	The Chairman of the Company and a director and supervisor of Kuang Yuan Industrial Co., Ltd. are related within the second degree of kinship	None
							An-Fu International Investment Co., Ltd.	1. The Chairman is the same person 2. Director of the company	
							Tong-An Investment Co., Ltd.	The Chairman of the company and the supervisor of Kuang Yuan Industrial Co., Ltd. are the same person	
							TECO International Investment	The Chairman of the company and the supervisor of Kuang Yuan Industrial Co., Ltd. are the same person	
							An-Tai International Investment Co., Ltd.	The Chairman of the company and the supervisor of Kuang Yuan Industrial Co., Ltd. are the same person	
CTBC Bank as the Custodian of the Employee Stock Ownership Trust Account of Teco Image Systems	1,825,226	1.62%	-	-	-	-	None	None	None
An-Tai International Investment Co., Ltd. representative: Huang Mao-hsiung	1,270,145	1.13%	-	-	-	-	Creative Sensor Inc.	Related within the second degree of kinship to the Company's Chairman	None
							Tong-An Investment Co., Ltd.	1. The Chairman is the same person 2. The supervisor of the company	
							TECO International Investment	The Chairman is the same person	
							Kuang Yuan Industrial Co., Ltd.	1. The company's supervisor and the Chairman of An-Tai International Investment Co., Ltd. are the same person 2. A director of the company is related within the second degree of kinship to the Chairman of An-Tai International Investment Co., Ltd.	
Chen Hung-li	820,000	0.73%	-	-	-	-	None	None	None

X. The Total Number of Shares and Total Equity Stake Held in the Same Investee by the Company, Its Directors and Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

Consolidated Shareholding Percentage

Unit: shares; %

Investee (Note 1)	Investment by the Company		Investment by Directors, Supervisors, and Managers or by Directly or Indirectly Controlled Enterprises		Combined Investments	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Atlas Tech Investment Co., Ltd.	6,248,313	100.00%	-	-	6,248,313	100.00%
Solmax Power Taiwan Limited	7,000,000	35.00%	-	-	7,000,000	35.00%
Creative Sensor INC.	28,906,260	19.39%	11,160,477	7.49%	40,066,737	26.88%
Tien Da Investment Co., Ltd.	18,000,000	25.17%	-	-	18,000,000	25.17%
All-In-One International Co., Ltd.	2,410,000	100.00%	-	-	2,410,000	100.00%
Image Systems International Co., Ltd.	4,812,423	100.00%	-	-	4,812,423	100.00%
Teco Image Systems (Suzhou) Co., Ltd. (Note 2)	-	-	Capital contribution certificate	100.00%	Capital contribution certificate	100.00%
Teco Image Systems (DongGuan) Co., Ltd.	-	-	Capital contribution certificate	100.00%	Capital contribution certificate	100.00%
Teco Pro-Systems (JiangXi) Co., Ltd. (Note 3)	-	-	Capital contribution certificate	100.00%	Capital contribution certificate	100.00%

Note 1: The Company Investments accounted for under the equity method

Note 2: As per the resolution made at the Board of Directors meeting dated March 15, 2016, the Company ceased the operations of and liquidated Teco Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary of All-In-One International Co., Ltd., the Company's wholly-owned subsidiary. As of the publication date of this annual report, the liquidation procedure was still underway.

Note 3: As per the resolution made at the Board of Directors meeting dated August 6, 2014, the Company ceased the operations of and liquidated Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary of Atlas Tech Investment Co., Ltd, the Company's wholly-owned subsidiary. As of the publication date of this annual report, the liquidation procedure was still underway.

Four. Capital Overview

I. Capital and Shares

(I) Source of Share Capital

1. Capital formulation process

Year/ Month	Issuing Price (NT\$/Share)	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount (NT\$)	Number of Shares	Amount (NT\$)	Source of Share Capital	Share Subscription Proceeds Other Than Cash	Other
Aug. 1997	10	100,000,000	1,000,000,000	50,000,000	500,000,000	Refer to Note (1)	None	-
Jun. 2000	10	100,000,000	1,000,000,000	61,000,000	610,000,000	Refer to Note (2)	None	-
Jul. 2001	10	100,000,000	1,000,000,000	65,160,000	651,600,000	Refer to Note (3)	None	-
Jun. 2002	10	105,000,000	1,050,000,000	72,305,000	723,050,000	Refer to Note (4)	None	-
Jul. 2003	10	105,000,000	1,050,000,000	80,621,100	806,211,000	Refer to Note (5)	None	-
Jun. 2004	10	105,000,000	1,050,000,000	89,386,629	893,866,290	Refer to Note (6)	None	-
Sep. 2005	10	105,000,000	1,050,000,000	99,064,130	990,641,300	Refer to Note (7)	None	-
Oct. 2005	10	105,000,000	1,050,000,000	96,960,130	969,601,300	Refer to Note (8)	None	-
May 2 006	10	105,000,000	1,050,000,000	96,355,130	963,551,300	Refer to Note (9)	None	-
Aug. 2006	10	171,000,000	1,710,000,000	105,678,592	1,056,785,920	Refer to Note (10)	None	-
Aug. 2007	10	171,000,000	1,710,000,000	114,241,646	1,142,416,460	Refer to Note (11)	None	-
Aug. 2008	10	171,000,000	1,710,000,000	123,960,565	1,239,605,650	Refer to Note (12)	None	-
Feb. 2009	10	171,000,000	1,710,000,000	112,536,565	1,125,365,650	Refer to Note (13)	None	-
Jul. 2010	10	250,000,000	2,500,000,000	112,536,565	1,125,365,650	Refer to Note (14)	None	-

Notes

- (1) The Company's paid-in capital upon incorporation on September 8, 1997 was NT\$500 million.
- (2) Such capitalization of earnings in the amount of NT\$110 million was approved by the Securities and Futures Commission of the Ministry of Finance, as stated on the official letter titled SFC-(89)-(1)-55001 and dated June 26, 2000.
- (3) Such capitalization of earnings (including employee bonuses) in the amount of NT\$11,600,000 was approved by the Securities and Futures Commission of the Ministry of Finance, as stated on the official letter titled SFC-(90)-(1)-142099 and dated July 2, 2001.
- (4) Such capitalization of earnings (including employee bonuses) in the amount of NT\$71,450,000 was approved by the Securities and Futures Commission of the Ministry of Finance, as stated on the official letter titled SFC-(91)-(1)-0910134643 and dated June 26, 2002.
- (5) Such capitalization of earnings (including employee bonuses) in the amount of NT\$83,161,000 was approved by the Securities and Futures Commission of the Ministry of Finance, as stated on the official letter titled SFC-0920129341 and dated July 2, 2003.
- (6) Such capitalization of earnings (including employee bonuses) in the amount of NT\$85,630,540 was approved by the Securities and Futures Commission of the Ministry of Finance, as stated on the official letter titled SFC-09300126814 and dated June 16, 2004.
- (7) Such capitalization of earnings in the amount of NT\$96,775,010 was approved by the Financial Supervisory Commission of the Executive Yuan, as stated on the official letter titled FSC-0940130247 and dated July 26, 2005.
- (8) Such capital reduction in the amount of NT\$21,040,000 by means of retiring treasury stocks was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-09401196470 and dated October 6, 2005.
- (9) Such capital reduction in the amount of NT\$6,050,000 by means of retiring treasury stocks was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-09501087990 and dated May 12, 2006.
- (10) Such capitalization of earnings (including employee bonuses) in the amount of NT\$93,234,620 was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-09501179570 and dated August 21, 2006.

- (11) Such capitalization of earnings (including employee bonuses) in the amount of NT\$85,630,540 was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-09601192640 and dated August 10, 2007.
- (12) Such capitalization of earnings (including employee bonuses) in the amount of NT\$97,189,190 was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-09701197410 and dated August 13, 2008.
- (13) Such capital reduction in the amount of NT\$114,240,000 by means of retiring treasury stocks was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-09801009710 and dated February 2, 2009.
- (14) Such capital increase in the amount of NT\$2,500,000,000 was approved by the Ministry of Economic Affairs, as stated on the official letter titled MOEA-0901130980 and dated July 24, 2020.

2. Types of shares

Unit: shares

Types of Shares	Authorized Capital			Note
	Shares Outstanding	Shares Unissued	Total	
Common shares	112,536,565	137,463,435	250,000,000	Stocks listed on the OTC Market

3. Information about offering and issuance of securities by shelf registration: Not applicable

(II) Shareholder Structure

July 17, 2022

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Natural Persons	Foreign Institutions and Foreigners	Total
Number of people	1	1	244	24,367	39	24,652
Number of shares held	2	1,825,226	88,940,804	20,671,329	1,099,204	112,536,565
Shareholding percentage	0.00%	1.62%	79.03%	18.37%	0.98%	100.00%

(III) Distribution of Equity

Common Shares

at the Par Value of NT\$10

July 17, 2022

Shareholding Range	Number of Shareholders	Number of Shares Held	Shareholding Ratio %
1-999	21,922	304,316	0.27%
1,000-5,000	2,001	4,168,315	3.70%
5,001-10,000	359	2,785,898	2.48%
10,001-15,000	107	1,328,410	1.18%
15,001-20,000	77	1,404,511	1.25%
20,001-30,000	61	1,551,500	1.38%
30,001-40,000	23	823,861	0.73%
40,001-50,000	24	1,090,582	0.97%
50,001-100,000	41	2,891,081	2.57%
100,001-200,000	17	2,442,686	2.17%
200,001-400,000	6	1,795,659	1.60%

400,001-600,000	2	987,209	0.88%
600,001-800,000	2	1,311,000	1.16%
800,001-1000.000	1	820,000	0.73%
More than 1,000,001 shares	9	88,831,537	78.93%
Total	24,652	112,536,565	100.00%

(IV) List of Major Shareholders

July 17, 2022

Major Shareholder	Shares	Number of Shares Held	Shareholding Ratio
Creative Sensor Inc.		33,408,000	29.69%
Koryo Electronics Co., Ltd.		11,425,000	10.15%
Tien Da Investment Co., Ltd.		10,970,477	9.75%
An-Fu International Investment Co., Ltd.		10,587,505	9.41%
Tong-An Investment Co., Ltd.		8,196,501	7.28%
TECO International Investment Co., Ltd.		6,377,052	5.67%
Kuang Yuan Industrial Co., Ltd.		4,771,631	4.24%
CTBC Bank as the Custodian of the Employee Stock Ownership Trust Account of Teco Image Systems		1,825,226	1.62%
An-Tai International Investment Co., Ltd.		1,270,145	1.13%
Chen Hung-li		820,000	0.73%

(V) Stock price per share, net worth, earnings, dividends and other related information for the past two year

Unit: NT\$; shares

Item	Year	2021	2022	March 31, 2023 (Note 8)
		Market price per share (Note 1)	Highest	26.45
	Lowest	10.90	12.60	14.35
	Average	16.14	15.57	15.22
Net asset value of each share (Note 2)	Before distribution	19.76	18.46	19.58
	After distribution	15.02	(Note 2)	(Note 2)
Earnings per share	Weighted average number of shares	101,420,880	79,128,565	79,128,565
	Earnings per share	0.51	0.81	
Dividends per share	Cash dividends	0.41	(Note 2)	-
	Stock dividends	0	0	-
		0	0	-
	Accumulated unpaid dividends (Note 4)	0	0	-
Return on investment analysis	P/E ratio (Note 5)	31.65	19.22	-
	P/D ratio (Note 6)	39.37	(Note 2)	-
	Cash dividend yield (Note 7)	2.54%	(Note 2)	-

*In the event of a capital distribution from earnings or capital surplus, information on the market price and cash dividends retroactively adjusted for the number of shares issued shall be disclosed.

Note 1: State the highest and lowest market prices for the common stock, and calculate the average market price for each year based on the turnover value and volume of each year.

Note 2: As of the publication date of the Annual Report, the 2022 earnings distribution has not yet been resolved by the shareholders' meeting.

Note 3: If it is necessary to make adjustment retroactively due to distribution of bonus shares, please state the earnings per share before and after the adjustment.

Note 4: If the equity securities issuance terms and conditions provide that the stock dividend unallocated in the year may be accumulated until the year in which earnings allocable are generated, please disclose the accumulated stock dividend remaining undistributed until the current year.

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

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

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

Note 8: The net value per share and earnings per share shall include information audited (reviewed) by the CPA in the most recent quarter up to the publication date of the Annual Report; the other fields shall include information from the current year up to the publication date of the Annual Report.

(VI) The Company's Dividend Policy and Implementation Thereof:

1. The dividend policy stipulated on the Company's Articles of Incorporation:

The Company distributes earnings in accordance with the regulations stipulated in the Company Act and the Company's Articles of Incorporation. In other words, the Company will distribute earnings only after it has used the earnings at the fiscal year-end, if any, to pay taxes and duties, to offset previous deficits, to provide legal reserves according to law, and to provide or reverse special reserves as required by Article 41 of the Securities and Exchange Act.

In addition, in order to accommodate the Company's long-term financial planning to achieve sustainable and stable operations, the Company has formulated its dividend distribution policy, stated as follows:

(1) The criteria and time point for dividend distribution:

To prepare the Company for future expansion, the dividends, in addition to being distributed in the manner specified by law or on the Articles of Incorporation, shall be resolved by the Board of Directors, who shall consider the Company's profit position, current and future investment environment, operating needs, a sound financial structure, maintenance of a stable dividend distribution policy, as well as the following assessments:

- A. The effect of the intended stock dividend distribution on earnings per share at the financial forecast for the current year.
- B. The effect of stock dividend distribution in the past two years on earnings dilution and net income.
- C. The effect on the Company's earnings per share and returns on equity if earnings were distributed solely in cash and earnings or capital surplus were not capitalized.
- D. To ensure reasonable remuneration for shareholders, the Board of Directors may propose to distribute bonuses in cash to shareholders, provided, however, that such distribution shall not be less than 50% of the remainder of the annual earnings net the mandatory provision of legal reserves and special reserves, and shall be resolved by the general shareholders' meeting.

(2) The respective ratios of cash dividend distribution and stock dividend distribution shall be the following:

The Company will distribute earnings in a combination of stock dividends (including capitalization of earnings or capital surplus) and cash dividends, provided, however, that the cash dividends distributed shall not be less than 5% of total dividends distributed. When there is a suitable investment plan that can increase the Company's profitability ratio, the Company will elect to distribute a lower percentage of cash dividends and a higher percentage of stock dividends by means of capitalization of earnings or capital surplus. When capital expansion would impact the profitability ratio, the Company will elect to distribute a higher percentage of cash dividends.

2. The drafted dividend distribution at the general shareholders' meeting:

- (1) The Company intends to distribute earnings in the amount of NT\$57,393,648 (NT\$0.51 per share).
- (2) The dividend distribution complied with Article 25-1 of the Articles of Incorporation, which stipulates that cash dividends distributed for each year

shall not be less than 5% of total dividends distributed for the year.

- (3) If subsequently the Company purchases or retires the treasury shares and so results in changes in the number of outstanding shares, which in turn impacts the payout ratio or dividend rate, the Chairman of the Board of Directors may be authorized to made adjustments or modification.

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

(VIII) Remuneration to employees and Directors:

1. The percentage or range of earnings that can be distributed as employee compensation and directors' and supervisors' remuneration, as stipulated on the Articles of the Incorporation:

In order to stimulate employees and the management team, where the Company has earnings in a given year, the Company shall first use such earnings to offset previous deficits and then allocate 5% to 15% of the remaining balance (i.e., the pre-tax value before deducting employee compensation and directors and supervisors' remuneration), if any, as employee compensation, and no greater than 5% as directors and supervisors' remuneration. The Board of Directors shall resolve on the earnings ratio to be allocated as employee compensation and directors remuneration and on the manner in which employee compensation will be distributed, in the form of either stocks or cash, by a majority vote at a Board of Directors meeting attended by two-thirds or more directors, and shall report such a resolution to the shareholders' meeting. Employees of the Company's subordinate companies shall also be entitled to the employee compensation to be distributed by the Company in the form of either stocks or cash.

2. Accounting treatment for the basis of estimating the amount of the employees' remuneration and Director's remuneration for this period, the basis of calculating the number of shares to be distributed as employees' remuneration, and for any discrepancy between the actual amount distributed and the estimated figures.

The employee compensation and directors' and supervisors' remuneration were estimated based on the requirements stipulated on the Articles of Incorporation. If subsequently the amount resolved on to be distributed differs from the estimated amount, such differences will be treated with the accounting treatment for changes in accounting estimates, and will be adjusted accordingly and then recognized in the year the distribution was approved in a resolution. Where employee compensation is resolved on to be distributed in the form of stock dividends, the number of shares shall be calculated by dividing the resolved amount by the fair value of the share; the fair value of the share shall be the closing price of the share on the day preceding the date where such distribution is resolved on, taking into account the effect of ex-dividend.

3. The motion for allocation of remuneration passed by the Board of Directors
 - (1) Employee compensation and directors' and supervisors' remuneration that was distributed in the form of cash dividends or stock dividends: Where the actual distributed amount differs from the estimated amount, the differences, along with the causes for such differences and the treatment for such differences, shall be disclosed.

As per Article 25 of the Company's Articles of Incorporation, the Company intended to distribute NT\$7,111,553, or 7.00% of the distributable earnings, as employee compensation and NT\$3,758,964, or 3.70% of the distributable earnings, as directors' and supervisors' remuneration.

- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation:

The Company did not distribute any stock dividends as employee compensation for the current period.

4. he actual distribution of employee compensation and directors' and supervisors'

compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

The actual amount resolved on to be distributed at the general shareholders' meeting of 2022 was the same as the amount approved and proposed by the Board of Directors in 2021, which comprised employee compensation in the amount of NT\$4,409,650 and directors' and supervisors' remuneration in the amount of NT\$2,330,815.

(IX) The Company's buyback of the Company's shares: None.

II. Issuance of Corporate bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Issuance of Employee Stock Option Certificates: None.

VI. Issuance of New Restricted Employee Shares: None

VII. Issuance of New Shares in Connection with Mergers or Acquisitions of, or Succession to Shares of Other Companies: None.

VIII. Implementation of Capital Utilization Plan: None.

Five. Operational Highlights

I. Business Activities

(I) Business scope

1. Principal business activities and revenue distribution

Category	Products	Usage	Operating Revenue Percentage
MFPs	Mid-range and low-end multi-function laser plain paper printers, mid-range and high-end Internet-based multi-function laser plain paper printers, and multi-function digital printers	Providing the office automation and efficient communication quality to modern enterprises	75.47%
MFP modules	Scanner modules for MFPs, auto-feeders, fax kits, and modules of operating panels	Providing the OEM/ODM customers with the modular parts and components for MFPs	8.19%
Others	Automatic laminators, color industrial label printers, industrial cutters, JVC product distributed as an agency, and others	Label printers and cutting machines used for office or industrial purpose, and other innovative products for various purposes	16.34%

2. Current products (services)

The Company supplies products to different customers through different channels as shown below:

Customer Industry	Model	Product Specifications
Multi-functional printers	UA4300 series	A3 MFPs
	UA4200 series	A3 MFPs
	UA4000 series	A3 MFPs
	UA2026 series	A4 color MFPs
	UA3016 series	A4 MFPs
	UA3160 series	Low-end laser fax machines
Module products	ADF(R)	Auto-Document feeder for MFPs (double sided)
	Fax Kit	Kits for MFP fax functions
	IR	Scanner units for MFPs
	Controller	Controller for MFPs
	Operation Panel	Operation panels for MFPs
Industrial Printer	Industrial Printer	Industrial printers
Auto Laminator	Laminator	Auto laminators
Label printers	MC Printer 2020	Label printers
Cutting plotters	CG-AR	Cutting plotters

3. New products planned for development

- (1) Development of a new system control platform
- (2) 3D printing applications
- (3) Drone system integration
- (4) Adoption of robotic arms in Guanyin Plant

(II) Industry Overview

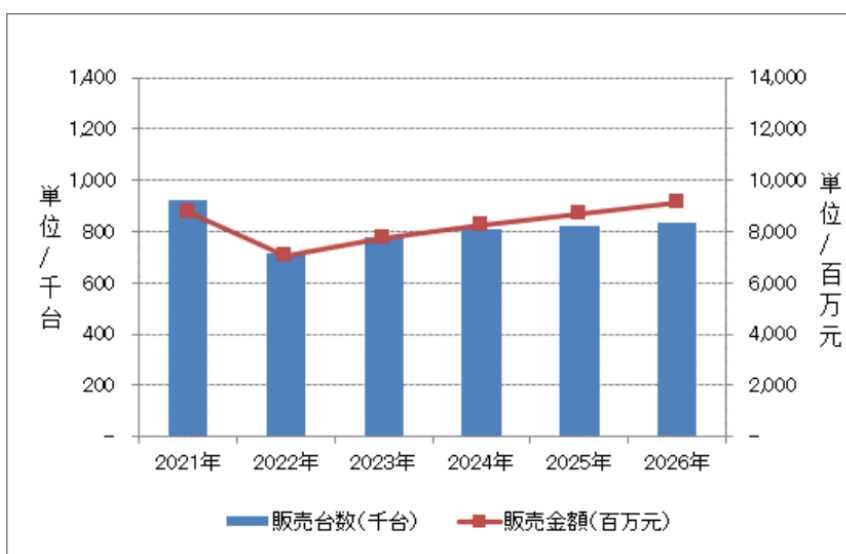
1. Current conditions and development of the industry

Current market conditions of MFP market in China:

Economic activities in China gradually resumed after Chinese New Year in

2022. In mid-March, an outbreak of the Coronavirus Omicron variant occurred in Shanghai. Due to the Chinese government's "Zero-COVID" policy, a city-wide lockdown was imposed in Shanghai from late March to late May. During the lockdown, logistics were interrupted and commercial activities were paralyzed. Most of the photocopier manufacturers are headquartered in Shanghai, and many of them set up machine and parts warehouses in the Shanghai Free Trade Zone. Starting in March, lockdowns were frequently imposed across the country and the measures had significant impact on the entire society and economy. In 2022, massive government spending on nucleic acid tests and the deterioration of fiscal conditions of local governments resulted in significantly reduced government budgets for office equipment. Supply chain issues such as the chip shortage and logistics continued to cause shortages for photocopier manufacturers in the first half of 2022. The overall market demand shrunk, and the number of monochrome and color photocopiers sold fell by 22.5% in 2022 to 714,300 units.

Overall photocopier market scale in China, 2021 to 2026 (source: Key Research 2023)



The forecast for the A3 photocopier market from 2023 to 2026 is summarized below:

- (1) China's economic growth had clearly declined in 2022. Many cities across the country imposed lockdown measures, making it impossible to carry out economic activities. The photocopier market thus suffered a significant decline in 2022. Starting from 2023, social and economic activities in China have resumed and the economy has gradually recovered. The photocopier market is expected to achieve positive growth.
- (2) As color printing becomes more popular and the applications of color documents by users expand, the output of color printing is expected to increase.
- (3) Due to the economic downturn, photocopier manufacturers and distributors have devoted their efforts to the sales of high value-added color photocopiers, which has contributed to the expansion of the color photocopier market.
- (4) Photocopier manufacturers have expanded their investments in the color photocopier market. As the main manufacturers continued to launch new products, the mid-range to-high-end product line was divided to expand the product line.
- (5) As low-end color photocopiers offer high value for money, customers that originally purchased medium-speed monochrome photocopiers are more likely to purchase color photocopiers. The constant expansion of user groups contributes to the expansion of the color photocopier market.
- (6) With the advancement of DX in enterprises and the increase in the demand for workflow-related solutions, suppliers have actively engaged in training for solutions and the expansion of the solution market has increased the demand

for equipment. Color equipment offer a wide variety of functions and can be used for multiple purposes. The categories can be divided into user groups to meet the individual needs of end-users and expand the entire user base.

- (7) The "information technology application and innovation" (import substitution) projects after the "20th National Congress" in China are expected to take precedence in the next 5 years and will be adopted in the government and eight major industries. The Company's data specified above only included the number of units of domestic brand products sold through the photocopier distributor channel. The number of units sold directly by domestic brand manufacturers in China is not included. The proportion of domestic brand products in the procurement of industry users is expected to increase in the future.
- (8) The PMI of SMEs has remained below 50% for 3 years during the pandemic, and it will take more time for SMEs to recover.
- (9) The development of the leasing business facilitates expansion in the photocopier market as the pandemic has encouraged regular companies to adopt the photocopier leasing model. The photocopying in shared offices and public areas is also essentially based on a leasing model. Such trends are expected to continue.

Global wide format printer market:

Wide format printers are controlled by a computer, and the printable width from 18 inches to 100 inches, on scrolls or single piece of paper. The major applications include the banners, posters, drawing and packaging for vehicles, architecture drawings, images for trade shows and murals. As a powerful tool for communication and marketing, these printers are very popular among conventions, trade shows, public events, and art exhibitions.

More and more wide format printers apply the UV solidifying inks to print solid images on different substrates (including foam boards, glasses, wood, and cardboard). By adding large-sized color touch panels, it is helpful for employees to understand and operate if their visions are poor, or in a workplace that lacks printing technologies and know-how. The printed works from the wide format printers must withstand extreme weather conditions without fading. Furthermore, in the commercial printing applications, the digital file generation becomes more important, with many options of prices and modes, and higher requirements for printing by CAD, also increase the demand for wide format printers. From 2022 to 2028, the home decoration and vehicle packaging applications are expected to create opportunities for development and profit.

The increased popularity of digital advertising media may obstruct the growth in the wide format printer market but applications for textile prints and industrial prints (industrial label printers) are niche markets that are unaffected by the encroachment of digital advertising media. (Source: Data Bridge 2022).

Global industrial 3D printing market

In 2022, sample production still accounted for the highest share of 3D printing applications. However, the proportion of end-use parts in 3D printing applications has gradually increased. As technology continues to advance and as the source of materials increased, the use of parts produced with 3DP has expanded and the quality has improved. 3DP products were mainly used mainly for prototypes and prototyping, but can now be used as final products for sales and applications. According to the 2022 3D Printing Applications Report compiled by Formlabs, a US-based 3D equipment manufacturer, 63% of respondents who have used 3D printing for less than two years regularly use the technology to produce end-use parts. Of respondents who have used 3D printing for more than two years, Only 33% used it to produce end-use parts. The above survey showed that many users who have recently adopted 3DP now regard 3DP technology a way to produce parts. AMFG, a 3D printing automation company, evaluated the relevance of additive manufacturing to the production of end-use part and concluded that "3D printing is not yet competitive when

compared traditional manufacturing methods in the short term". However, in terms of end use, 3DP can "potentially change the way certain parts and products are produced".

This judgment was based on the experience gained from the COVID-19 pandemic during which 3D printing alleviated material shortages caused by the pandemic and helped manufacturers produce personal protective equipment (PPE) and other medical supplies when the demand rose during key periods. Following the success, additive manufacturing has become more widely adopted in end-use applications.

The service provider HUB summarized the data from the 3D market analysis report in the market for the 3DP market revenue forecast.

3DP market revenue includes the revenue of companies that provide equipment, software, materials, and services.

The market grew by 21% in 2022 compared to 2021 and reached US\$18.3 billion. HUB estimates that the market will grow at a rate of 24% per year and reach US\$44.5 billion by 2026.

2. Links between the midstream and downstream of the industry

Fig. 1 Composition of MFPs

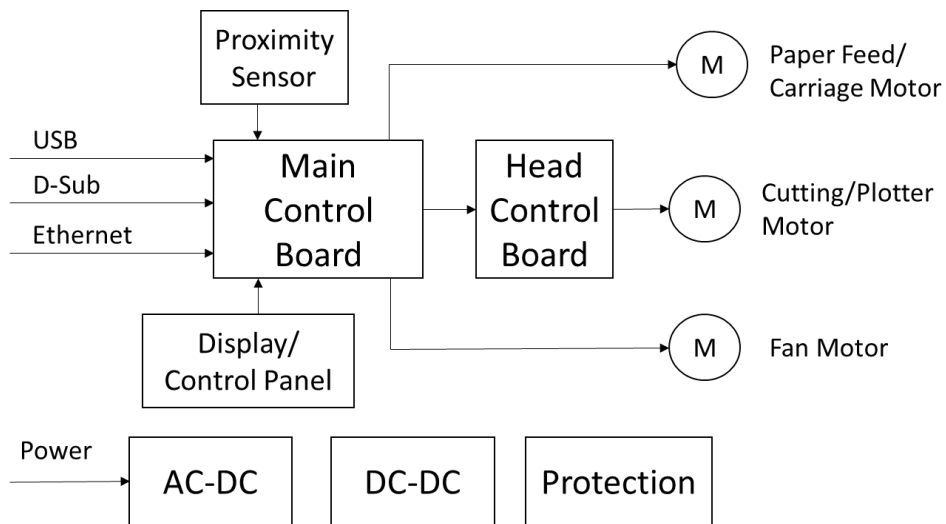


Fig. 2: Composition of wide format printers

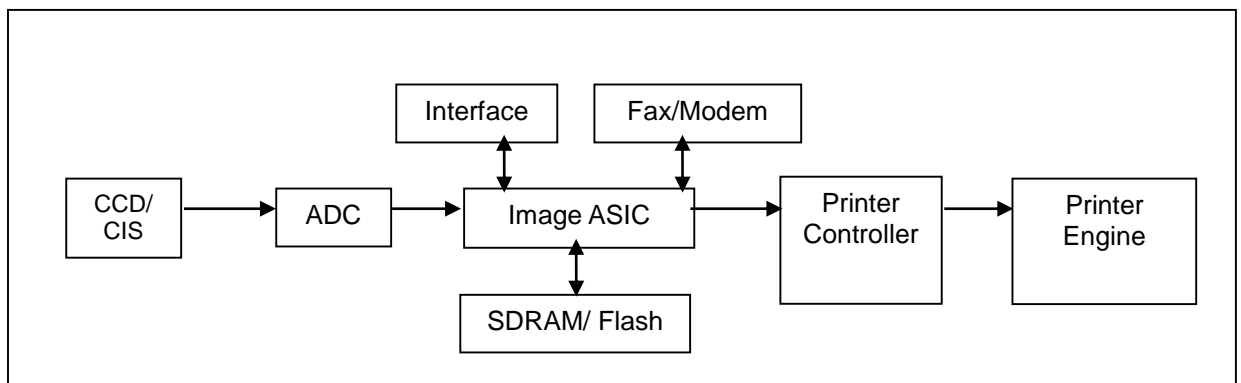
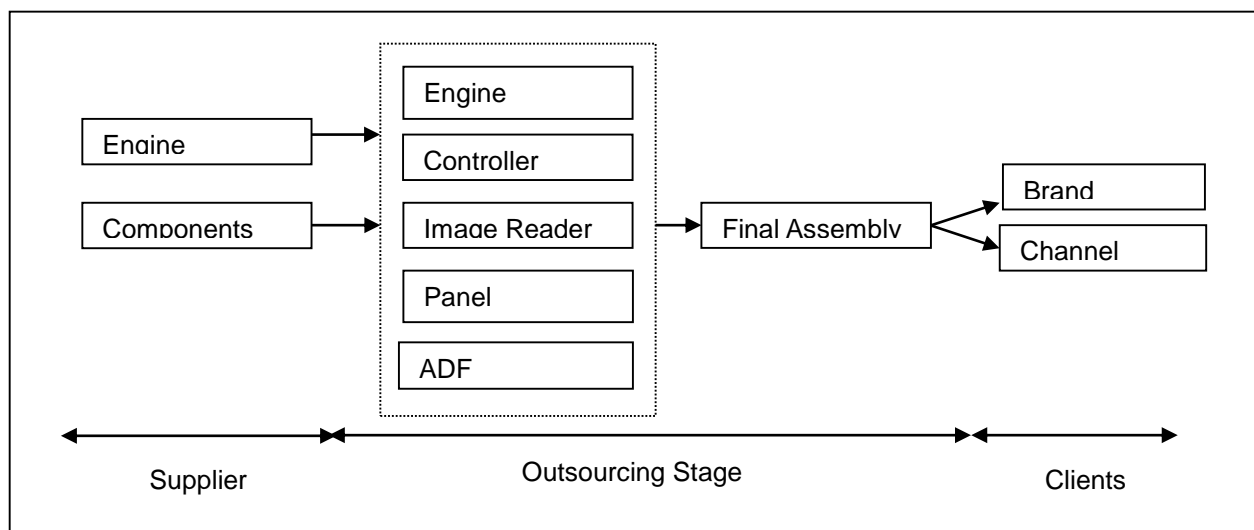


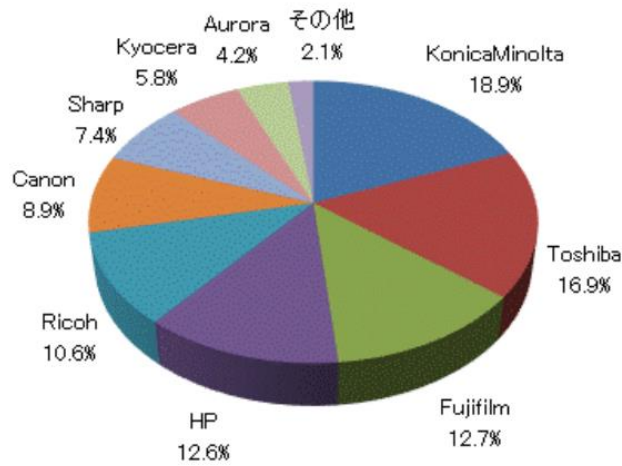
Fig. 3: Industrial links among major products



3. Development trends of products and competition status

The overall photocopier market in China in 2022 was as follows: <Economic background>

- (1) According to preliminary statistics the gross domestic product for the first three quarters was RMB 8,7026.9 billion, up 3.0% year-on-year based on constant prices. By quarter, the GDP grew 4.8% year-over-year in the first quarter, 0.4% in the second quarter, and 3.9% in the third quarter.
- (2) In the first half of 2022, the added value of industries above the designated size in China grew by 3.4% year-on-year. From January to June, industrial enterprises above the designated size in China realized a total profit of RMB 4,270.22 billion, up 1.0% year-on-year. From January to June, the fixed-asset investments (excluding farmers) in China totaled RMB 27,143.0 billion, up 6.1% year-on-year. Private fixed-asset investments totaled RMB 15,307.4 billion yuan, up 3.5% year-on-year. Total retail sales of consumer goods in the first half of the year amounted to RMB 21,043.2 billion, down 0.7% year-on-year. By quarter, the total sales in the first quarter grew by 3.3% and dropped by 4.6% in the second quarter.
- (3) In 2022, massive spending on nucleic acid tests and the deterioration of fiscal conditions of local governments due to the "Zero-COVID" policy resulted in significantly reduced government budgets for office equipment.
- (4) In the 2022 fiscal year, the shortages in the photocopier industry gradually subsided and companies increased the supply of color photocopiers.
- (5) Information technology application and innovation projects steadily moved forward in 2022 but the rate of the growth was still too slow. In the next 5 years, governments, central state-owned enterprises, and local state-owned enterprises are expected to continue their information technology application and innovation projects.



Market share (units sold) of A3 MFPs by brand in China in 2022 (source: Key Research 2022)

Product development trends of wide format cutting plotters/printers:

- (1) UV inkjet: Compared to conventional gel printing, it features bright colors, various substrates for printing, and quick-dry. The applications expand gradually from outdoor advertisement, home decoration, label printing, textile prints, and glass decorations.
- (2) Ink-saving printing technology and green toxic-free eco-ink materials.
- (3) Access to the wireless network to print from the cloud.
- (4) Continual optimization of image design software and continual simplification of operation interfaces of machines.

The current major suppliers of wide format printers include AGFA-GEVAERT, Canon, Durst, Epson, HP, Konica Minolta, Mimaki, Ricoh, Roland, and Fujifilm.

(III) Technology and Research and Development Overview

The listing of research and development expenditures as well as technologies and/or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: Please refer to page 2 of the annual report.

(IV) Long-term and Short-term Business Development Plans

1. Short-term business development plans

In the face of unfavorable factors such as the Russo-Ukrainian War, inflation, and high material prices, TIS has increased safety inventory for key components and evaluated alternative materials for key electronic components. We stay away from parts for which we compete with automotive producers to increase supply security, reduce the impact of material shortages, and ensure that products in mass production can satisfy customer demand for shipments.

2. Long-term business development plans

As rapid changes in the economy have become the norm, TIS shall focus on the development of MFP products and expand into UV spray printing technologies, the establishment of a drone payload platform, development of 3DP post-processing technology, the development of a new system control platform, and factory automation. We shall use diverse services to disperse profitability risks.

- (1) Development of a new system control platform: Create a unified platform for products such as MFPs, industrial cutters, and wide-format printers. In addition to providing new products for A3 monochrome business machines, we will also develop low-end A3 color printer products. We will seek out opportunities for ODM (design + manufacturing) cooperation with major foreign manufacturers.
- (2) Intensify 3D printing applications: After years of development, TIS has proven that they can be used in end-use products with actual case studies. TIS will continue to make the most use of 3D printing advantages to create business opportunities for the special shapes, weight-reduction designs, and reduced design and delivery schedule required for drones, industrial printers, and

factory automation.

- (3) Drone system integration: TIS already has the capacity to integrate mechanisms and hardware and must enhance the capacity for independent design of flight controllers. We will focus on the system integration of firmware engineering, software ground monitoring system, and automatic navigation to enhance TIS's system integration capabilities and strengthen the differentiation from other manufacturers.
- (4) Develop new business opportunities for Industrial cutters and wide-format printers: In the future, we will focus on replacing the existing EMS model with the ODM (design + manufacturing) model. The ODM model and the joint development of entire machines with customers increase the gross profit and ensures closer integration with customers.
- (5) Plant production cost control: TIS shall launch automation and AI. TIS shall introduce collaborative robotic arms and AI production. With the participation of the ASD employees, they can solve the problem of labor shortage in Taiwan, improve production stability and product quality, and reduce production costs.

II. Market and Production/Sales Overview

(I) Market Analysis

1. Main regions for product sales

Unit: NT\$1,000

Region \ Amount	2020		2021		2022	
	Sales	%	Sales	%	Sales	%
Asia	1,221,024	95.58	1,684,316	94.8	1,627,079	94.45
Americas	31,344	2.45	25,405	1.5	33,991	1.97
Europe	22,702	1.78	61,652	3.5	61,697	3.58
Oceania	2476	0.19				
Total	1,277,546	100	1,771,373	100	1,722,767	100

2. Future supply and demand and growth potential of the market

Changes in the macroeconomic environment in 2022 still require active attention and prudent response. TIS has continued to provide suppliers with long-term purchase orders of over one year and diversifying the distribution. The Company has also begun to search and verify the quality of substitute materials for the upcoming shortage and EOL materials to reduce the risks of material shortages. To ease the impact of material shortage, TIS has implemented large-scale purchases in the spot market of components for which a shortage will affect production.

Adoption of robotic arms in Guanyin Plant: In the next year, the production team will focus on the introduction of collaborative robotic arms to work alongside operators in the production process for ASD employees and robotic arms to work together. It can solve the problem of labor shortage in Taiwan, increase production stability, improve product quality, and reduce production costs.

3. Competitive niche

With the development experiences and skills accumulated over the years, TIS has established a wide range of advanced technologies, including electronics, software, mechanical designs, optics, communications, network and hand-held device software. Through years of partnerships with major Japanese MFP manufacturers, we have also established excellent product certification, production management and quality management capabilities. With such diverse technologies and the management platform, we can step into industries other than MFP to diversify our product designs and production technologies, thereby leading to innovation and outstanding performance. Meanwhile, centering on the core technology of MFP, we actively research various new concepts, strive for more 3D printing production projects, tap into the technological advantages of 3D printing to reduce the number of parts used, and improve product performance, while lowering the minimum order quantity requirements and shortening the

development cycle, to enhance product competitiveness.

4. Favorable and unfavorable factors of development and countermeasures

Favorable factors

- (1) In addition to the design and manufacturing of MFP, we have established the product lines of wide-format printers and label printers to expand the markets and the client base, thereby reducing the risk of product and customer concentration.
- (2) We have established a production site in Taiwan to diversify the risk of only having a single production site to provide clients with more choices. By incorporating 3D printing and Cobot, we have established advanced smart manufacturing technology and capabilities, thereby enhancing our manufacturing competitiveness.
- (3) With the 3D printing technologies, we can develop more diverse product applications for startups and other niche application areas to expand our business.

Unfavorable factors

- (1) China's economic growth had clearly declined in 2022. Many cities across the country imposed lockdown measures, making it impossible to carry out economic activities. The photocopier market thus suffered a significant decline in 2022. In response to the changes in the 2022 MFP market, TIS has been committed to ensuring stable production and supply. TIS has adopted a long pre-order strategy for key electronic components and changed the designs to replace key components whose shortage formed bottlenecks. During the logistics disruptions, we managed to obtain distribution channels from key module suppliers; during significant growth of purchase orders, we worked hard secure quotas from semiconductor manufacturers in Europe.
- (2) Supply chain issues such as the chip shortage and logistics continued to cause shortages for photocopier manufacturers in the first half of 2022. The overall market demand shrunk, and the number of monochrome and color photocopiers sold fell by 22.5% in 2022.
- (3) In the face of unfavorable factors such as the Russo-Ukrainian War, inflation, and rising material prices, TIS will closely monitor conditions, exercise caution, and respond to unforeseen changes with advance planning and preventive measures. As the production capacity of key electronic components is freed up, the Company added safe inventory for one year's production to hedge against risks. TIS also evaluated alternative materials for key electronic components. We stay away from parts for which we compete with automotive producers and complete design changes within one year to increase supply security and reduce the impact of material shortages.

(II) Important functions and production processes of main products

1. Important functions of the main products

(1) Plain-paper fax machines

The laser MFP, with the fax machine as the main body, is equipped with the functions of photocopying, printing and faxing from computer, to maximize the multiple functions of a single printer. It meets the basic needs of the office with a small size at the most economical cost.

(2) Multi-function peripheral (MFPs)

The new generation of office peripherals are developed toward digital MFPs that are equipped with multiple functions, including photocopying, printing, scanning, faxing and network applications. As such, we provide a complete document processing solution to the office with the most efficient application.

(3)Image scanners/modules

An image scanner is a computer peripheral input device that combines optical, electronic, mechanical and software (information) technologies. It allows for input of various image data, such as text, patterns and photos, and converts such into input signals that can be recognized by the computer and can be combined with software for different applications.

(4)Fax controllers/modules

A fax controller is a communication device that combines electronic and software (information) technologies. It can convert text, patterns and images into input signals that can be recognized by the computer, and transmit them to another fax controller through a telephone line. The information can be decoded by software for printout or editing.

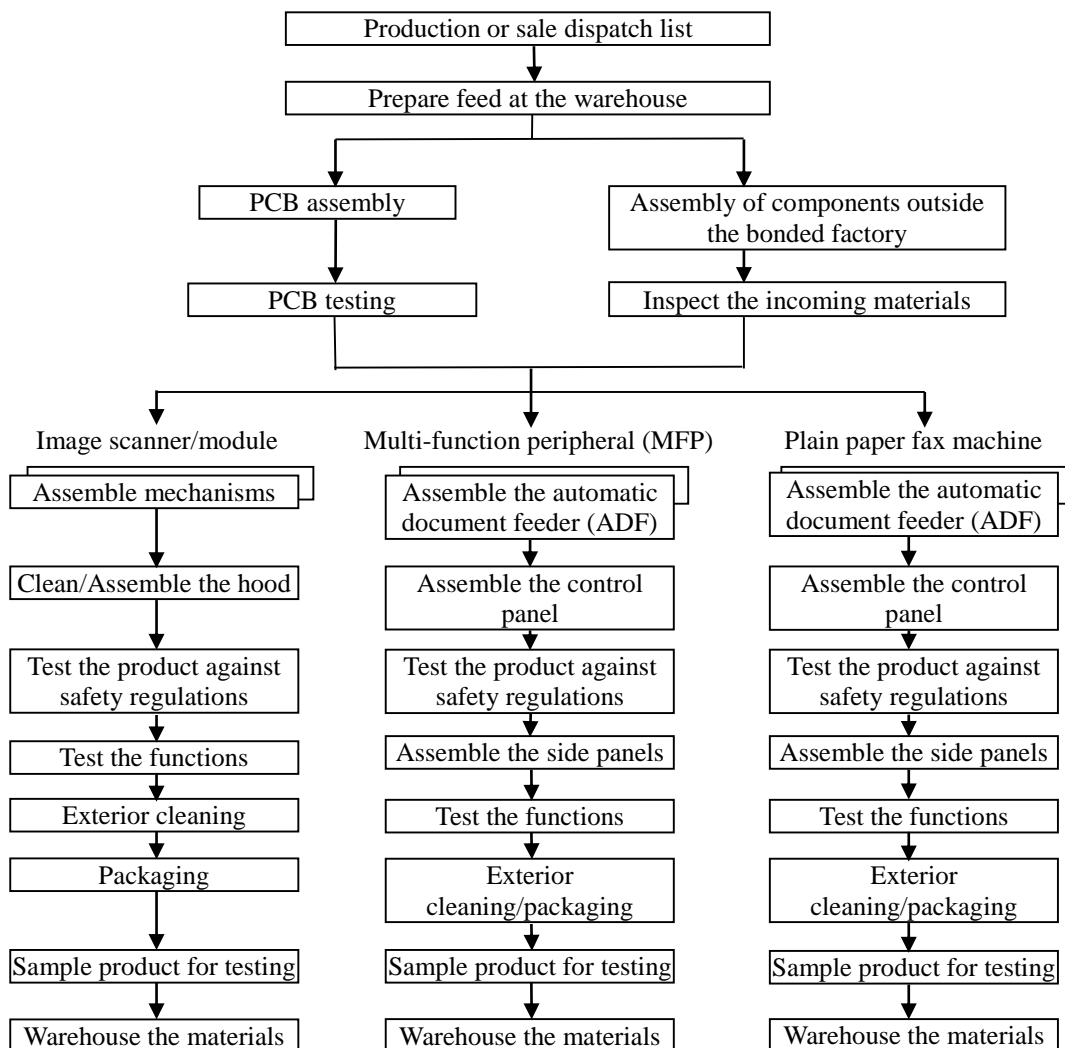
(5)3D printing-related products

With the direct manufacturing technology based on digital model files, a printer reads the cross-section data in a file, prints these cross-sections layer by layer with liquid, powder or flakes, and then glues the layers together in various methods to create an object. The technology is special because it can create objects of almost any shape.

(6)Industrial printers

With high-speed inkjet printhead, ink, and precision mechanisms, digital printing has replaced traditional printing, and is suitable for meeting the needs of a wide variety of items in small quantities, with shortened delivery time and green manufacturing.

2. Manufacturing processes of the main products



(III) Supply of major raw materials

Assembly parts: They consist mainly of plastic molding, metal processing, and packaging boxes. The current supply and demand in the material market is balanced and suppliers have sufficient production capacity. The parts can be delivered to customers on time based on TIS's requirements.

Electronic components: Main components are semiconductors, cables, batteries, capacitors, resistors, and PCBs. We have established a stable supply relationship with suppliers and we have decentralized the supply of main components to ensure a steady supply.

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

1. Major suppliers in the past two years

Unit: NT\$1,000

Item	2021			Item	2022			Item
	Name	Amount	Annual net purchase percentage (%)		Name	Amount	Annual net purchase percentage (%)	
1	K	244,140	16.96%	None	K	238,119	18.10%	None
2	Other	1,195,376	83.04%	None	Other	1,077,310	81.90%	None
	Net purchase amount	1,439,516	100.00%		Net purchase amount	1,315,429	100.00%	

Reasons for the change: The main reason was the decrease in the number of units sold to Customer X in 2022. As a result, the Company reduced the purchases of IU/PH and other materials from Supplier K.

2. Information of main customers of sales of the Company in the last two years

Unit: NT\$1,000

Item	2021				Item	2022			Relationship with the issuer
	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer		Name	Amount	Annual net sales percentage (%)	
1	X	1,450,519	81.89%	None	X	1,301,171	75.53%	None	
2	Z	126,929	7.17%	None	Z	117,813	6.84%	None	
3	A	25,405	1.43%	None	A	33,991	1.97%	None	
4	Other	168,520	9.51%	None	Other	269,792	15.66%	None	
	Net sales amount	1,771,373	100.00%		Net sales amount	1,722,767	100.00%		

Reasons for the change: As Customer X reduced purchase orders due to its sales strategy, the revenue decreased significantly compared to the same period in the previous year.

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures:
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	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer		Name	Amount	Annual net sales percentage (%)	Relationship with the issuer
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Reasons for the change: As Customer X reduced purchase orders due to its sales strategy, the revenue decreased significantly compared to the same period in the previous year.

(V) Production volume and value for the most recent two years

Unit: NT\$1,000

Quantity Value Main Products (or Segment)	Production Year	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Multi-function peripheral (MFPs)		1,050,306	925,768	1,479,880	849,109	762,885	1,502,340
Other		310,769	273,920	188,696	281,104	252,559	173,437
Total		1,361,075	1,199,688	1,668,576	1,130,213	1,015,444	1,675,777

(VI) Sales volume and value for the most recent two years

Unit: NT\$1,000

Sales Quantity Amount Main Products	Year	2021				2022			
		Domestic Sales		Exports		Domestic Sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Multi-function peripheral (MFPs)		6,000	17,816	497,767	1,596,975	8,376	190	319,374	1,442,236
Other		241,278	49,767	117,894	106,815	407,698	12,608	101,244	267,733
Total		247,278	67,583	615,661	1,703,790	416,074	12,798	420,618	1,709,969

III. Human Resources

Year		2021	2022	As of March 31 2023
Number of employees	Indirect labor	193	179	177
	Direct labor	225	149	180
	Total	418	328	357
Average age		38.5	39.2	38.4
Average years of service		5 years 9 months	6 years 5 months	6 years 5 months
Academic qualifications	PhD	0%	0%	0%
	Master	8.61%	11.3%	9.5%
	University or college	25.12%	31.4%	28.0%
	Senior high school	15.31%	13.7%	14.0%
	Below senior high school	50.96%	43.6%	48.5%

IV. Environmental Protection Expenditures

(I) Losses due to environmental pollution in the past two years

	<u>2021</u>	<u>2022</u>
1. Pollution status (type, degree)	None	None
2. Recipient of compensation or authority taking disciplinary	None	None
3. Amount of compensation or circumstances of disciplinary actions	None	None
4. Other losses	None	None

(II) The Company's pollution prevention management measures

1. Industrial waste disposal:

(1) General industrial waste:

The Company recycles and reuses wastes in accordance with laws and regulations, reduces waste disposal and transportation costs, reuses available resources, and follows processing procedures in accordance with regulations to achieve environmental protection and meet the regulatory requirements.

(2) Hazardous industrial waste:

The Company engages Class A waste disposal organizations certified by the Environmental Protection Administration to dispose of industrial waste produced by the Company such as waste chip boards, waste metal, and waste organic solvents. We conduct unscheduled inspections and audits of its waste disposal procedures, and follow the reporting and handling procedures in accordance with the regulations to implement strict management and inspections, prevent secondary pollution, and to comply with regulatory requirements.

2. Information about the Company's compliance with the European Union's Restriction of Hazardous Substances (RoHS) Directive:

The Company's products that are directly and indirectly exported to Europe are governed by the RoHS Directive. The Company provides relevant certificates upon request to comply with the Directive.

(III) Environmental protection investment results

- The Company actively engages in energy saving and carbon reduction, recycling and reusing to meet regulatory requirements.
- The Company rigorously manages the pollutant emission inside and outside the factory, and conducts regular monitoring and tests to avoid protests and intangible losses of its corporate image.
- The Company recycles recyclable and reusable resources from business waste to

reduce the cost of waste disposal.

4. The Company has added greenery to the work environment, improved the quality of the work environment, and strengthened industrial safety management to avoid industrial and occupational accidents.
5. The Company strictly requires its upstream and downstream suppliers to cooperate with its environmental policy and the RoHS Directive, and urges them to reduce the negative effects on the environment during the packaging and transportation process of raw materials to achieve environmental protection and comply with regulatory requirements.
6. The Company actively collects information on international environmental protection trends, engages in research and development, improves processes, and produces products that meet international regulatory requirements.

(IV) 2022 Environmental Protection Plans

1. Recurring expenses for environmental inspections (operational environmental monitoring, drinking water quality testing, etc.).
2. Costs of safety, sanitation and environmental protection equipment inside and outside the plant, purchase of additional fire-fighting equipment, and building safety inspection expenses (fire-fighting facilities, fire extinguishers, smoke detectors, heat detectors, escape instructions, protective equipment, etc.).
3. Training expenses for environmental management personnel (environmental safety and health, internal auditing, emergency response, special operation control, fire prevention manager, first aid personnel, environmental management license, etc.).
4. Internal environmental education and training courses for the employees and external communications with the Company's neighbors and third-party companies (environmental safety and health, fire prevention coordination, fire drills, plant inspections, etc.).
5. Environmental improvement expenses, energy-saving lamp installation, etc.

Expenses related to the above items amounted to NT\$550,000.

(V) Work environment and employee safety protection measures:

1. Safety and health management:
The Company set up a dedicated management unit in accordance with the "Occupational Safety and Health Management Regulations". The Company also formulated the "Occupational Safety and Health Management Plan" to regularly conduct safety, health, and environmental protection tasks to maintain the safety of equipment and personnel.
2. Emergency response drills:
The Company has established a comprehensive fire-extinguishing system in accordance with the Fire Services Act. The Company conducts regular maintenance, inspections, and disaster emergency response training and drills, and submits building and fire services reports to ensure safety in the work environment.
3. Environmental inspections:
The Company implements quarterly inspections of drinking water quality, semi-annual inspections of the work environment, and annual disinfection of the work environment to ensure a hygienic and healthy work environment.
4. Work safety management:
The Company has established the "Safety and Health Code of Practice" in accordance with the Occupational Safety and Health Act to ensure employees' personal safety, reduce the occurrence of accidents, and protect the Company's human assets.
5. Health care:
The Company provides its employees with annual health checkups in accordance with the "Labor Health Protection Rules". We offer health checkups superior to those required by law to encourage employees to manage their health.

6. Training and education:

We organize regular annual occupational safety and health training and publish safety and health leaflets to enhance employees' knowledge and reduce occupational injuries.

(VI) The Company's direct and indirect greenhouse gas emissions (specifying the scope and time of inventory), and status of external verification:

As a member of a non-energy-intensive industry, TIS is not yet governed by regulations related to climate change. However, as a global citizen, the Company pays close attention to international regulatory development and changes, and remains committed to reducing the Company's impact on the environment. The Company regularly reports and discusses greenhouse gas emissions from its operations in its internal meetings, and will consider obtaining external verification for greenhouse gas inventory in the future.

1. Environmental management targets and measures

(1) Environmental management targets:

To combat climate change, the Company has been continuously promoting office afforestation and energy saving programs. We also implement pollution source control, prevention and continuous improvement efforts to reduce the impact of the Company's operations on the environment. The Company plans to continue replacing and adjusting old air-conditioning equipment and installing energy-saving LED lighting fixtures, improve the efficiency of air-conditioning and lighting systems, and add greenery to improve indoor air quality in the offices. The Company has also supported renewable energy by investing in solar energy industry and installing solar panels on the roofs of its plants to produce renewable energy and reduce the indoor temperature and air conditioning usage. We seek to reduce energy consumption and do our part in protecting the earth.

(2) Environmental management measures

1. Replacing the wind screens of air conditioning cooling towers.
2. Regularly cleaning the air conditioning cooling towers and removing algae with medicine.
3. Regularly cleaning the air conditioning units and air intake filters.
4. Replacing old and unserviceable air conditioners and installing new ones.
5. Installing energy-saving LED flat panel lights.
6. Increasing the number of green pot plants in public areas and offices.

(3) Environmental management results

1. Rearranged office areas to reduce air conditioning and lighting usage for vacant areas by 10%.
2. Replaced 6 sets of wind screens of air conditioning cooling towers.
3. Cleaned the air conditioning cooling towers and removed algae with medicine 36 times.
4. Cleaned 15 air-conditioning units.
5. Cleaned air-conditioning unit filters 90 times.
6. Replaced 3 old and unserviceable air conditioners.

2. Energy saving and carbon reduction targets and measures

(1) 2022 energy saving targets

According to ISO 14064 specifications, the Company's main source of greenhouse gas emissions is the use of electricity. The Company reduces carbon emission by saving energy, continuing to promote energy management, and actively implementing energy-saving projects. With 2021 as the base year, the target is to achieve a 3.5% reduction in electricity consumption by 2024.

Year	Electricity consumption (kWh)
2021	1,369,925
2022	1,314,999

Note: The increase in electricity consumption in 2021 was mainly due to the inauguration of new manufacturing plants.

- (2) 2022 carbon reduction targets
 Since the impact of climate change is one of the common environmental issues around the world, it is the responsibility of all countries to mitigate the greenhouse effect. The Company sets annual carbon reduction targets in accordance with ISO 14064 specifications and continue to promote emission reductions. With 2021 as the base year, the target is to achieve a 10-ton reduction in carbon emissions by 2024.
- (3) Energy conservation and carbon reduction measures
- A. Promoting energy saving measures and concepts of energy saving and carbon reduction in plants and offices
- Replacing factory lighting equipment with LED fixtures and power-saving bulbs
 - Turning off lights during lunch break, after work, and when people leave the area
 - Adjusting illumination level to reduce the amount of lamps used
- B. Air conditioning performance improvement
- Cooling towers shall be regularly dosed to reduce algae breeding and prevent lowered water cooling efficiency
 - Regularly cleaning air conditioner filters and air conditioner unit pipelines
 - Replacing old split-type air conditioners with energy saving air conditioners
 - Enabling automatic switch-on/off mechanism to avoid wasting power in idling
- (4) Energy conservation and carbon reduction results and future management targets
 Due to the inauguration of new manufacturing plants in 2022, greenhouse gas emissions in increased by 40.81 metric tons CO₂e in 2022 compared to 2021. In the future, the Company will continue to implement electricity, temperature control, and air conditioning management to improve its efficiency of electricity consumption and achieve carbon reduction targets through energy control measures.

V. Labor Relations

The Company maintains good labor relations and continues to enhance employee welfare policies.

- (I) The Company's employee benefits, education, training, retirement systems and their implementation, labor agreements and measures to protect the rights and interests of employees:
1. Employee benefits and implementation:
- (1) The Company's employees are covered by labor insurance, national health insurance and employee group insurance from onboarding day.
- (2) The Company has established an Employee Benefits Committee, which coordinates the implementation of all benefit policies.
- (3) Currently, all leave, working hours and other labor conditions are handled in accordance with the Labor Standards Act. The Company adopts flexible working hours and five-day work weeks.
- (4) Current employee benefits:
- A. Comprehensive system of labor insurance, national health insurance, and employee group insurance.
- B. Flexible work hours and five-day work weeks.
- C. Diverse employee training programs.
- D. Free shuttle buses and parking for employees.
- E. Well-equipped staff dormitory.
- F. Free lunch at the staff's restaurant.
- G. Domestic and overseas trips and recreational activities for employees.
- H. Holiday gifts.
- I. Birthday gifts for employees.
- J. Year-end dinners and lucky draws for employees.

- K. Employees and children education grants.
- L. Subsidies for weddings and funerals provided by the Company and the Employee Welfare Committee.

2. Employees continuing education, training system, and implementation status

- (1) Employee education and training is implemented in accordance with the Company's training-related policies such as "Human Resources Management Procedures" and "Education and Training Management Procedures." The Company actively provides its employees with various learning and development opportunities to cultivate outstanding talents with global perspectives and active learning.
- (2) Education and training hours in 2022: 27 participants attended external training, with an average of 18 hours of training per person.

3. Retirement system and implementation:

- (1) The Company's employees' retirement system and methods are governed by the Labor Standards Act and the Labor Pension Act.
- (2) The Company has established the Labor Retirement Reserve Fund Supervisory Committee to oversee the implementation of the retirement system.
- (3) According to the regulations specified in the Generally Accepted Accounting Principles (GAAP) of R.O.C. No. 18, the Company entrusts an actuary to perform assessment and calculation of the labor retirement reserve fund and to submit actuarial assessment report.

Effective July 1, 2005, the Company makes monthly contributions of 6% of employees' wages to employees' individual pension accounts in accordance with the Labor Pension Act.

4. Agreements between labor and management and measures to protect employees' rights and interests:

The Company has always adhered to the management style of autonomy and full participation of all employees. Through regular meetings, education and training, and effective communication between each department head and his or her staff, labor relations are harmonious in the Company.

5. Employees' code of conduct or ethics:

In order to maintain the order of employment in the workplace and to clearly regulate the rights and obligations of employers and employees, the Company has established the "Work Rules" in accordance with the law, which are publicly disclosed upon approval by the competent authorities. In addition, the Company enters into an "Employment Agreement" with its employees, so that the Company follows certain standards when managing its employees. The main contents of the Agreement include:

- (1) Service standards.
- (2) Trade secrets.
- (3) Intellectual property rights.
- (4) Non-compete.

6. Internal Procedures for Handling Material Information:

To establish sound internal mechanisms for handling and disclosing material information, avoid improper disclosure of information, and ensure the consistency and correctness of information disclosed by the Company to the public, the Company has added "insider trading prevention" to its internal control system, which was approved by the Board of Directors on December 21, 2009, revised and approved by the Board of Directors on March 17, 2014. The addition of the Company's "Internal Procedures for Handling Material Information" was passed on November 3, 2022 and communicated to the Directors, managers, and employees.

- (II) During the most recent fiscal year and during the current fiscal year up to the prospectus publication date, the losses suffered by the Company as a result of labor dispute, and disclosure of the estimated amount that may occur now and in the future

and response measures. If the amount cannot be reasonably estimated, elaborate on the reasons why it cannot be reasonably estimated with facts: N/A

VI. Information Security Management Mechanisms

(I) Information security risk management framework

1. Organization

- (1) The Company's information security unit is the Information Engineering Division, which includes the information manager and professional information personnel responsible for setting internal information security policies, planning and implementing information security operating procedures, and promoting and implementing information security policies.
- (2) The Company's Audit Office is the supervisory unit for information security. The Audit Office has an audit manager and full-time auditors who are responsible for supervising the implementation of internal information security. If deficiencies are found, the audited unit is immediately requested to propose specific improvement measures, and the Audit Office tracks the effectiveness of the improvements to reduce internal information security risks. The audit results are reported to the Board of Directors on an annual basis.

2. Information security risk management mechanisms:

Execute the management of IT server rooms, computer information file security, network security, email security management, and information system control and access.

(II) Information Security Policy

1. Information security targets:

Establish a secure and reliable operation environment and ensure the security of the Company's data, systems, equipment, and networks to protect the Company's interests and ensure the continuous operations of the information systems of all units.

2. Scope of information security:

- (1) Personnel management and information security training.
- (2) Computer system security management.
- (3) Network security management.
- (4) System access control.
- (5) Security management for system development and maintenance.
- (6) Information asset security management.
- (7) Physical and environmental security management.
- (8) Information security auditing.

3. Related regulations for employees:

- (1) To maintain data integrity, employees may not destroy, take out, lend, or improperly modify computer data and equipment.
- (2) The use of pirated software is prohibited.
- (3) The use of the company network environment by external information and communication devices is prohibited. The Company does not provide network connection services for visitors to prevent the intrusion of viruses from external sources and block computers with unauthorized software from accessing the Company's network environment.
- (4) After logging into the server, once the operations are completed if the device is not used for an extended period of time, the user should be logged out of the system to prevent leaks of confidential data, damage by others, or computer crashes.
- (5) When an employee resigns or when handing over responsibilities, the IT unit shall assess the relevancy of data and take appropriate measures.

(III) Specific management plans

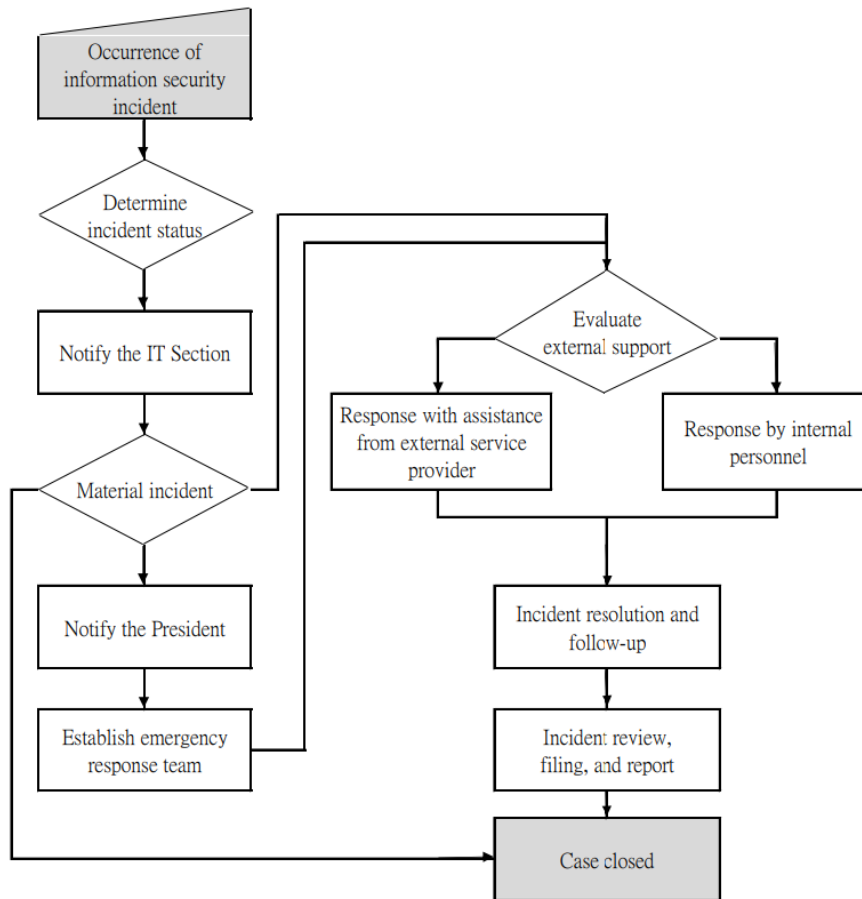
1. Infrastructure system (electricity supply services, air-conditioning services, network telecommunications services, fire safety, and environmental controls)
 - (1) Power system: The server room is equipped with battery cabinets for the uninterrupted power supply (UPS) system and diesel generators. In the event of circuit abnormality, the UPS system immediately supplies power, and the diesel generator starts within 60 seconds and continuously supplies power for 24 hours.
 - (2) Cooling air conditioning systems: The server room is equipped with four invisible hanging air conditioners. When the temperature exceeds 25 degrees Celsius, the invisible hanging air conditioners automatically and simultaneously activate; when the temperature is below 25 degrees Celsius, only two air conditioners operate to maintain the cooling effect.
 - (3) Networks: Four network connections, including Asia Pacific Telecom and Chunghwa Telecom, are adopted for external network services.
 - (4) Fire-fighting systems: equipped with smoke detection systems and carbon dioxide fire extinguishing device, as well as independent hand-held fire extinguishers.
 - (5) Environmental control: In the event of abnormal power and temperature, relevant personnel will be notified via e-mail.
2. Physical information equipment
 - (1) Enterprise Resource Planning (ERP) system: The Company has two ERP servers which are divided into official and test areas. The server used for official operations provides ERP service and the server used for tests is used by developers for tests before applications are imported into the server used for official operations.
 - (2) E-mail system: The e-mail system service is set up on two hosts, one as a redundancy.
3. Firewall and load balancing equipment:
 - (1) The firewall determines whether to allow or block specific connections and protect against viruses and network attacks based on security rules and definitions. Load balancing equipment provide redundancy for external network service lines.
 - (2) Physical area control (data center access control area)
 - (3) Access to the server room is controlled with separate access control cards so that unauthorized personnel cannot enter the room. The time and reason of entry into the server room by authorized personnel are recorded.
4. Information system control
 - (1) Computer system control: Only company computers are permitted to be used for work. All new computers must be delivered to the Information Technology Department for setting the security environment and account access.
 - A. Using specific brands and models of computers
 - B. Joining the company domain for account access control
 - C. Web browser security settings
 - D. Installing specified anti-virus software
 - (2) Web behavior control: The Company restricts web pages by category, blocks malicious websites, records website visits, and tracks traffic and behaviors. Application traffic is monitored and blocked when necessary.
 - (3) Personnel access control: System manager, administrator, and general users are controlled by separate authority.

- (4) Access Restrictions:
 - A. Only authorized personnel can connect to the core system and the computer location and connection methods are also restricted.
 - B. Only authorized personnel are permitted to access data on the file server.
- 5. System audit management
 - (1) Internal audit: Internal audit management is conducted once every six months in accordance with the Company's internal computerized information system management system.
 - (2) External audit: An information system audit is conducted by CPAs on an annual basis to review operation-related systems and management practices.
- 6. Information security defense measures

Different brands of anti-virus scanning mechanisms are used for each type of information security equipment to increase the virus detection rate.

 - (1) Firewall:
 - A. We set up firewalls for new applications and update virus codes to scan the contents of network traffic in real time.
 - B. Firewalls identify connection behaviors, categorize websites, block malicious websites, as well as malicious links and malware.
 - (2) Network segment isolation:
 - A. The internal network is divided into different network segments for each department and system service.
 - B. In the event of a virus infection, segments make it difficult for viruses to spread and isolate suspicious network segments.
 - C. We can use the monitoring system to identify the location of abnormal network behavior.
 - (3) Server updates: Patches internal host vulnerabilities and automatically releases updates.
 - A. Major updates and security updates: instant downloads and manual updates.
 - B. General updates: Scheduled downloads and updates at off-peak time.
 - (4) Anti-virus software:
 - A. The console divides users and servers into groups for management. Company-wide virus status can be monitored from the anti-virus console.
 - B. Anti-virus software is installed on the user's end, scheduled for automatic updates and regular scheduled scans.
- (IV) Emergency report procedures

The Company's information security incident report procedures are as follows. All information security incidents shall be reported and handled in accordance with these procedures.



(V) Losses due to major information and communications security incidents, possible impact and response measures during the most recent fiscal year and during the current fiscal year up to the prospectus publication date. If the loss cannot be reasonably estimated, elaborate on the reasons why it cannot be reasonably estimated with facts: N/A

VII. Important Contracts: None

Six. Financial Information

I. Condensed Balance Sheets, Statements of Comprehensive Income, Names of Accountants, and Audit Opinions in the Most Recent Five Years

(I) Condensed balance sheet for the past five years:

Condensed Balance Sheet - Consolidated

Unit: NT\$1,000

Year		Financial information for the past five years				
		2018	2019	2020	2021	2022
Current assets		1,504,127	1,235,009	973,999	993,371	1,049,308
Property, plant, and equipment		31,653	24,100	25,175	33,643	33,515
Intangible assets		7,260	7,629	3,799	6,329	5,761
Other assets		971,209	1,200,510	1,374,668	2,129,718	1,929,958
Total assets		2,514,249	2,467,248	2,377,641	3,163,061	3,018,542
Current liabilities	Before distribution	742,630	616,623	636,268	904,325	835,424
	After distribution	860,793	666,139	647,522	950,465	Note 1
Non-current liabilities		24,805	43,568	40,323	35,063	106,127
Total liabilities	Before distribution	767,435	660,191	676,591	985,528	941,551
	After distribution	885,598	709,707	687,845	893,248	Note 1
Equity attributed to the owners of the parent company		1,746,814	1,807,057	1,701,050	2,223,673	2,076,991
Capital stock		1,125,365	1,125,365	1,125,365	1,125,365	1,125,365
Capital surplus		0	55	55	998	245
Retained earnings	Before distribution	641,223	572,637	518,450	962,875	1,011,787
	After distribution	523,060	523,121	507,196	916,735	Note 1
Other equity		(19,774)	109,000	57,180	134,435	(60,406)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	1,746,814	1,807,057	1,701,050	2,223,673	2,076,991
	After distribution	1,628,651	1,757,541	1,689,796	2,177,533	Note 1

Note 1: The appropriation of earnings has not yet been approved by the shareholders' meeting.

Condensed Balance Sheet - Individual

Unit: NT\$1,000

Item \ Year	Financial information for the past five years					
	2018	2019	2020	2021	2022	
Current assets	1,376,852	1,099,614	877,389	877,801	874,961	
Property, plant, and equipment	15,538	11,958	7,469	16,560	18,295	
Intangible assets	6,292	6,823	3,215	6,095	5,587	
Other assets	1,127,585	1,314,600	1,477,713	2,217,486	1,886,929	
Total assets	2,526,267	2,432,995	2,365,786	3,117,942	2,785,772	
Current liabilities	Before distribution	754,648	601,340	634,605	859,980	680,470
	After distribution	872,811	650,856	645,859	906,120	Note 1
Non-current liabilities	24,805	24,598	30,131	34,289	28,311	
Total liabilities	Before distribution	779,453	625,938	664,736	940,409	708,781
	After distribution	897,616	675,454	675,990	848,129	Note 1
Equity attributed to the owners of the parent company	1,746,814	1,807,057	1,701,050	2,223,673	2,076,991	
Capital stock	1,125,365	1,125,365	1,125,365	1,125,365	1,125,365	
Capital surplus	0	55	55	998	245	
Retained earnings	Before distribution	641,223	572,637	518,450	962,875	1,011,787
	After distribution	523,060	523,121	507,196	916,735	Note 1
Other equity	(19,774)	109,000	57,180	134,435	(60,406)	
Treasury stock	0	0	0	0	0	
Non-controlling interests	0	0	0	0	0	
Total equity	Before distribution	1,746,814	1,807,057	1,701,050	2,223,673	2,076,991
	After distribution	1,628,651	1,757,541	1,689,796	2,177,533	Note 1

Note 1: The appropriation of earnings has not yet been approved by the shareholders' meeting.

(II) Condensed statement of comprehensive income for the past five years:

Condensed Statement of Comprehensive Income - Consolidated

Unit: NT\$1,000

Item	Year	Financial information for the past five years				
		2018	2019	2020	2021	2021
Operating revenue		2,162,117	1,769,660	1,277,546	1,771,373	1,722,767
Gross profit		498,229	354,407	234,335	299,617	256,505
Operating income (loss)		115,592	1,280	(79,064)	(23,916)	(47,294)
Non-operating revenue and expenses		78,720	53,549	83,976	80,171	138,017
Net profit before tax		194,312	54,829	4,912	56,255	90,723
Net profit from continuing operations in the current period		160,483	49,537	799	51,826	64,384
Loss from discontinued operation		0	0	0	0	0
Net income (loss)		160,483	49,537	799	51,826	64,384
Other comprehensive income (net value after tax)		(197,427)	128,814	(57,290)	506,083	(164,173)
Total comprehensive income		(36,944)	178,351	(56,491)	557,909	(99,789)
Net profit attributable to owners of the parent company		160,483	49,537	799	51,826	64,384
Net profit attributable to non-controlling interests		0	0	0	0	0
Comprehensive income attributable to owners of the parent company		(36,944)	178,351	(56,491)	557,909	(99,789)
Comprehensive income attributable to non-controlling interests		0	0	0	0	0
Earnings per share		1.43	0.44	0.01	0.51	0.81

Note 1: The appropriation of earnings has not yet been approved by the shareholders' meeting.

Condensed Statement of Comprehensive Income - Individual

Unit: NT\$1,000

Item \ Year	Financial information for the past five years				
	2018	2019	2020	2021	2022
Operating revenue	2,140,839	1,746,978	1,270,701	1,763,473	1,718,022
Gross profit	452,901	332,148	243,830	306,655	254,509
Operating income (loss)	94,938	(554)	(51,469)	3,722	(21,114)
Non-operating revenue and expenses	91,925	53,942	55,308	52,533	111,837
Net profit before tax	186,863	53,388	3,839	56,255	90,723
Net profit from continuing operations in the current period	160,483	49,537	799	51,826	64,384
Loss from discontinued operation	0	0	0	0	0
Net income (loss)	160,483	49,537	799	51,826	64,384
Other comprehensive income (net value after tax)	(197,427)	128,814	(57,290)	506,083	(164,173)
Total comprehensive income	(36,944)	178,351	(56,491)	557,909	(99,789)
Net profit attributable to owners of the parent company	160,483	49,537	799	51,826	64,384
Net profit attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to owners of the parent company	(36,944)	178,351	(56,491)	557,909	(99,789)
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	1.43	0.44	0.01	0.51	0.81

Note 1: The appropriation of earnings has not yet been approved by the shareholders' meeting.

(III) Names and audit opinions of CPAs for the past five years

Year	CPAs	Opinions
2018	Wu Yu-lung, Huang Shih-chun	Unqualified opinion and other matter paragraph
2019	Wu Yu-lung, Huang Shih-chun	Unqualified opinion and other matter paragraph
2020	Yeh Tsui-miao, Huang Shih-chun	Unqualified opinion and other matter paragraph
2021	Huang Shih-chun, Yeh Tsui-miao	Unqualified opinion and other matter paragraph
2022	Huang Shih-chun, Yeh Tsui-miao	Unqualified opinion and other matter paragraph

II. Financial Analysis for the Most Recent Five Years

Analysis Item \ Year		Consolidated				
		2018	2019	2020	2021	2022
Financial Structure	Debt to assets ratio (%)	30.52	26.76	28.46	29.70	31.19
	Long-term capital to property, plant, and equipment ratio (%)	5,597.00	7,678.94	6,917.07	6713.84	6513.85
Solvency	Current ratio (%)	202.54	200.29	153.08	109.85	125.60
	Quick ratio (%)	179.12	170.89	122.45	75.81	85.33
	Times interest earned	194313	103.48	3.54	15.57	14.13
Operating Ability	Receivables turnover ratio (times)	3.76	3.66	3.43	4.78	4.84
	Average collection days	97.07	99.73	106.41	76.36	75.41
	Inventory turnover ratio (times)	10.67	8.97	6.05	6.44	4.94
	Payables turnover ratio (times)	3.57	3.39	3.00	4.21	3.88
	Average days of sales	34.21	40.69	60.33	56.68	73.89
	Property, plant and equipment turnover ratio (times)	81.72	63.48	51.85	60.23	51.30
	Total asset turnover ratio (times)	0.81	0.71	0.53	0.64	0.56
Profitability	Return on assets (%)	6.02	2.01	0.10	1.98	2.26
	Return on equity (%)	8.68	2.79	0.05	2.64	2.99
	Ratio of pre-tax income to paid-in capital %	17.27	4.87	0.44	5.00	8.06
	Net profit margin (%)	7.42	2.80	0.06	2.93	3.74
	Earnings per share (NT\$)	1.43	0.44	0.01	0.51	0.81
Cash Flow	Cash flow ratio (%)	20.79	8.57	4.25	0.00	0.00
	Cash flow adequacy ratio (%)	78.00	83.72	69.93	54.26	43.34
	Cash reinvestment ratio (%)	-0.78	-3.4	-1.23	-0.48	-2.11
Leverage	Degree of operating	4.02	243.23	-2.82	-12.50	-5.93

	leverage					
	Degree of financial leverage	1.00	1.72	0.98	0.86	0.87

Reasons for changes in financial ratios in the last two years. (Analysis may be exempted for changes less than 20%)

1. The decrease in the inventory turnover ratio and average days of sales was mainly due to the deferred shipments for customers' orders in response to the relocation of the production site in 2022 Q4.
2. The decrease in the ratio of operating profits to paid-in capital was mainly due to the deferred shipments for customers' orders in response to the relocation of the production site, which reduced the revenue and increased the ratio by 97.75%.
3. The increase in the ratio of pre-tax income to paid-in capital, net profit margin, and earnings per share was mainly due to the increase in profits from investees, which increased the net profit before tax in 2022 compared to the same period in the previous year.
4. The decrease in net cash flow adequacy ratio and increase in cash reinvestment ratio was mainly because the net cash inflow from operating activities in 2022 remained negative and the Company sold financial assets measured at fair value to invest in stocks.
5. Decrease in operating leverage: It was mainly due to the decrease in revenue in 2022 which increased the operating losses in this period.

Analysis Item \ Year		Individual				
		2018	2019	2020	2021	2022
Financial Structure	Debt to assets ratio (%)	30.85	25.73	28.10	28.68	25.44
	Long-term capital to property, plant and equipment ratio (%)	11,401.85	15,317.40	23,178.22	13,635.04	11,507.53
Solvency	Current ratio (%)	182.45	182.86	138.26	102.07	128.58
	Quick ratio (%)	169.62	169.39	117.04	75.54	98.49
	Times interest earned	18,6864.00	-328.56	-1.29	-14.20	-12.96
Operating Ability	Receivables turnover ratio (times)	3.77	3.65	3.44	4.77	4.83
	Average collection days	96.82	100	106.1	76.52	75.57
	Inventory turnover ratio (times)	20.88	20.68	11.70	9.50	7.80
	Payables turnover ratio	4.30	4.16	3.78	5.41	6.35
	Average days of sales	17.48	17.65	31.2	38.42	46.79
	Property, plant and equipment turnover ratio (times)	202.24	127.07	130.82	146.78	98.58
	Total asset turnover ratio (times)	0.80	0.70	0.53	0.64	0.58
Profitability	Return on assets (%)	5.99	1.99	-0.02	1.78	2.00
	Return on equity (%) (Note 2)	8.68	2.79	0.05	2.64	2.99
	Ratio of pre-tax income to paid-in capital %	16.6	4.74	0.34	5.00	8.06
	Net profit margin (%)	7.50	2.84	0.06	2.94	3.75
	Earnings per share (NT\$)	1.43	0.44	0.01	0.51	0.81
Cash Flow	Cash flow ratio (%)	18.27	5.97	1.68	0.00	0.00
	Cash flow adequacy ratio (%)	74.66	82.26	75.37	51.26	35.47
	Cash reinvestment ratio (%)	-1.9	-4.97	-2.45	-1.00	-4.58
Leverage	Degree of operating leverage	3.58	-437.93	-3.27	59.05	-9.30
	Degree of financial leverage	1.00	1.41	1.03	0.50	1.44

1. Financial structure

(1) Debt to total assets ratio = total debt / total assets.

Reasons for changes in financial ratios in the last two years. (Analysis may be exempted for changes less than 20%)

1. The increase in the current ratio and quick ratio was mainly due to the deferred shipments for customers' orders in response to the relocation of the production site in 2022 Q4, which increased the ratios by 25.97% and 30.38%, respectively.
2. The decrease in the average days of sales was mainly due to the deferred shipments for customers' orders in response to the relocation of the production site in 2022 Q4.
3. The decrease in the real property, plants, and equipment turnover ratio was due to the non-current financial assets at fair value through other comprehensive income and investments accounted for using equity method in 2022, which increased the average total assets compared to 2020.
4. The decrease in the ratio of operating profits to paid-in capital was mainly due to the deferred shipments for customers' orders in response to the relocation of the production site, which reduced the revenue and increased the ratio by 97.75%.
5. The increase in the ratio of pre-tax income to paid-in capital, net profit margin, and earnings per share was mainly due to the increase in profits from investees, which increased the net profit before tax in 2022 compared to the same period in the previous year.
6. The decrease in net cash flow adequacy ratio and cash reinvestment ratio was mainly because the net cash inflow from operating activities in 2022 remained negative.
7. Decrease in operating leverage: It was mainly due to the decrease in revenue in 2022 which increased the operating losses in this period.

(2) Long-term funds to property, plant and equipment = $(\text{total equity} + \text{non-current liabilities}) / \text{net property, plant and equipment}$.

2. Solvency

(1) Current ratio = $\text{current assets} / \text{current liabilities}$.

(2) Quick ratio = $(\text{current assets} - \text{inventories} - \text{prepaid expenses}) / \text{current liabilities}$.

(3) Times interest earned = $\text{net income before tax and interest} / \text{interest expense for the period}$.

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable arising from operations) turnover = $\text{net sales} / \text{average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period}$.

(2) Average collection days = $365 / \text{receivables turnover}$.

(3) Inventory turnover = $\text{cost of goods sold} / \text{average inventory amount}$.

(4) Payables (including accounts payable and notes payable arising from operations) turnover = $\text{cost of goods sold} / \text{average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period}$.

(5) Average days of sales = $365 / \text{inventory turnover ratio}$.

(6) Turnover of property, plant and equipment = $\text{net sales} / \text{average net property, plant, and equipment}$.

(7) Total assets turnover ratio = $\text{net sales} / \text{average total assets}$.

4. Profitability

(1) Return on assets = $[\text{profit and loss after tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$.

(2) Return on equity = $\text{income after tax} / \text{average total equity}$.

(3) Profit margin = $\text{income after tax} / \text{net sales}$.

(4) Earnings per share = $(\text{profit or loss attributable to owners of the parent company} - \text{preferred stock dividends}) / \text{weighted-average number of shares outstanding}$.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the past five years / (capital expenditures + increase in inventories + cash dividends) for the past five years.
- (3) Cash re-investment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

- (1) Degree of operating leverage = (net operating revenue - variable operating costs and expenses) / operating profit
- (2) Degree of financial leverage = operating profit / (operating profit - Interest expenses).

III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year



Audit Committee review report

March 17, 2023

The Board of Directors of Teco Image Systems Co., Ltd. (TIS) has submitted the Company's annual business report, individual financial statement, consolidated financial statement and earnings distribution for 2022, and the individual financial statement and consolidated financial statement have been audited by Huang, Shih-Chun and Yeh, Tsui-Miao of Pricewaterhouse Coopers Certified Public Accountants, and the audit report has been issued. .

The proposal has been reviewed and determined to be correct and accurate by the Audit Committee of TIS. According to the Securities and Exchange Act and the Company Act, we hereby submit this report.

Teco Image Systems Co., Ltd.

A handwritten signature in black ink, appearing to read 'Tan Yao Nan', written over a horizontal line.

TAN YAO NAN
Chairman of the Audit Committee

IV. Consolidated Financial Statements of the Most Recent Year

Please see pages 109 to 185.

V. Standalone Financial Statements of the Most Recent Year Audited by CPAs

Please see pages 186 to 275.

VI. Summary of any Financial Difficulty of the Company or its Affiliates in the Most Recent Year and up to the Printing Date of the Annual Report. In case of any Financial Difficulty, the Impact of Such Difficulty on the Company Shall be Explained

Not applicable to the Company.

Seven. Review and Analysis of Financial Status and Operational Results and Risks

I. Financial Status

Unit: NT\$1,000

Item	Year		Difference		
	2022	2021	Amount	%	Description
Current assets	1,049,308	993,371	55,937	6%	-
Financial assets measured at FVTOCI - non-current	706,964	1,013,722	-306,758	-30%	1
Available-for-sale financial assets - non-current	0	0	0	0	-
Investment accounted for using the equity method	1,056,925	1,051,971	4,954	0%	-
Property, plant, and equipment	33,515	33,643	-128	0%	-
Right-of-use assets	132,754	44,547	88,207	198%	2
Intangible assets	5,761	6,329	-568	-9%	-
Other assets	33,315	19,478	13,837	71%	3
Total assets	3,018,542	3,163,061	-144,519	-5%	-
Current liabilities	835,424	904,325	-68,901	-8%	-
Long-term liabilities	0	0	0	0	-
Other liabilities	106,127	35,063	71,064	203%	3
Total liabilities	941,551	939,388	2,163	0%	-
Capital stock	1,125,365	1,125,365	0	0%	-
Capital surplus	245	998	-753	-75%	-
Retained earnings	1,011,787	962,875	48,912	5%	-
Other equity	-60,406	134,435	-194,841	145%	4
Non-controlling interests	0	0	0	0	-
Total equity	2,076,991	2,223,673	-146,682	-7%	-

Description of changes in the percentages: Only the percentage differences between the two periods that reached 20% or more and had an absolute value greater than NT\$10,000 thousand were analyzed.

1. The decrease in "financial assets measured at FVTOCI - non-current" was due to the increase of NT\$142,518 thousand in valuation loss of investment in shares using financial assets measured at fair value; sale of shares in the amount of NT\$164,240 thousand.
2. The increase in right-of-use assets and other liabilities was due to the following reasons:
 - (1) Construction of the Neihu Laboratory, the relocation of the headquarters to Neihu, and the relocation of the production site, which increased expenditures by NT\$116,436 thousand.
 - (2) Depreciation and amortization of right-of-use assets totaling NT\$31,363 thousand.
3. The increase in other assets was mainly due to the investments in facilities and equipment for the relocation of the production site.
4. Decrease in other equity: This was due to an increase in valuation losses from recognizing fair value changes in other comprehensive income.

II. Financial Performance

(I) Comparison and analysis of operating results:

Unit: NT\$1,000

Item \ Year	2022	2021	Difference		Description of increase/decrease change of ratio analysis (Note)
			Amount	%	
Net operating revenue	1,722,767	1,771,373	-48,606	-3%	Refer to (II) for details.
Operating costs	-1,466,262	-1,471,756	5,494	0%	
Gross profit	256,505	299,617	-43,112	-14%	
Operating expenses	-303,799	-323,533	19,734	-6%	
Net operating profit	-47,294	-23,916	-23,378	98%	
Non-operating revenue and expenses	138,017	80,171	57,846	72%	
Net profit before tax	90,723	56,255	34,468	61%	
Income tax (expenses) gains	-26,339	-4,429	-21,910	495%	
Net profit	64,384	51,826	12,558	24%	
Net profit attributable to owners of the parent company	64,384	51,826	12,558	24%	
Net profit attributable to non-controlling interests	0	0	0	0%	

Note: Description of increase/decrease change of ratio analysis: The percentage differences that were less than 20% and represented a value of less than NT\$10,000 thousand were not analyzed.

(II) Description of increase/decrease change of ratio analysis:

1. Decrease in operating gross profit compared to the previous period: This was mainly due to the decrease in revenue compared to the previous period and the differences in the structure of products sold, which reduced overall gross profit compared to 2021.
2. Increase in non-operating revenues and expenditures compared to the previous period: This was mainly due to the increase in the profits from investees of the Company.
3. Increase in net profit: Due to the aforementioned reasons.

III. Cash Flow

- (I) Liquidity analysis for the most recent two years and the reasons for increase and decrease therein:

Item \ Year	2022	2021	Increase (Decrease) Percentage
Cash flow ratio	0.00%	0.00%	-100.00%
Cash flow adequacy ratio	43.34%	54.26%	-20.14%
Cash reinvestment ratio	-2.11%	-0.48%	338.59%
The cash flow ratio and cash flow adequacy ratio dropped due to the cash inflow from operating activities decreased and the net cash inflow from operating activities decreased in 2022. However, the sales of investment in shares using financial assets measured at fair value increased the cash reinvestment ratio and the real cash flow remained normal.			

- (II) Improvement plan for inadequate liquidity: Not applicable.

- (III) Cash liquidity analysis for the coming year:

Unit: NT\$1,000

Cash balance at the beginning of the year (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash flow from investing and financing activities (3)	Expected cash surplus (deficit) amount (1)+(2)+(3)	Estimated remedial measures for cash deficit	
				Investment plan	Treasury plan
400,192	(11,856)	(65,748)	303,353	\$-	\$-
<p>1. Analysis of changes in cash flow:</p> <p>(1) Operating activities: Mainly due to the expected increased purchases at the end of the year which generated net cash outflow in operating activities.</p> <p>(2) Investing and financing activities: Mainly due to the net cash outflow from investing and financing activities this year for the planned acquisition of fixed assets in coming years as well as the Company's distribution of cash dividends and repayment of principal for lease liabilities in coming years.</p> <p>2. Estimated remedial measures for cash deficit: Not applicable</p>					

- IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company:** There were no significant capital expenditures in the most recent year.

V. Investment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated, Improvement Plans, and Investment Plans for the Next Year

- (I) Investment policy

In addition to its core business of manufacturing multi-function peripherals, the Company invests in industries related to its core technology and develops new products in response to the maturing market of its industry and in line with its long-term development plans. The Company also carefully evaluates all investment plans.

- (II) Main reasons for gains or losses

The unrealized valuation gain on investments in equity instruments at fair value through other comprehensive income was NT\$120,460 thousand, which was a decrease from the valuation gain of NT\$501,478 thousand in 2021. This was mainly due to the decrease in the share price of investees in 2022 compared to 2021 which resulted in the unrealized valuation loss on investments in equity instruments at fair value through other comprehensive income.

- (III) Investment plans for the coming year

In the future, the Company will adopt the long-term strategic investment as the principle to continuously and prudentially assess the reinvestment plans based on the future economic movement and new product development strategies, including the investment and partnership with the upstream and downstream product related companies and startups. We shall leverage externally developed design capabilities and the internal core technical capabilities to expand new products and opportunities for new growth of the Company.

VI. Risk Analysis and Assessment:

(I) Impact of interest rate, exchange rate fluctuation and inflation condition on the profit/loss of the Company in the most recent year and future response measures:

1. Impact on company profit (loss)

Unit: NT\$1,000

Item	Amount in 2022	Percentage of operating revenue %	Percentage of net income before tax %
Net interest income	(5,671)	-0.33	-6.25
Net foreign exchange gain (loss)	31,722	1.84	3.50

(1) Risks of interest rate changes:

The Group simulates various plans and analyzes interest rate risks, including considering plans for refinancing or renewal of existing positions and other available financing plans to calculate the impact of specific changes interest rates on profit or loss. Such simulations are run only for liabilities that represent the major interest-bearing positions at specified intervals to verify that the maximum possible losses are within the limit set by the management.

(2) Risks of exchange rate changes:

A. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions using a currency other than the functional currency of the Company and subsidiaries, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

B. Since the Group's businesses involve non-functional currencies (the Company's and certain subsidiaries' functional currency is NTD while other subsidiaries' functional currency is CNY or HKD), it is affected by changes in exchange rates.

(3) Inflation:

Inflation so far has not adversely impacted the Company's operations.

2. Future response measures

(1) Response measures for interest rate changes

The Group has maintained abundant working capital due to stable operations. In 2022, the working capital was NT\$213,884 thousand and the debt ratio was 31.19%. The Group maintains close communication with banks to attain a preferential interest rate on deposits and borrowings and increase efficiency.

(2) Response measures for exchange rate changes

A. The Group's management has formulated policy, which stipulates that all companies within the Group properly manage the exchange risks associated with a currency other than their functional currency. Each company shall hedge their overall exchange risks through the Group's Financial Department.

B. The Financial Department maintains close communication with the foreign exchange department of corresponding financial institutions, so as to stay updated with the information of exchange rate changes and fully understand

the international exchange rate trend and changes, thereby dealing with the adverse impact of exchange rate changes in an active manner.

(3) Response measures for inflation

The Company will closely monitor inflation and properly adjust materials inventory accordingly to mitigate the adverse impact of inflation on the Company.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, the main reasons for the profits/losses generated thereby, and future response measures:

1. The Company did not engage in any investment that was highly risky or highly leveraged in the most recent year.
2. As of the date this annual report was published, the Company has not provided any endorsements, guarantees, or loans to other parties.
3. To hedge the risks associated with exchange rate changes on the Company's net foreign currency position, as of the publication date of this annual report, the Company's currency swap contracts for derivative financial products totaled US\$8 million. Since the Company uses derivatives for the purpose of hedging risk and since the "Procedures for Acquisition or Disposal of Assets" of the Company impose strict requirements for such transactions, the profit or loss arising from such transactions has not caused material impact on the profit or loss of the Company. The Company will continue operations for the purpose of hedging risks in future operations.
4. Hedge accounting for financial products and its goals and methods: The Group did not adopt hedge accounting.

The execution of the above policy, in addition to being cautiously assessed, regularly reported, and controlled, shall be in accordance with the policy and response measures stipulated on the Company's "Procedures for Acquisition or Disposal of Assets", "Procedures for Loaning to Others", and "Procedures for Making Endorsements and Guarantees".

(III) Future research and development plans and estimated investments in research and development:

Plans for the Most Recent Year	Current Progress	Additional R&D Investments	Estimated Time to Mass Production	Main Factors for Success of Future R&D
3D printing technology - Used for the production of drones and innovative products	<ol style="list-style-type: none"> 1. Completed prototype drones with 7kg and 24.9kg payload. 2. Completed preliminary dyeing technologies for providing five different colors. 3. Established lightweight 3D design specifications and completed the evaluation of new printing technologies. 	NT\$12,000 thousand	2023 Q4	<ol style="list-style-type: none"> 1. The 3DP lightweight design increases the hovering time and payload of the drones. 2. Create post-processing technologies including dyeing, weight reduction design, and hybrid processing. 3. Adopt new printing technologies to reduce costs by more than 40%. 4. Obtain software technologies and automatic guidance technologies for drone ground stations.
Smart rack detection modules	<ol style="list-style-type: none"> 1. Completed the design of the hardware, mechanical parts, and firmware. 2. Completed EMC and safety certification. 3. Commencement of field tests scheduled for Q2. 	NT\$6,000 thousand	2024 Q2	<ol style="list-style-type: none"> 1. Introduce 3D printing technology to reduce development costs. 2. Develop waterproof functions. 3. Obtain product certifications. 4. Pass field tests.
2nd generation color label printers	<ol style="list-style-type: none"> 1. Created a prototype device for related reliability and functional tests. 2. Conducted ink solidification tests and identified ink and UV lamp manufacturers. 	NT\$20,000 thousand	2025 Q3	<ol style="list-style-type: none"> 1. Introduce 3D printing technology to reduce development costs. 2. Introduce new inkjet technologies and reliability verification to meet product specifications and requirements. 3. Introduce 3D printing technology to reduce mold costs.
Wide-format printers the textile industry	<ol style="list-style-type: none"> 1. Completed the accuracy analysis between competitor machines and future frameworks. 2. Discussed detailed target schedules and 	NT\$23,000 thousand	2024 Q2	<ol style="list-style-type: none"> 1. Introduce 3D printing technology to reduce development costs. 2. Meet customer requirements for printing precision and set key test methods. 3. Verify the inkjet technologies and reliability.

	specifications with customers.			
Multi-function peripheral (MFP) (A)	1. Commenced final product tests.	NT\$8,000 thousand	2023 Q3	1.Pass product quality certification for new functions. 2.Complete related certification and commence production.
Multi-function peripheral (MFP) (B)	1. Completed the product specifications for the first version of the product. 2. Conducted preliminary design verification for Energy Star 4.0 specifications.	NT\$40,000 thousand	2025 Q2	1.Must meet Energy Star 4.0 specifications and requirements. 2.Establish a new controller platform for product development and use in the next 5-10 years.

- (IV) Effect on the Company's financial affairs and business operations of important policies adopted and changes in the legal environment at home and abroad, and response measures-
So far, there has been no important policy or change in law that will materially impact the Company's financial affairs or business operations.
- (V) Effect on the Company's financial affairs and business operations of developments in science and technology (including information security risks), and response measures:
The Company always closely monitors technological changes and industrial developments. It regularly collects and analyzes market information, and submit the same to a dedicated technology development unit as important references for future development, so as to minimize the impact brought by technological changes. The Company also leverages the technological changes to develop new value-added products. As smart phones and tablet computers have become critical devices for mobile workforce, the Company has developed related products and apps to support wireless printing with mobile phones or tablet computers. We will organize supplies to meet market demand and remain alert to changes in the industry and technologies to swiftly respond to and satisfy customer demand.
The Global Risks Report published by the World Economic Forum (WEF) in 2021 listed "cybersecurity failure" as a key technology risk. Inadequate defense against cyber attacks due to cybersecurity failure may expose the Company to data leak and blackmail risks. The Company may also incur severe operating losses due to production system interruptions, which may affect the goodwill of the Company. Many global enterprises and well-known enterprises have incurred significant losses due to ransomware.
The Company has updated the load balancer and firewall hardware to address network security issues. We also worked with Microsoft to add Endpoint Detection and Response (EDR) and Active Directory (AD) to enhance network security.
- (VI) Effect on the Company's crisis management of changes in the corporate image, and measures to be taken in response: None.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions in the most recent year, and mitigation measures being or to be taken: The Company did not conduct any mergers or acquisitions in the most recent year.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken in the most recent year:
The Guanyin Plant in Taiwan began operations in 2022 and became TIS's second production site outside China. It is expected to contribute to 10% of TIS's overall revenue and effectively mitigate the risks of tariff barriers as a result of the trade war between the United States and China, effectively address customer

requirements, and balance production risks.

- (IX) Risks associated with any concentration of sale or purchase, and mitigation measures being or to be taken in the most recent year:
By constantly refining its R&D technologies and capabilities and upholding a high quality standard, the Company has launched a series of products from the old monochrome systems to the current high-end color systems that meet customers' needs. Our achievements have been recognized by customers, with whom we have worked with for over 20 years, and our major customers maintain leading positions in the market. As the Company's development and design capabilities received wide acclaim from major foreign manufacturers, we have developed customers in China, United States and Japan in recent years to effectively mitigate the risks of the concentration of sales.
- (X) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10% of the Company's shares, and related response measures in the most recent year: None.
- (XI) Impact of change of management rights on the Company and associated risks in the most recent year: None.
- (XII) Litigious and non-litigious matters: If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company, a director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending, the Company shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and status up to the publication date of the Annual Report: None.
- (XIII) Other significant risks: None.

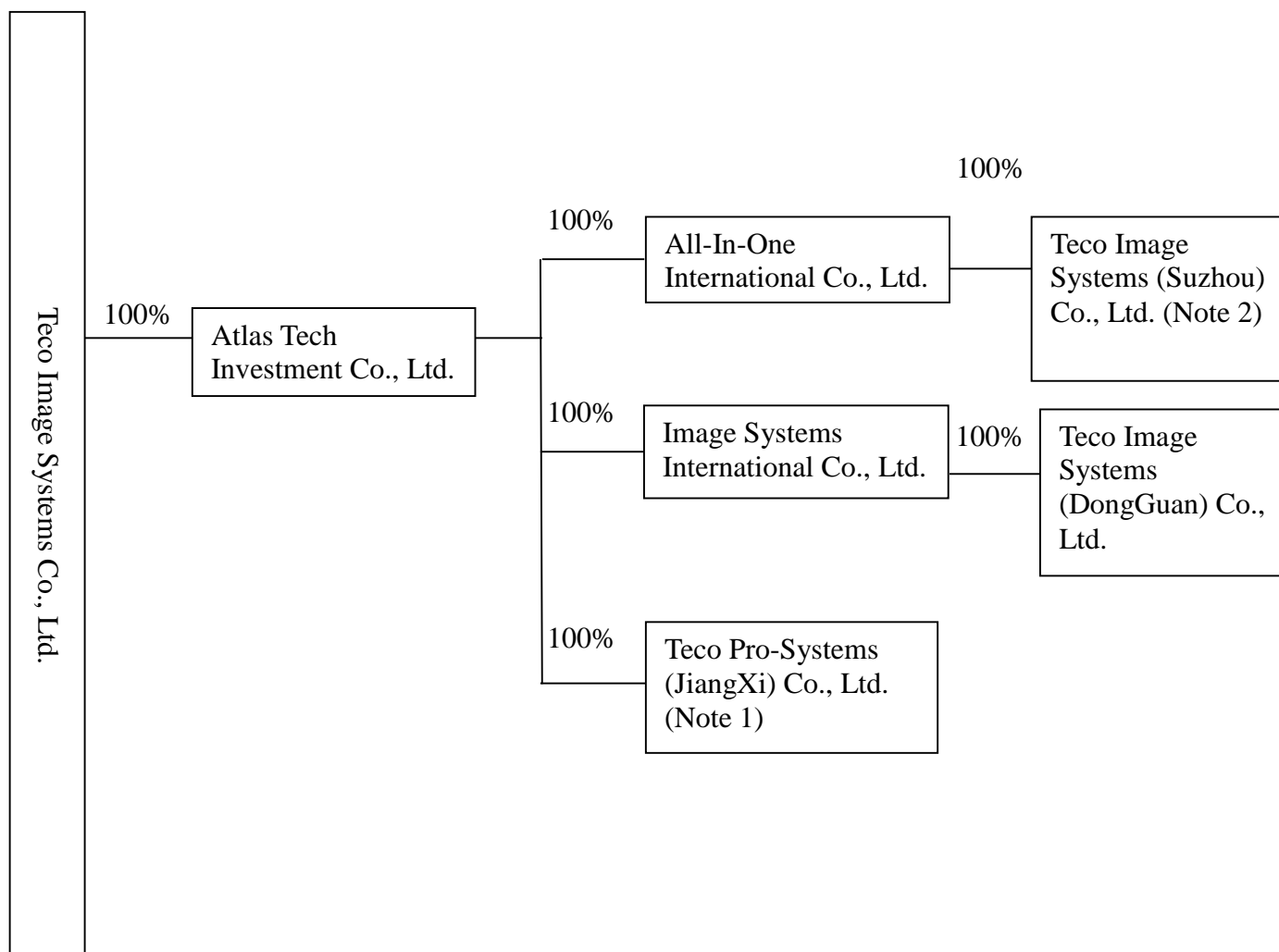
VII. Other Important Matters: None.

Eight. Special Disclosure

I. Affiliated Enterprise Information

(I) Affiliated enterprise consolidated business report

1. Organizational chart of affiliates:



Note1: As per the resolution made at the Board of Directors meeting dated August 6, 2014, the Company ceased the operations of and liquidated Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary of Atlas Tech Investment Co., Ltd, the Company's wholly-owned subsidiary. As of the publication date of this annual report, the liquidation procedure was still underway.

Note 2: As per the resolution made at the Board of Directors meeting dated March 15, 2016, the Company ceased the operations of and liquidated Teco Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary of All-In-One International Co., Ltd., the Company's wholly-owned subsidiary. As of the publication date of this annual report, the liquidation procedure was still underway.

2. Basic information on affiliates

Name of Affiliate	Date of Incorporation	Paid-in Capital	Address	Primary Business or Product
Atlas Tech Investment Co., Ltd.	June 14, 2002	196,096	P.O. Box 3444, Road Town, Tortola, British Virgin Islands	Professional investment company
Teco Pro-Systems (JiangXi) Co., Ltd.	September 14, 2009	32,710	No. 36, Huoju 5th Road, Gaoxin Development Park, Nanchang City, Jiangxi Province, China	R&D, production, and sale of MFP systems and related products
All-In-One International Co., Ltd.	June 14, 2002	83,648	Lotemau Centre, P.O. Box 1225, Apia, Samoa	Professional investment company
Teco Image Systems (Suzhou) Co., Ltd.	February 20, 2003	81,528	No. 1288, Yunhe North Road, Wujiang Economic & Technological Development Zone, Wujiang District, Suzhou, Jiangsu Province, China	R&D, technology testing services, production, and sale of MFP systems and related products
Image Systems International Limited	January 19, 2004	148,304	Lotemau Centre, P.O. Box 1225, Apia, Samoa	Professional investment company
Teco Image Systems (DongGuan) Co., Ltd.	January 10, 2013	88,647	No. 288, Luxi 1st Road, Liaobu, Dongguan City, Guangdong Province, China	R&D, production, and sale of MFP systems and related products

3. Information on the shareholders of affiliates deemed to have a controlling or subordinate relation with the Company: Not applicable.

4. Industries covered by all affiliates' line of business:

(1) Professional investment company

(2) R&D, production, and sale of MFP systems and related products

5. Information on the directors, supervisors, and presidents of affiliates:

Name of Affiliate	Job Title	Name or Representative	Number of Shares Held	Ownership Ratio
Atlas Tech Investment Co., Ltd.	Director	Teco Image Systems Co., Ltd.	6,248,313	100%
		Tsai Hsiang-hui		
Teco Pro-Systems (JiangXi) Co., Ltd. (Note 1)	Liquidator	Ko Ikujin, Tsai Hsiang-hui, Lien Chao-chih	Capital contribution certificate	100%
All-In-One International Co., Ltd.	Director	Atlas Tech Investment Co., Ltd.	2,410,000	100%
		Wei Yao-ming		
Teco Image Systems (Suzhou) Co., Ltd. (Note 2)	Liquidator	Hsiao Tsung-I, Lin Chun-lien, Liao Shun-jung	Capital contribution certificate	100%
Image Systems International Limited	Director	Atlas Tech Investment Co., Ltd.	4,812,423	100%
		Wei Yao-ming		
Teco Image Systems (DongGuan) Co., Ltd.	Chairman	Image Systems International Co., Ltd.	Capital contribution certificate	100%
		Wei Yao-ming		
	Director	Image Systems International Co., Ltd.		
		Li Li-chiu		
	Director	Image Systems International Co., Ltd.		
		Tsai Hsiang-hui		
Supervisor	Image Systems International Co., Ltd.			
	Lai Chien-I			
President	Wei Yao-ming	0	0	

Note 1: As per the resolution made at the Board of Directors meeting dated August 6, 2014, the Company ceased the operations of and liquidated Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary of Atlas Tech Investment Co., Ltd, the Company's wholly-owned subsidiary. As of the publication date of this annual report, the liquidation procedure was still underway.

Note 2: As per the resolution made at the Board of Directors meeting dated March 15, 2016, the Company ceased the operations of and liquidated Teco Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary of All-In-One International Co., Ltd., the Company's wholly-owned subsidiary. As of the publication date of this annual report, the liquidation procedure was still underway.

6. Operational highlights of affiliates:

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

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profits (Losses)	Profit or Loss (After Tax)	Earnings Per Share (After Tax)
Atlas Tech Investment Co., Ltd.	196,096	99,685	0	68,599	0	0	(32,654)	(5.23)
Teco Pro-Systems (JiangXi) Co., Ltd.	32,710	18,448	352	18,096	0	0	(4)	(Note 2)
All-In-One International Co., Ltd.	83,648	7,727	0	7,727	0	0	99	0
Teco Image Systems (Suzhou) Co., Ltd.	81,528	7,615	0	7,615	0	0	92	(Note 2)
Image Systems International Limited	148,304	42,715	0	42,715	0	0	(32,760)	(6.81)
Teco Image Systems (DongGuan) Co., Ltd.	88,647	598,300	555,596	42,704	1,385,448	(25,696)	(32,761)	(Note 2)

Note 1: Where an affiliate is a foreign company, the numbers shall be translated into and presented in New Taiwan Dollars by applying the exchange rate prevailing on the reporting date.

Note 2: Not applicable to a limited company.

(II) Consolidated financial statements of affiliated enterprises

The companies required to be included in the consolidated financial statements

of affiliated enterprises are the same as those required to be included in the parent-sub subsidiary consolidated financial statements. In addition, the information required to be disclosed in the consolidated statements of affiliated enterprises has already been disclosed in the said parent-sub subsidiary consolidated financial statements. Hence, the Company does not prepare a separate set of consolidated financial statements of affiliated enterprises.

(III) Affiliation reports of affiliated enterprises: None.

II. Any Private Placement of Securities within the Latest Fiscal Year and as of the Date of the Annual Report

(I) Private placement of marketable securities: None.

(II) Implementation status of any private placement of securities within the latest fiscal year and as of the date of the Annual Report: None.

III. Any Share Ownership and Disposal of Shares of the Company by Subsidiaries within the Latest Fiscal Year and as of the Date of the Annual Report: None.

IV. Any Event which Significantly Affects Shareholders' Equity or Share Price for the Recent year up to the Publication Date of this Annual Report: None.

V. Additional Information Required to be Disclosed: None.

INDEPENDENT AUDITORS' REPORT

PWCR22000315

To the Board of Directors and Shareholders of Teco Image Systems Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Teco Image Systems Co., Ltd. and its 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, based on our audits and the reports of other auditors (please refer to other matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 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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Valuation of inventories

Description

For accounting policies adopted for the valuation of inventories, please refer to Note 4(13). For the significant judgements applied in the accounting policies adopted for the valuation of inventories, please refer to Note 5(2). For details of inventories, please refer to Note 6(5).

Before producing new types of multiple-function printers, the Group will prepare sufficient materials based on the sales forecast. If the actual sales are lower than the expected results, the materials in storage will be excessive and be consumed slowly. The Group estimates net present value of inventories on the balance sheet date, and then writes down inventory cost to net present value. As the valuation of inventories involve judgements, and the valuation amounts are material, we identified the valuation of inventories as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in relation to the key audit matter:

1. Obtained the policies for inventory valuation and determined whether the policies applied in provision of allowance for inventory valuation losses in the different periods are in agreement.
2. Performed physical inventory count at the end of period to identify whether there are obsolete, damaged or unsalable inventories.
3. Obtained aging statements for each kind of inventory and tested the changes in ages of inventory. For selected samples with inventory number, we verified to changes record and expiration dates, checked the accuracy of categories inventory ages and computed the effects on inventories.
4. Obtained net realizable value statement of each kind of inventory and checked whether the applied calculation logic was in agreement for all inventory. Tested relevant parameters and relevant estimate document. Checked and compared allowance for valuation losses that the Group should provision at the lower of cost and net realizable value.

Existence of sales revenue

Description

For accounting policies adopted for the recognition of revenue, please refer to Note 4(29). For details of revenue, please refer to Note 6(15).

The Group mainly traded with established and reputable customers over the years. Since the changes in new top ten customers may materially affect the consolidated financial statements of the Group and sales revenue is high-risk in nature, we identified the existence of sales revenue from new top ten customers as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in relation to the key audit matter:

1. Understood the internal controls over sales.
2. Verified the appraisal report of new top ten customers by checking the relevant information.
3. Tested whether the credit terms of new top ten customers have been approved appropriately.
4. Obtained and verified the details of sales and relevant supporting documents.
5. Performed sampling confirmation procedures to new top ten customers to ascertain the existence and accuracy of the receivables.
6. Obtained and verified the subsequent collections details of accounts receivable and relevant supporting documents.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for using the equity method that are included in the consolidated financial statements. The balance of investments accounted for using equity method was NT\$243,602 thousand and NT\$232,729 thousand, constituting 8.07% and 7.36% of the consolidated total assets as of December 31, 2022 and 2021, respectively. The balance of comprehensive income (loss) was NT\$11,911 thousand and NT(\$19,601) thousand for the years ended December 31, 2022 and 2021, constituting (11.94%) and (3.51%) of the consolidated total comprehensive income (loss), respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Teco Image Systems Co., 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 professional skepticism throughout the audit. We also:

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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.

Huang, Shih-Chun

Huang, Shih-Chun

Yeh, Tsui-Miao

Yeh, Tsui-Miao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 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.

TECO IMAGE SYSTEMS CO., 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)	\$ 400,192	13	\$ 271,141	9
1110	Financial assets at fair value through profit or loss - current	6(2)	616	-	730	-
1150	Notes receivable, net	6(4)	-	-	5,193	-
1170	Accounts receivable, net	6(4)	309,424	10	397,239	12
1180	Accounts receivable - related parties	6(4) and 7(2)	12	-	-	-
1200	Other receivables		2,622	-	11,229	-
130X	Inventories, net	6(5)	289,351	10	250,032	8
1410	Prepayments		47,091	2	57,807	2
11XX	Current Assets		<u>1,049,308</u>	<u>35</u>	<u>993,371</u>	<u>31</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	706,964	24	1,013,722	32
1550	Investments accounted for under the equity method	6(6)	1,056,925	35	1,051,971	33
1600	Property, plant and equipment, net	6(7)	33,515	1	33,643	1
1755	Right-of-use assets	6(8)	132,754	4	44,547	2
1780	Intangible assets		5,761	-	6,329	-
1840	Deferred income tax assets	6(21)	12,517	-	15,350	1
1920	Guarantee deposits paid		7,067	-	2,842	-
1990	Other non-current assets, others		13,731	1	1,286	-
15XX	Non-current assets		<u>1,969,234</u>	<u>65</u>	<u>2,169,690</u>	<u>69</u>
1XXX	Total assets		<u>\$ 3,018,542</u>	<u>100</u>	<u>\$ 3,163,061</u>	<u>100</u>

(Continued)

TECO IMAGE SYSTEMS CO., 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(9)	\$ 297,000	10	\$ 297,000	10
2130	Contract liabilities - current	6(15)	22,600	1	26,767	1
2170	Accounts payable		306,503	10	376,540	12
2180	Accounts payable - related parties	7(2)	5,684	-	8,771	-
2200	Other payables	6(10) and 7(2)	125,194	4	138,234	4
2230	Current income tax liabilities	6(21)	19,357	1	8,072	-
2250	Provisions for liabilities - current	6(12)	23,041	1	23,166	1
2280	Current lease liabilities	7(2)	35,526	1	23,553	1
2300	Other current liabilities		519	-	2,222	-
21XX	Current Liabilities		<u>835,424</u>	<u>28</u>	<u>904,325</u>	<u>29</u>
Non-current liabilities						
2580	Non-current lease liabilities	7(2)	99,387	3	21,234	1
2600	Other non-current liabilities		6,740	-	13,829	-
25XX	Non-current liabilities		<u>106,127</u>	<u>3</u>	<u>35,063</u>	<u>1</u>
2XXX	Total Liabilities		<u>941,551</u>	<u>31</u>	<u>939,388</u>	<u>30</u>
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(13)	1,125,365	37	1,125,365	36
Capital surplus						
3200	Capital surplus		245	-	998	-
Retained earnings						
3310	Legal reserve	6(14)	422,829	14	377,261	12
3350	Unappropriated retained earnings		588,958	20	585,614	18
Other equity interest						
3400	Other equity interest		(60,406)	(2)	134,435	4
31XX	Equity attributable to owners of the parent		<u>2,076,991</u>	<u>69</u>	<u>2,223,673</u>	<u>70</u>
3XXX	Total equity		<u>2,076,991</u>	<u>69</u>	<u>2,223,673</u>	<u>70</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 3,018,542</u>	<u>100</u>	<u>\$ 3,163,061</u>	<u>100</u>

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

TECO IMAGE SYSTEMS CO., 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 amounts)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenues	6(15) and 7(2)	\$ 1,722,767	100	\$ 1,771,373	100
5000	Operating costs	6(5)(20) and 7(2)	(1,466,262)	(85)	(1,471,756)	(83)
5900	Net operating margin		256,505	15	299,617	17
	Operating expenses	6(20)				
6100	Selling expenses		(36,638)	(2)	(43,035)	(2)
6200	General and administrative expenses		(162,655)	(10)	(153,178)	(9)
6300	Research and development expenses		(104,547)	(6)	(127,292)	(7)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	41	-	(28)	-
6000	Total operating expenses		(303,799)	(18)	(323,533)	(18)
6900	Operating loss		(47,294)	(3)	(23,916)	(1)
	Non-operating income and expenses					
7100	Interest income		1,236	-	1,178	-
7010	Other income	6(16)	51,642	3	78,838	4
7020	Other gains and losses	6(17)	(368)	-	(5,877)	-
7050	Finance costs	6(18) and 7(2)	(6,907)	-	(3,861)	-
7060	Share of profit of associates and joint ventures accounted for under the equity method	6(6)	92,414	5	9,893	-
7000	Total non-operating income and expenses		138,017	8	80,171	4
7900	Profit before income tax		90,723	5	56,255	3
7950	Income tax expense	6(21)	(26,339)	(1)	(4,429)	-
8200	Profit for the year		\$ 64,384	4	\$ 51,826	3

(Continued)

TECO IMAGE SYSTEMS CO., 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 amounts)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss)						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Actuarial gain on defined benefit plan	6(11)	\$ 5,228	-	\$ 4,547	-
8316	Unrealized (loss) gain on valuation of equity instruments at fair value through other comprehensive income	6(3)	(120,460)	(7)	501,478	28
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)	(53,796)	(3)	5,589	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(1,047)	-	(8,981)	-
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss		(170,075)	(10)	502,633	29
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361	Financial statement translation differences of foreign operations		1,568	-	(970)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		4,334	-	4,420	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		5,902	-	3,450	-
8300	Total other comprehensive (loss) income for the year		<u>(\$ 164,173)</u>	<u>(10)</u>	<u>\$ 506,083</u>	<u>29</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 99,789)</u>	<u>(6)</u>	<u>\$ 557,909</u>	<u>32</u>
Profit attributable to:						
8610	Owners of the parent		<u>\$ 64,384</u>	<u>4</u>	<u>\$ 51,826</u>	<u>3</u>
Comprehensive income (loss) attributable to:						
8710	Owners of the parent		<u>(\$ 99,789)</u>	<u>(6)</u>	<u>\$ 557,909</u>	<u>32</u>
9750	Basic earnings per share	6(22)	<u>\$ 0.81</u>		<u>\$ 0.51</u>	
9850	Diluted earnings per share	6(22)	<u>\$ 0.81</u>		<u>\$ 0.51</u>	

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent						Total equity
		Share capital - common stock	Capital surplus	Retained earnings		Other equity interest		
				Changes in equity of associates and joint ventures accounted for using the equity method	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 1,125,365	\$ 55	\$ 377,261	\$ 141,189	(\$ 7,759)	\$ 64,939	\$ 1,701,050
Profit for the year		-	-	-	51,826	-	-	51,826
Other comprehensive income for the year		-	-	-	3,825	3,450	498,808	506,083
Total comprehensive income		-	-	-	55,651	3,450	498,808	557,909
Appropriation and distribution of 2020 retained earnings	6(14)							
Cash dividends from retained earnings		-	-	-	(11,254)	-	-	(11,254)
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	425,003	-	(425,003)	-
Changes in equity of associates and joint ventures accounted for using equity method	6(6)	-	943	-	(24,975)	-	-	(24,032)
Balance at December 31, 2021		\$ 1,125,365	\$ 998	\$ 377,261	\$ 585,614	(\$ 4,309)	\$ 138,744	\$ 2,223,673
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 1,125,365	\$ 998	\$ 377,261	\$ 585,614	(\$ 4,309)	\$ 138,744	\$ 2,223,673
Profit for the year		-	-	-	64,384	-	-	64,384
Other comprehensive income (loss) for the year		-	-	-	4,531	5,902	(174,606)	(164,173)
Total comprehensive income (loss)		-	-	-	68,915	5,902	(174,606)	(99,789)
Appropriation and distribution of 2021 retained earnings	6(14)							
Legal reserve appropriated		-	-	45,568	(45,568)	-	-	-
Cash dividends from retained earnings		-	-	-	(46,140)	-	-	(46,140)
Changes in equity of associates and joint ventures accounted for using equity method	6(6)	-	285	-	4,079	-	(4,079)	285
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	22,058	-	(22,058)	-
To recognise that associate did not participate in the capital increase raised in proportion to its share interest	6(6)	-	(1,038)	-	-	-	-	(1,038)
Balance at December 31, 2022		\$ 1,125,365	\$ 245	\$ 422,829	\$ 588,958	\$ 1,593	(\$ 61,999)	\$ 2,076,991

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 90,723	\$ 56,255
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(19)	43,754	35,163
Amortization	6(19)	2,780	3,674
Net income on financial assets and liabilities at fair value through profit or loss	6(17)	31,589	(5,756)
Expected credit loss (profit)	12(2)	(41)	28
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(6)	(92,414)	(9,893)
Loss on disposal of property, plant and equipment	6(17)	-	50
Accrued product warranty provision	6(12)	2	105
Interest expense	6(18)	6,907	3,861
Interest income		(1,236)	(1,178)
Dividend income	6(16)	(45,865)	(66,709)
Gain from lease modification	6(8)	(50)	(13)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(31,475)	3,738
Notes receivable		5,193	(5,193)
Accounts receivable		87,856	(59,536)
Accounts receivable-related parties		(12)	-
Other receivables		8,693	(3,488)
Inventories		(39,319)	(101,057)
Prepayments		10,716	(21,893)
Other non-current assets		-	170
Changes in operating liabilities			
Contract liabilities-current		(4,167)	(4,976)
Accounts payable		(70,037)	78,477
Accounts payable - related parties		(3,087)	8,719
Other payables		(16,106)	18,387
Provisions-current		(127)	(56)
Other current liabilities		(1,703)	44
Other non-current liabilities		(1,860)	(9,079)
Cash outflow generated from operations		(19,286)	(80,156)
Interest received		1,236	1,178
Interest paid		(6,907)	(3,861)
Income tax refund received		-	2,887
Income tax paid		(13,267)	(3,540)
Net cash flows used in operating activities		(38,224)	(83,492)

(Continued)

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Dividends received	6(16)	\$ 45,865	\$ 66,709
Dividend income from investments accounted for under the equity method	6(6) and 7(2)	37,246	-
Decrease in prepayments		-	10,000
Acquisition of financial assets at fair value through other comprehensive income - non-current	7(2)	-	(506,639)
Acquisition of property, plant and equipment	6(23)	(8,776)	(16,314)
Acquisition of intangible assets		(2,197)	(6,175)
Proceeds from disposal of financial assets at fair value through other comprehensive income - non current		186,212	262,508
Increase in refundable deposits		(4,225)	(122)
Increase in prepayments for business facilities		(13,773)	(1,275)
Net cash flows from (used in) investing activities		<u>240,352</u>	<u>(191,308)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid	6(24)	(46,140)	(11,254)
Increase in short-term borrowings	6(24)	1,597,000	1,008,500
Repayment of short-term borrowings	6(24)	(1,597,000)	(861,500)
Repayment of the principal portion of lease liabilities	6(24)	(28,281)	(19,862)
Net cash flows (used in) from financing activities		<u>(74,421)</u>	<u>115,884</u>
Effect of exchange rate changes on cash and cash equivalents		<u>1,344</u>	<u>(694)</u>
Net increase (decrease) in cash and cash equivalents		129,051	(159,610)
Cash and cash equivalents at beginning of year		<u>271,141</u>	<u>430,751</u>
Cash and cash equivalents at end of year		<u>\$ 400,192</u>	<u>\$ 271,141</u>

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

TECO IMAGE SYSTEMS CO., 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

- (1) Teco Image Systems Co., 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 September 8, 1997 and has begun its operations in the same year. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in designing, manufacturing and trading of multi-function printers and modules, label printers, wide format printers, 3D printing, etc.
- (2) The Company’s shares have been listed on the Taipei Exchange since June 2000.

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 17, 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 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 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 that came into effect as endorsed by the FSC effective from 2023 are as follows:

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'

The amendments require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Upon adoption, the Group expects to recognise a deferred tax asset and liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities retrospectively as of January 1, 2022. The potential impacts of these amendments are an increase in deferred tax assets by \$23,300 and \$2,487 and deferred tax liabilities by \$23,300 and \$2,487 as of December 31, 2022 and January 1, 2022, respectively.

(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 contractual terms’	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with 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.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2022	December 31, 2021	
The Company	Atlas Tech Investment Co., Ltd. (Atlas)	Professional investment company	100	100	-
Atlas	All-In-One International Co., Ltd. (AIO)	Professional investment company	100	100	-
Atlas	Image Systems International Limited (ISI)	Professional investment company	100	100	-
Atlas	Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	Note 1
AIO	TECO Image Systems (Suzhou) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	Note 2
ISI	Teco Image Systems (DongGuan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	-

The financial statements of the abovementioned subsidiaries- Teco Image Systems (DongGuan) Co., Ltd., ISI and Atlas and other subsidiaries included in the consolidated financial statements for the years ended December 31, 2022 and 2021 have been audited by the Company's independent auditors.

Note 1: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and

cease the business of Teco Pro-Systems (JiangXi) Co., Ltd. As of March 17, 2023, the liquidation process is still ongoing.

Note 2: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of TECO Image Systems (Suzhou) Co., Ltd. As of March 17, 2023, the liquidation process is still ongoing.

- 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 interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is New Taiwan dollars (NTD), the subsidiaries' functional currency is New Taiwan dollars (NTD) and Chinese Yuan (CNY). The consolidated financial statements are presented in New Taiwan dollars (NTD), 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 recognized 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 recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income under "other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the group entities 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 exchange rate

prevailing at the dates of that balance sheet;

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
- (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 realized, 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 realized 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 amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and held for the purpose of meeting short-term cash commitment 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 settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(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 settlement 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.

(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 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) 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 process comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.
- B. The Group's share of its associates' 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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. The Group applied the treasury stock approach to calculate investments accounted for using equity method when the Group and its associates have reciprocal stock holdings and both the

Group and associate accounts for the investment using the equity method.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3~10 years
Mold equipment	3~5 years
Testing equipment	3~5 years
Transportation equipment	6 years
Office equipment	3~5 years
Leasehold improvements	3~5 years
Others	3~5 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 fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. 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, which consists of the amount of the initial measurement of lease liability.

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 recognize the difference between remeasured lease liability in profit or loss.

(17) Intangible assets

- A. Trademarks

Separately acquired trademarks are stated at historical cost. Trademarks have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 5 to 6 years.

- B. Computer software and royalty

Acquired computer software and royalty are stated at historical cost and are amortised on a straight-line basis over their estimated useful lives of 1 to 5 years.

(18) 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.

(19) Borrowings

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

(20) 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.

(21) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) 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.

(24) Provisions

Provisions (including contingent liabilities arising from warranties) for warranty 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

(a) Defined contribution plans

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

(b) Defined benefit plans

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

Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

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

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

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit

will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

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

(27) 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.

(28) Dividends

Cash dividends appropriated from earnings of year 2021 are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends appropriated from earnings of year 2022 are recorded as liabilities in the Company's financial statements in the period in which they are authorized to do so with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present by the Company's Board of Directors in accordance with Article 240 of the Company Act and the Articles of Incorporation of the Company. In addition, stock dividends are recorded as stock dividends to be distributed after the resolution of the shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

- A. The Group engages in the manufacture and sale of multi-function printers and modules, label printers, wide format printers, 3D printing and related 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 customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The sales usually are made with a credit term of 60 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. 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) 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.

(31) 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

After assessment, the Group's accounting policies have no significant uncertainty.

(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 innovation of multi-function printers and scanners, the Group may incur losses on decline in market value of these inventories caused by the unexpected decrease in sales revenue and the unusability of the materials for the new products. 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.

As of December 31, 2022, the carrying amount of inventories is shown in Note 6(5).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 479	\$ 463
Demand deposits	399,713	270,678
	<u>\$ 400,192</u>	<u>\$ 271,141</u>

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

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities 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		
Beneficiary certificates	<u>\$ 616</u>	<u>\$ 730</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2022 and 2021 shown in Note 6(17).

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

<u>Derivative financial assets/liabilities</u>	<u>December 31, 2022</u>	
	<u>Contract amount (in thousands) (notional principal)</u>	<u>Contract period</u>
Current items:		
Foreign exchange swap	USD 1,000	2022.11.18~2023.01.18
Foreign exchange swap	USD 2,000	2022.11.25~2023.01.19
Foreign exchange swap	USD 2,000	2022.11.16~2023.01.13
Foreign exchange swap	USD 1,000	2022.12.21~2023.02.17
Foreign exchange swap	USD 2,000	2022.12.23~2023.02.21
Foreign exchange swap	USD 1,000	2022.12.14~2023.02.13

Derivative financial assets/liabilities	December 31, 2021		
	Contract amount (in thousands) (notional principal)		Contract period
Current items:			
Foreign exchange swap	USD	2,000	2021.11.15~2022.01.18
Foreign exchange swap	USD	1,000	2021.11.17~2022.01.19
Foreign exchange swap	USD	2,000	2021.11.29~2022.01.27
Foreign exchange swap	USD	1,000	2021.11.30~2022.01.28
Foreign exchange swap	USD	2,000	2021.12.30~2022.02.24
Foreign exchange swap	USD	1,000	2021.12.30~2022.02.23

C. The Group has no financial assets at fair value through profit or loss pledged or collateralised.

D. The Group entered into foreign exchange swap to hedge exchange rate risk. However, these foreign exchange swap contracts are not accounted for under hedge accounting.

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

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Listed stocks	\$ 569,923	\$ 734,163
Unlisted stocks	146,217	146,217
	716,140	880,380
Valuation adjustment	(9,176)	133,342
	\$ 706,964	\$ 1,013,722

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

B. Aiming to satisfy the financial management, the Group sold \$186,298 and \$262,508 of equity instrument investments at fair value during the years ended December 31, 2022 and 2021, respectively. The Group had no stock-settled payments arising from the abovementioned transactions on December 31, 2022 and 2021, respectively.

C. Amounts recognised in comprehensive income and transferred to retained earnings in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income (losses)</u>		
Fair value change recognised in other comprehensive (losses) income	(\$ 120,460)	\$ 501,478
Cumulative (losses) gains reclassified to retained earnings due to derecognition (Note)	\$ 22,058	\$ 425,003

Note: For the year ended December 31, 2021, the amount included transfers to retained earnings amounting to \$257,717 due to reclassification of investments in CREATIVE SENSOR INC. and Tien Da Investment Co., Ltd. from financial assets at fair value through other comprehensive income to investments accounted for under the equity method, and the net amount of accumulated gains amounting to \$175,358 less effect from income tax amounting to \$8,072.

- D. The Group has 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) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ -	\$ 5,193
Accounts receivable	\$ 309,582	\$ 397,438
Accounts receivable-related parties	12	-
	309,594	397,438
Less: Loss allowance	(158)	(199)
	\$ 309,436	\$ 397,239

- A. For information on the ageing analysis, related credit risk of notes receivable and accounts receivable, please refer to Note 12(2).
- B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$337,902.
- C. The Group did not hold any collateral for abovementioned notes and accounts receivable.

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 275,889	(\$ 24,063)	\$ 251,826
Work in progress	4,451	(116)	4,335
Finished goods	33,808	(1,250)	32,558
Merchandise	2,241	(2,241)	-
Inventory in transit	632	-	632
	<u>\$ 317,021</u>	<u>(\$ 27,670)</u>	<u>\$ 289,351</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 229,370	(\$ 21,052)	\$ 208,318
Work in progress	5,508	(1,118)	4,390
Finished goods	30,080	(1,429)	28,651
Merchandise	9,052	(2,986)	6,066
Inventory in transit	2,607	-	2,607
	<u>\$ 276,617</u>	<u>(\$ 26,585)</u>	<u>\$ 250,032</u>

A. Abovementioned inventories were not pledged or collateralised.

B. The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 1,463,078	\$ 1,476,570
Loss on (Gain on reversal of) decline in market value	982 (4,811)
Loss on scrapping and physical inventory	2,205	-
Gain on physical inventory	(2) (3)
Revenue from sale of scraps	(1)	-
	<u>\$ 1,466,262</u>	<u>\$ 1,471,756</u>

Gain on reversal was caused by the decrease in allowance for valuation loss arising from consumptions of inventories with allowance for valuation loss.

(6) Investments accounted for under the equity method

	December 31, 2022		December 31, 2021	
	Amount	Ownership	Amount	Ownership
Associates				
SOLMAX POWER TAIWAN LIMITED	\$ 67,313	35.00%	\$ 70,068	35.00%
CREATIVE SENSOR INC. (Note 1)	813,323	20.46%	819,242	20.64%
Tien Da Investment Co., Ltd. (Note 2)	<u>176,289</u>	25.17%	<u>162,661</u>	25.17%
	<u>\$ 1,056,925</u>		<u>\$ 1,051,971</u>	

	Years ended December 31,			
	2022		2021	
	Share of profit (loss) of associate accounted for under the equity method	Other comprehensive profit and loss (before tax)	Share of profit (loss) of associate accounted for under the equity method	Other comprehensive profit and loss (before tax)
Associates				
SOLMAX POWER TAIWAN LIMITED	(\$ 1,717)	\$ -	(\$ 662)	\$ -
CREATIVE SENSOR INC. (Note 1)	87,450	(56,409)	9,202	30,301
Tien Da Investment Co., Ltd. (Note 2)	<u>6,681</u>	<u>6,947</u>	<u>1,353</u>	<u>(20,292)</u>
	<u>\$ 92,414</u>	<u>(\$ 49,462)</u>	<u>\$ 9,893</u>	<u>\$ 10,009</u>

Note 1: The Group continuously increased its investment in the investee - CREATIVE SENSOR INC., and based on the assessment, the Group had significant influence over the investee when the Group held over than 20% shareholding ratio in August 2021. Thus, the investment was transferred from financial assets at fair value through other comprehensive income - non-current to investments accounted for under the equity method.

Note 2: The Group continuously increased its investment in the investee - Tien Da Investment Co., Ltd., and based on the assessment, the Group had significant influence over the investee when the Group held over than 20% shareholding ratio in August 2021. Thus, the investment was transferred from financial assets at fair value through other comprehensive income - non-current to investments accounted for under the equity method.

A. The Group recognised investments accounted for using equity method amounting to \$243,602 and \$232,729 as at December 31, 2022 and 2021 and comprehensive income amounting to \$11,911 and (\$19,601) for the years ended December 31, 2022 and 2021, respectively, based on the investees' financial statements audited by other independent auditors.

- B. SOLMAX POWER TAIWAN LIMITED did not acquire shares proportionally to its interest during its investees' capital increase by cash for the years ended December 31, 2022 and 2021 which caused the change of shareholding ratio and adjusted 'Capital surplus', 'Unappropriated retained earnings' and 'Investments accounted for under equity method'. The Group decreased 'Capital surplus' to (\$1,038) and 'Investments accounted for under the equity method' to (\$1,038) and decreased 'Capital surplus' to (\$55), 'Unappropriated retained earnings' to (\$122) and 'Investments accounted for under the equity method' to (\$177) for the change of the equity from SOLMAX POWER TAIWAN LIMITED.
- C. The Group did not acquire shares proportionally to its interest during CREATIVE SENSOR INC.'s capital increase by private common stocks in the fourth quarter of 2021. The Group decreased 'Retained earnings' to (\$24,853) and 'Investments accounted for under the equity method' to (\$24,853) for the change of the equity from CREATIVE SENSOR INC.
- D. CREATIVE SENSOR INC., purchased shares as treasury stock during the years ended December 31, 2022 and 2021 which caused the change of shareholding ratio and adjusted 'Capital surplus'. The Group increased 'Capital surplus' to \$285 and 'Investments accounted for under the equity method' to \$285 and increased 'Capital surplus' to \$998 and 'Investments accounted for under the equity method' to \$998 for the change of the equity from CREATIVE SENSOR INC.
- E. CREATIVE SENSOR INC. disposed equity instruments at fair value through other comprehensive income (losses) for the year ended December 31, 2022 which caused the change of shareholding ratio and adjusted 'Unappropriated retained earnings' and 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income'. The Group increased 'Unappropriated retained earnings' to \$3,993 and decreased 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income' to (\$3,993) for the change of the equity from CREATIVE SENSOR INC.
- F. Tien Da Investment Co., Ltd. disposed equity instruments at fair value through other comprehensive income (losses) for the year ended December 31, 2022 which caused the change of shareholding ratio and adjusted 'Unappropriated retained earnings' and 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income'. The Group increased 'Unappropriated retained earnings' to \$86 and decreased 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income' to (\$86) for the change of the equity from Tien Da Investment Co., Ltd.
- G. Significant associates
- (a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2022	December 31, 2021		
CREATIVE SENSOR INC.	Taiwan	20.46%	20.64%	Associates	Equity method
Tien Da Investment Co., Ltd.	Taiwan	25.17%	25.17%	Associates	Equity method

(b) The summarised financial information of the associates that are material to the Group is as follows:

i. CREATIVE SENSOR INC.

(i) Balance sheet

	CREATIVE SENSOR INC.	
	December 31, 2022	December 31, 2021
Current assets	\$ 2,967,629	\$ 2,675,797
Non-current assets	3,446,617	4,056,724
Current liabilities	(2,471,247)	(2,725,410)
Non-current liabilities	(65,235)	(36,342)
Total net assets	<u>\$ 3,877,764</u>	<u>\$ 3,970,769</u>
Carrying amount of the associate	<u>\$ 813,323</u>	<u>\$ 819,242</u>

(ii) Statement of comprehensive income

	CREATIVE SENSOR INC.	
	Years ended December 31,	
	2022	2021
Revenue	<u>\$ 4,256,952</u>	<u>\$ 3,951,319</u>
Profit for the year from continuing operations	\$ 359,682	\$ 176,681
Other comprehensive (loss) income, net of tax	(306,374)	268,332
Total comprehensive income	<u>\$ 53,308</u>	<u>\$ 445,013</u>
Dividends received from associates	<u>\$ 37,246</u>	<u>\$ 32,814</u>

(iii) The Group's material associate, CREATIVE SENSOR INC., has quoted market prices. As of December 31, 2022 and 2021, the fair value were \$797,813 and \$726,992, respectively.

(iv) The Group is the single largest shareholder of CREATIVE SENSOR INC. with a 20.46% equity interest. Considering the participation degree of other shareholders and the voting record of significant resolutions in the shareholders' meeting of CREATIVE

SENSOR INC. and the Company holding 2 out of 7 board seats of the company, which indicates that the Group has no current ability to direct the relevant activities of CREATIVE SENSOR INC., the Group has no control, but only has significant influence, over the investee.

ii. Tien Da Investment Co., Ltd.

(i) Balance sheet

	Tien Da Investment Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 41,252	\$ 70,326
Non-current assets	712,352	627,257
Current liabilities	(2,274)	(644)
Total net assets	<u>\$ 751,330</u>	<u>\$ 696,939</u>
Carrying amount of the associate	<u>\$ 176,289</u>	<u>\$ 162,661</u>

(ii) Statement of comprehensive income

	Tien Da Investment Co., Ltd.	
	Years ended December 31,	
	2022	2021
Revenue	<u>\$ 31,726</u>	<u>\$ 7,577</u>
Profit for the year from continuing operations	\$ 26,543	\$ 3,815
Other comprehensive income (loss), net of tax	<u>27,848</u>	<u>(21,876)</u>
Total comprehensive income (loss)	<u>\$ 54,391</u>	<u>(\$ 18,061)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

(iii) The Group's material associate, TIEN DA INVESTMENT CO., LTD, has no quoted market prices. Accordingly, there are no fair value information.

G. The Group's associate accounted for using equity method were not material to the financial statements based on the Group's individual assessment. As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$67,313 and \$70,068, respectively. The Group's share of the operating results are summarised below:

	Years ended December 31,	
	2022	2021
Profit (loss) for the year from continuing operations	\$ 1,717	(\$ 662)
Total comprehensive income (loss)	<u>\$ 1,717</u>	<u>(\$ 662)</u>

H. The Group has no investments accounted for under the equity method pledged to others.

(7) Property, plant and equipment

	2022							Total
	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	
	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	
At January 1								
Cost	\$ 24,151	\$ 5,162	\$ 18,842	\$ 900	\$ 38,763	\$ 42,966	\$ 22,699	\$ 153,483
Accumulated depreciation and impairment	(7,874)	(4,591)	(17,598)	(900)	(34,335)	(38,204)	(16,338)	(119,840)
	<u>\$ 16,277</u>	<u>\$ 571</u>	<u>\$ 1,244</u>	<u>\$ -</u>	<u>\$ 4,428</u>	<u>\$ 4,762</u>	<u>\$ 6,361</u>	<u>\$ 33,643</u>
Opening net book amount as at January 1	\$ 16,277	\$ 571	\$ 1,244	\$ -	\$ 4,428	\$ 4,762	\$ 6,361	\$ 33,643
Additions	2,330	2,209	2,975	645	2,157	-	416	10,732
Depreciation charge	(2,830)	(700)	(1,276)	(9)	(1,536)	(3,039)	(3,001)	(12,391)
Reclassifications (Note)	-	-	1,275	-	-	-	-	1,275
Net exchange differences	<u>212</u>	<u>10</u>	<u>1</u>	<u>-</u>	<u>5</u>	<u>26</u>	<u>2</u>	<u>256</u>
Closing net book amount as at December 31	<u>\$ 15,989</u>	<u>\$ 2,090</u>	<u>\$ 4,219</u>	<u>\$ 636</u>	<u>\$ 5,054</u>	<u>\$ 1,749</u>	<u>\$ 3,778</u>	<u>\$ 33,515</u>
<u>At December 31</u>								
Cost	\$ 26,507	\$ 6,959	\$ 23,021	\$ 1,545	\$ 40,489	\$ 43,391	\$ 23,040	\$ 164,952
Accumulated depreciation and impairment	(10,518)	(4,869)	(18,802)	(909)	(35,435)	(41,642)	(19,262)	(131,437)
	<u>\$ 15,989</u>	<u>\$ 2,090</u>	<u>\$ 4,219</u>	<u>\$ 636</u>	<u>\$ 5,054</u>	<u>\$ 1,749</u>	<u>\$ 3,778</u>	<u>\$ 33,515</u>

	2021							
	<u>Machinery and equipment</u>	<u>Mold equipment</u>	<u>Testing equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	
	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Total</u>
At January 1								
Cost	\$ 19,322	\$ 5,178	\$ 25,686	\$ 900	\$ 35,479	\$ 39,276	\$ 17,052	\$ 142,893
Accumulated depreciation and impairment	(5,438)	(4,155)	(24,429)	(900)	(34,308)	(36,334)	(12,154)	(117,718)
	<u>\$ 13,884</u>	<u>\$ 1,023</u>	<u>\$ 1,257</u>	<u>\$ -</u>	<u>\$ 1,171</u>	<u>\$ 2,942</u>	<u>\$ 4,898</u>	<u>\$ 25,175</u>
Opening net book amount as at January 1	\$ 13,884	\$ 1,023	\$ 1,257	\$ -	\$ 1,171	\$ 2,942	\$ 4,898	\$ 25,175
Additions	3,808	-	622	-	4,172	3,533	3,957	16,092
Disposals	-	-	-	-	-	(50)	-	(50)
Depreciation charge	(2,621)	(445)	(632)	-	(907)	(2,582)	(4,282)	(11,469)
Reclassifications (Note)	1,309	-	-	-	-	931	1,788	4,028
Net exchange differences	(103)	(7)	(3)	-	(8)	(12)	-	(133)
Closing net book amount as at December 31	<u>\$ 16,277</u>	<u>\$ 571</u>	<u>\$ 1,244</u>	<u>\$ -</u>	<u>\$ 4,428</u>	<u>\$ 4,762</u>	<u>\$ 6,361</u>	<u>\$ 33,643</u>
<u>At December 31</u>								
Cost	\$ 24,151	\$ 5,162	\$ 18,842	\$ 900	\$ 38,763	\$ 42,966	\$ 22,699	\$ 153,483
Accumulated depreciation and impairment	(7,874)	(4,591)	(17,598)	(900)	(34,335)	(38,204)	(16,338)	(119,840)
	<u>\$ 16,277</u>	<u>\$ 571</u>	<u>\$ 1,244</u>	<u>\$ -</u>	<u>\$ 4,428</u>	<u>\$ 4,762</u>	<u>\$ 6,361</u>	<u>\$ 33,643</u>

Note: Reclassifications for the period were transferred from prepayments for business facilities.

Abovementioned property, plant and equipment were neither pledged nor collateralised and no interest was capitalised.

(8) Leasing arrangements-lessee

A. The Group leases various assets including plants, offices and business vehicles. Rental contracts are typically made for periods of 1 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 for borrowing, subleasing and tenancy disposal right or any other method of others using it.

B. The movements of right-of-use assets of the Group are as follows:

	2022		
	Buildings	Business vehicles	Total
Opening net book amount as at January 1	\$ 42,401	\$ 2,146	\$ 44,547
Additions	118,021	3,316	121,337
Early termination of lease contract	(1,610)	(44)	(1,654)
Depreciation charge	(29,158)	(2,205)	(31,363)
Net exchange differences	(113)	-	(113)
Closing net book amount as at December 31	<u>\$ 129,541</u>	<u>\$ 3,213</u>	<u>\$ 132,754</u>

	2021		
	Buildings	Business vehicles	Total
Opening net book amount as at January 1	\$ 23,023	\$ 2,559	\$ 25,582
Additions	44,182	1,902	46,084
Early termination of lease contract	(2,850)	(421)	(3,271)
Depreciation charge	(21,800)	(1,894)	(23,694)
Net exchange differences	(154)	-	(154)
Closing net book amount as at December 31	<u>\$ 42,401</u>	<u>\$ 2,146</u>	<u>\$ 44,547</u>

C. The information on income and expense accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 800	\$ 350
Expense on short-term lease contracts	3,788	4,884
Gain on lease modification	(50)	(13)
	<u>\$ 4,538</u>	<u>\$ 5,221</u>

D. For the years ended December 31, 2022 and 2021, apart from cash outflow for interest expense on lease liabilities and expense on short-term lease contracts mentioned in Note 6(8)C., the Group's total cash outflow for repayments of the principal portion of lease liabilities is mentioned in Note 6(24).

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 297,000</u>	1.775% ~ 1.78%	None
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 297,000</u>	1.10% ~ 1.075%	None

For the details of interest expense recognised in profit or loss, please refer to Note 6(18).

(10) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonuses payable	\$ 64,935	\$ 62,467
Service charge payable	13,551	14,090
Employees' compensation and directors' remuneration payable	15,281	7,041
Insurance payable	2,969	7,137
Research and development expense payable	2,187	3,089
Payable on machinery and equipment	2,044	88
Others	24,227	44,322
	<u>\$ 125,194</u>	<u>\$ 138,234</u>

(11) Pensions

A. Defined benefit pension plans

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 37,843)	(\$ 41,204)
Fair value of plan assets	<u>31,103</u>	<u>27,375</u>
Net defined benefit liability (Shown as other non-current liabilities)	<u>(\$ 6,740)</u>	<u>(\$ 13,829)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2022			
Balance at January 1	(\$ 41,204)	\$ 27,375	(\$ 13,829)
Current service cost	(182)	-	(182)
Interest (expense) income	<u>(286)</u>	<u>196</u>	<u>(90)</u>
	<u>(41,672)</u>	<u>27,571</u>	<u>(14,101)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,317	2,317
Change in demographic assumptions	(22)	-	(22)
Change in financial assumptions	2,539	-	2,539
Experience adjustments	<u>394</u>	<u>-</u>	<u>394</u>
	<u>2,911</u>	<u>2,317</u>	<u>5,228</u>
Pension fund contribution	-	2,133	2,133
Paid pension	<u>917</u>	<u>(917)</u>	<u>-</u>
Balance at December 31	<u>(\$ 37,844)</u>	<u>\$ 31,104</u>	<u>(\$ 6,740)</u>
Year ended December 31, 2021			
Balance at January 1	(\$ 63,588)	\$ 36,133	(\$ 27,455)
Current service cost	(318)	-	(318)
Interest (expense) income	<u>(166)</u>	<u>87</u>	<u>(79)</u>
	<u>(64,072)</u>	<u>36,220</u>	<u>(27,852)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	509	509
Change in demographic assumptions	(115)	-	(115)
Change in financial assumptions	1,883	-	1,883
Experience adjustments	<u>2,270</u>	<u>-</u>	<u>2,270</u>
	<u>4,038</u>	<u>509</u>	<u>4,547</u>
Pension fund contribution	-	2,138	2,138
Paid pension	<u>18,830</u>	<u>(11,492)</u>	<u>7,338</u>
Balance at December 31	<u>(\$ 41,204)</u>	<u>\$ 27,375</u>	<u>(\$ 13,829)</u>

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

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

	Years ended December 31,	
	2022	2021
Discount rate	1.30%	0.70%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with future mortality rate estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increase	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 995)	\$ 1,032	\$ 1,022	(\$ 991)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,135)	\$ 1,179	\$ 1,161	(\$ 1,123)

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

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$1,939.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

	<u>Amount</u>
Within 1 year	\$ 899
1-2 year(s)	1,261
2-5 years	6,013
Over 5 years	<u>35,159</u>
	<u>\$ 43,332</u>

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s consolidated subsidiaries, Atlas, AIO and ISI do not have employee retirement plans and there is no requirement according to local regulations. TECO Image Systems (Suzhou) Co., Ltd., Teco Image Systems (DongGuan) Co., Ltd. and Teco Pro-Systems (JiangXi) Co., Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with local regulations are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were \$9,176 and \$8,664, respectively.

(12) Provisions

	<u>2022</u>	<u>2021</u>
At January 1	\$ 23,166	\$ 23,117
Additional provisions	2	105
Used during the period	(127)	(56)
At December 31	<u>\$ 23,041</u>	<u>\$ 23,166</u>

Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current-product warranty	\$ 23,041	\$ 23,166

The Group provides warranties on multi-function printers sold. Provision for product warranty is

estimated based on historical warranty data of multi-function printers. It is expected that provision for product warranty will be used in the following years.

(13) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$2,500,000, consisting of 250 million shares of ordinary stock, and the paid-in capital was \$1,125,365 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. For the years ended December 31, 2022 and 2021, the number of ordinary shares outstanding at the beginning of the period were consistent with the number at the end of the period which amounted to 112,536,565 shares.
- C. On December 31, 2022 and 2021, the Group's associate, CREATIVE SENSOR INC, held --- shares and 33,408,000 shares of the Group, respectively.

(14) Retained earnings/Events after the balance sheet date

A. Earnings allocation under the Company's Articles of Incorporation

- (a) After the amended articles of association adopted by the shareholders' meeting on June 17, 2022:

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order: (i) Pay all taxes; (ii) Offset prior years' losses; (iii) Set aside 10% as legal reserve, except when the statutory surplus reserve has reached the total capital of the company. ; (iv) Set aside special reserve in accordance with the regulations or resolutions approved by the competent authority or the shareholders; and (v) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. All or part of dividends and bonuses are paid in cash, the board of directors may be authorized to do so with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present and reported to the shareholders' meeting.

In principle, earnings distribution is based on the current year's after-tax net profit, but considering the principle of dividend balance, if the current year's after-tax net profit is insufficient for distribution, the undistributed surplus of previous years may be used for distribution.

Considering the needs of future business expansion and cash flow, the Company will distribute earnings in the form of cash dividends or stock dividends, of which cash dividends shall not be less than 5% of the total dividends.

- (b) Before the amended articles of association adopted by the shareholders' meeting on June 17, 2022:

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order: (i) Pay all taxes; (ii) Offset prior years' losses; (iii) Set aside 10% as legal reserve, except when the statutory surplus reserve has reached the total capital of the company. ; (iv) Set aside special reserve in accordance with the regulations or

resolutions approved by the competent authority or the shareholders; and (v) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. The appropriation of the accumulated distributable earnings shall be proposed by the Board of Directors and resolved by the shareholders as the shareholders' bonus.

In principle, earnings distribution is based on the current year's after-tax net profit, but considering the principle of dividend balance, if the current year's after-tax net profit is insufficient for distribution, the undistributed surplus of previous years may be used for distribution.

Considering the needs of future business expansion and cash flow, the Company will distribute earnings in the form of cash dividends or stock dividends, of which cash dividends shall not be less than 5% of the total dividends.

- B. 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.
- C. 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.
- D. Appropriation of the Company's earnings is as follows:
- (a) Details of appropriation of 2021 and 2020 earnings as resolved by the shareholders on June 17, 2022 and July 19, 2021, respectively, are as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 45,568		\$ -	
Cash dividends	46,140	0.41	11,254	0.10
	<u>\$ 91,708</u>		<u>\$ 11,254</u>	

- (b) Details of appropriation of 2022 earnings as resolved by the shareholders on March 17, 2023 are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve appropriated	\$ 9,505	
Reversal of special reserve appropriated	60,406	
Cash dividends	<u>57,394</u>	0.51
	<u>\$ 127,305</u>	

(15) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

<u>Year ended December 31,</u> <u>2022</u>	<u>Revenue from sale of multi-function printer</u>		<u>Other sales</u>		<u>Total</u>
	Mainland China and Hong Kong	Others	Mainland China and Hong Kong	Others	
	Revenue from customer contracts	<u>\$ 1,392,344</u>	<u>\$ 50,081</u>	<u>\$ 24,963</u>	

<u>Year ended December 31,</u> <u>2021</u>	<u>Revenue from sale of multi-function printer</u>		<u>Other sales</u>		<u>Total</u>
	Mainland China and Hong Kong	Others	Mainland China and Hong Kong	Others	
	Revenue from customer contracts	<u>\$ 1,549,002</u>	<u>\$ 65,788</u>	<u>\$ 11,388</u>	

B. Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities-sales revenue and other sales	<u>\$ 22,600</u>	<u>\$ 26,767</u>	<u>\$ 31,743</u>

(b) For the years ended December 31, 2022 and 2021, revenue recognised that was included in the contract liability balance at the beginning of the period was \$7,745 and \$15,997, respectively.

(16) Other income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 45,865	\$ 66,709
Others	<u>5,777</u>	<u>12,129</u>
	<u>\$ 51,642</u>	<u>\$ 78,838</u>

(17) Other gains and losses

	Years ended December 31,	
	2022	2021
Net (losses) gains on financial assets/liabilities at fair value through profit or loss	(\$ 31,589)	\$ 5,756
Net currency exchange loss or gain	31,722	(7,355)
Losses on disposals of property, plant and equipment	-	(50)
Expense of proxy solicitation (Note)	-	(3,780)
Others	(501)	(448)
	<u>(\$ 368)</u>	<u>(\$ 5,877)</u>

Note: Information on the expense and payment that the Group participated in the allocation in relation to Teco Electric & Machinery Co., Ltd.'s shareholders soliciting proxies which CREATIVE SENSOR INC. paid on behalf of the Group is provided in Note 7(2).

(18) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 6,107	\$ 3,511
Lease liabilities	800	350
	<u>\$ 6,907</u>	<u>\$ 3,861</u>

(19) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expenses	\$ 281,008	\$ 284,079
Depreciation charges on property, plant, equipment and right-of-use assets	\$ 43,754	\$ 35,163
Amortisation charges on intangible assets and deferred accounts	\$ 2,780	\$ 3,674

(20) Employee benefit expenses

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 230,801	\$ 235,240
Labour and health insurance fees	13,297	14,326
Pension costs	9,448	9,061
Directors' remuneration	12,704	9,938
Others	14,758	15,514
	<u>\$ 281,008</u>	<u>\$ 284,079</u>

A. In accordance with the Articles of Incorporation of the Company, in order to motivate employees

and the management team, if the company has a profit in the current year, the profit before the distribution of employee remuneration and directors' remuneration shall be deducted from the pre-tax profit of the current year and retained to make up for the accumulated loss. The balance should be allocated to the staff compensation range ratio of 5% to 15% and the director compensation ratio should not be higher than 5%. Employee remuneration, the actual distribution ratio of director and supervisor remuneration, and employee remuneration shall be in stock or cash, which shall be implemented by the board of directors with the presence of more than two-thirds of the directors and a resolution approved by more than half of the directors present, and reported to the shareholders' meeting. Employee remuneration is issued in stock or cash to employees of subsidiaries who meet certain conditions.

- B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$7,112 and \$4,410, respectively; while directors' remuneration were accrued at \$3,759 and \$2,330, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on 7% and 3.7% of distributable profit of current year as of the end of reporting period.

On March 16, 2022, employees' compensation and directors' remuneration for 2021 amounting to \$4,410 and \$2,330, respectively, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. For the year ended December 31, 2021, employees' compensation will be distributed in the form of cash, but as of December 31, 2022 the amounts of \$0 and \$2,330 were distributed, respectively.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current income tax liabilities	\$ 19,357	\$ 8,072
Withholding and provisional tax	90	-
Offshore income tax expense	4,070	3,187
Tax on undistributed surplus earnings	(19,447)	-
Current tax on profits for the year	4,070	11,259
Prior year income tax under (over)estimation	1,036	(268)
Total current tax	5,106	10,991
Deferred tax:		
Origination and reversal of temporary differences	1,786	1,510
Others:		
The income tax charge relating to components of other comprehensive income	-	(8,072)
Tax on undistributed surplus earnings	19,447	-
	19,447	(8,072)
Income tax expense	\$ 26,339	\$ 4,429

(b) The Group did not have income tax charged/(credited) to equity. The income tax (benefit) expense relating to components of other comprehensive income (loss) is as follows:

	Years ended December 31,	
	2022	2021
Changes in fair value of financial assets at fair value through other comprehensive income	\$ -	\$ 8,072
Remeasurement of defined obligations	1,047	909
	\$ 1,047	\$ 8,981

B. Reconciliation between income tax expenses and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on (loss) profit before tax and statutory tax rate (Note)	\$ 10,381	\$ 4,697
Domestic dividend revenue exempted from tax	(9,173)	(13,342)
Non-deductible taxable losses caused by income from domestic tax-free dividends	6,138	3,982
Unrecognised deferred tax assets arising from loss on investments abroad	6,531	5,055
Unrecognised deferred tax liabilities arising from gain on domestic investments	(18,481)	(1,979)
Taxable loss unrecognized deferred income tax assets	6,896	6,340
Prior year income tax overestimation	1,036	(268)
Tax on undistributed earnings	19,447	-
Payable fees payment (unpaid) amount	(2,002)	(3,585)
Effect of other adjustments	5,566	3,529
Income tax expenses	<u>\$ 26,339</u>	<u>\$ 4,429</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 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:				
Loss for market value decline and obsolete and slow-moving inventories	\$ 3,907	\$ 177	\$ -	\$ 4,084
After-service guarantee expense	4,633	(25)	-	4,608
Unpaid expense	1,286	1,729	-	3,015
Unused compensated absences payable	182	(1)	-	181
Pension payable	2,766	(1,417)	(1,047)	302
Unrealized exchange losses	2,576	(2,249)	-	327
Total	<u>\$ 15,350</u>	<u>(\$ 1,786)</u>	<u>(\$ 1,047)</u>	<u>\$ 12,517</u>

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Loss for market value decline and obsolete and slow-moving inventories	\$ 4,173	(\$ 266)	\$ -	\$ 3,907
After-service guarantee expense	4,623	10	-	4,633
Unpaid expense	1,184	102	-	1,286
Unused compensated absences payable	127	55	-	182
Pension payable	5,491	(1,816)	(909)	2,766
Unrealized exchange losses	2,171	405	-	2,576
Total	<u>\$ 17,769</u>	<u>(\$ 1,510)</u>	<u>(\$ 909)</u>	<u>\$ 15,350</u>

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

	Year ended December 31, 2022				
	Year incurred	Amount assessed	Unused amount	Deferred tax assets	Expiry year
Teco Image Systems (DongGuan) Co., Ltd.	2020	\$ 15,090	\$ 15,090	\$ 15,090	2025
Teco Image Systems (DongGuan) Co., Ltd.	2021	23,355	23,355	23,355	2026
Teco Image Systems (DongGuan) Co., Ltd.	2022	27,583	27,583	27,583	2027
		<u>\$ 66,028</u>	<u>\$ 66,028</u>	<u>\$ 66,028</u>	

	Year ended December 31, 2021				
	Year incurred	Amount assessed	Unused amount	Deferred tax assets	Expiry year
Teco Image Systems (DongGuan) Co., Ltd.	2020	\$ 15,090	\$ 15,090	\$ 15,090	2025
Teco Image Systems (DongGuan) Co., Ltd.	2021	25,360	25,360	25,360	2026
		<u>\$ 40,450</u>	<u>\$ 40,450</u>	<u>\$ 40,450</u>	

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

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Share of profit of foreign subsidiaries for using equity method	\$ 120,336	\$ 87,681
Loss on decline in market value	<u>10,821</u>	<u>7,051</u>
	<u>\$ 131,157</u>	<u>\$ 94,732</u>

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

(22) Earnings per share

The Group and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method. The Group adopted the treasury stock method for the investment in CREATIVE SENSOR INC., and the shares of the Company held by CREATIVE SENSOR INC. should be treated as treasury stocks and be deducted when calculating earnings per share.

	<u>Year ended December 31, 2022</u>		
	<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>			
Profit attributable to ordinary shareholders of the parent (Note 1)	<u>\$ 64,384</u>	<u>79,129</u>	<u>0.81</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	64,384	79,129	
Assumed conversion of all dilutive potential ordinary shares - Employees' compensation	<u>-</u>	<u>422</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares (Note 2)	<u>\$ 64,384</u>	<u>79,551</u>	<u>0.81</u>

Note 1: The weighted average number of ordinary shares outstanding was 112,537 thousand shares and the basic earnings per share was \$0.57 (in dollars) without considering that the company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

Note 2: The weighted average number of ordinary shares outstanding was 112,959 thousand shares and the diluted earnings per share was \$0.57 (in dollars) without considering that the company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent (Note 1)	\$ 51,826	101,421	0.51
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	51,826	101,421	
Assumed conversion of all dilutive potential ordinary shares - Employees' compensation	-	259	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares (Note 2)	\$ 51,826	101,680	0.51

Note 1: The weighted average number of ordinary shares outstanding was 112,537 thousand shares and the basic earnings per share was \$0.46 (in dollars) without considering that the company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

Note 2: The weighted average number of ordinary shares outstanding was 112,796 thousand shares and the diluted earnings per share was \$0.46 (in dollars) without considering that the company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 10,732	\$ 16,092
Add: Opening balance of payable on equipment	88	310
Less: Ending balance of payable on equipment	(2,044)	(88)
Cash paid during the period	\$ 8,776	\$ 16,314

(24) Changes in liabilities from financing activities

	Short-term borrowings	Dividend payable (Shown in other payables)	Lease liabilities (Current/Non-current)
At January 1, 2022	\$ 297,000	\$ -	\$ 44,787
Declaration of dividend	-	46,140	-
Cash dividends paid	-	(46,140)	-
Proceeds from debt	1,597,000	-	-
Repayments of debt	(1,597,000)	-	-
Increase in lease liabilities	-	-	121,337
Early termination of lease contract	-	-	(1,704)
Repayment of the principal portion	-	-	(28,281)
Transferred to other payables	-	-	(1,110)
Net exchange differences	-	-	(116)
At December 31, 2022	<u>\$ 297,000</u>	<u>\$ -</u>	<u>\$ 134,913</u>
	Short-term borrowings	Dividend payable (Shown in other payables)	Lease liabilities (Current/Non-current)
At January 1, 2021	\$ 150,000	\$ -	\$ 25,833
Declaration of dividend	-	11,254	-
Cash dividends paid	-	(11,254)	-
Proceeds from debt	1,008,500	-	-
Repayments of debt	(861,500)	-	-
Increase in lease liabilities	-	-	46,084
Early termination of lease contract	-	-	(3,284)
Repayment of the principal portion	-	-	(19,862)
Transferred to other payables	-	-	(3,828)
Net exchange differences	-	-	(156)
At December 31, 2021	<u>\$ 297,000</u>	<u>\$ -</u>	<u>\$ 44,787</u>

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Group</u>
SOLMAX POWER TAIWAN LIMITED	Associates
CREATE SENSOR INC.	Associates
ProMOS TECHNOLOGIES INC.	The director of the securities holding company is the Company's vice chairman
Darbe II Venture	The Company is a corporate director of this company
KORYO ELECTRONICS CO., LTD.	The Company is a corporate director of this company
TECO ELECTRIC & MACHINERY CO., LTD.	This company's corporate director is the Company's associates
TAIWAN PELICAN EXPRESS CO., LTD.	This company's director and the Company's chairman are within first degree of kinship
Tong An Assets Management & Development Co., Ltd.	The chairman of the securities holding company and the Company's chairman are within first degree of kinship
MULTILITE INTERNATIONAL CO., LTD.	Common chairman (Note 3)
ROYAL PARK TAIWAN CO., LTD.	The chairman of the securities holding company and the Company's chairman are within first degree of kinship
AN-SHIN FOOD SERVICES CO., LTD.	This company's director and the Company's chairman are within first degree of kinship
Mingxiang Culture Co., Ltd.	This company's director is the Company's vice chairman
LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD.	Common chairman (Note 1)
KROM ELECTRONICS CO., LTD.	This company is a corporate director of the Company (Note 2)
KUANG YUAN CO., LTD.	Common chairman (Note 4)
All directors, president and key management	The Group's key management and governing body

Note 1: On March 22, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Group since the resignation date.

Note 2: On March 18, 2021, this company transferred more than one half of the Company's shares being held by this company at the time it was elected, and thus, this company shall, ipso facto, be discharged as a corporate director and was no longer a related party of the Group since the discharge date.

Note 3: On May 24, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Group since the resignation date.

Note 4: On June 2, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Group since the resignation date.

(2) Significant related party transactions and balances

A. Sales

The amount of sales transactions between the Group and the related parties are not disclosed since it is not significant and did not reach \$3,000.

B. Purchases

(a) Purchases

The details of purchases with relevant discounts from the related parties are as follows:

	Years ended December 31,	
	2022	2021
Entities with significant influence to the Group	\$ -	\$ 716
Other related parties	19,241	11,411
	<u>\$ 19,241</u>	<u>\$ 12,127</u>

Goods are purchased from associates on normal commercial terms and conditions. The terms are approximately the same as those to third-party suppliers which is from 30 days after the purchase to 105 days after monthly billing while to related parties is 45 days to 105 days after monthly billing.

(b) Payables

	December 31, 2022	December 31, 2021
Entities with significant influence to the Group	\$ -	\$ 507
Other related parties	5,684	8,264
	<u>\$ 5,684</u>	<u>\$ 8,771</u>

C. Property transactions - Acquisition of financial assets

For the year ended December 31, 2022 : None.

	Year ended December 31, 2021			Consideration
	Accounts	No. of shares	Objects	
LIEN CHANG ELECTRONIC ENTERPRISE CO.,LTD	Financial assets at fair value through other comprehensive income - non-current	4,173,000	Stocks of TECO ELECTRIC & MACHINERY CO.,LTD.	<u>\$ 128,401</u>

The transaction was traded through after-hours trading. The transaction price was the closing price on the trading day.

D. Leasing arrangements-lessee

(a) Acquisition of right-of-use assets

The acquisition of right-of-use assets from other related parties for the years ended December 31, 2022 and 2021 above is as follows:

	Years ended December 31,	
	2022	2021
Tong An Assets Management & Development Co., Ltd.	\$ -	\$ 38,658
Other related parties	-	936
	\$ -	\$ 39,594

(b) Lease liabilities/Other payables/Finance costs

i. The Group's lease liabilities and other payables generated from lease transactions:

	December 31, 2022	December 31, 2021
Tong An Assets Management & Development Co., Ltd.	\$ 17,061	\$ 26,675
Other related parties	322	820
	\$ 17,383	\$ 27,495

ii. The Group's interest expense generated from lease transactions:

	Years ended December 31,	
	2022	2021
Tong An Assets Management & Development Co., Ltd.	\$ 216	\$ 111
Other related parties	6	4
	\$ 222	\$ 115

E. Transaction of payment on behalf of others/Other payables

The amounts of advance money (shown as other payables) in relation to other transactions from the entities with the related parties are as follows:

	December 31, 2022	December 31, 2021
Entities with significant influence to the Group	\$ 22	\$ 3,780
Other related parties	2,130	3,866
	\$ 2,152	\$ 7,646

F. Dividend income

(a) Other income-dividend income

Other income-dividend income arising from investment in associates is as follows:

	Years ended December 31,	
	2022	2021
Darbe II Venture	\$ 4,175	\$ -
CREATE SENSOR INC.	-	32,814
TECO ELECTRIC & MACHINERY CO., LTD.	23,049	21,704
KORYO ELECTRONICS CO., LTD.	17,989	9,994
Other related parties	590	2,055
	<u>\$ 45,803</u>	<u>\$ 66,567</u>

(b) Investments accounted for using the equity method

Dividend income arising from investment in associates (shown as deduction of investment accounted for using the equity method) is as follows:

	Years ended December 31,	
	2022	2021
CREATE SENSOR INC.	\$ 37,246	\$ -

(c) Other receivables

As of December 31, 2022 and 2021, there were no other receivables arising from aforementioned transactions.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 30,322	\$ 29,188
Post-employment benefits	506	470
	<u>\$ 30,828</u>	<u>\$ 29,658</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. Significant contingent liabilities

None.

B. Significant unrecognised contract commitments

(1) As of December 31, 2022 and 2021, the amounts of the promissory notes issued by the Group for borrowings were all \$580,152.

(2) The Group is required to purchase goods and is guaranteed by the bank for customs duties. As of December 31, 2022 and 2021, the amount was all \$1,500.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of the appropriation of 2022 retained earnings as resolved by the Board of Directors on March 17, 2023 are provided in Note 6(14).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to assets ratio. This ratio is calculated as total debt divided by total assets.

During 2022, the Group's strategy was unchanged from 2021. As of December 31, 2022 and 2021, the Group's debt to assets ratio were provided in consolidated balance sheets.

(2) Financial risk of financial instruments

A. Financial instruments by category

The Group's financial assets (including cash and cash equivalents, financial assets at fair value through profit or loss-current, notes receivable, accounts receivable (including related parties), other receivables, financial assets at fair value through other comprehensive income-non-current and refundable deposits) and financial liabilities (including short-term borrowings, accounts payable (including related parties), other payables and lease liabilities (current/non-current)) are provided in consolidated balance sheets and Note 6.

B. Risk management policies

(a) 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 and foreign currency option contracts are used to hedge certain exchange rate risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of

derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries denominated in various functional currencies, primarily with respect to the USD. Exchange rate 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. Cross currency swap are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using cross currency swap. 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 and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	22,023	30.7100	\$ 676,326
USD:RMB	9,018	6.9646	276,943
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	12,009	30.7100	368,796
USD:RMB	12,571	6.9646	386,055

December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	24,693	27.6800	\$ 683,502
USD:RMB	11,760	6.3674	325,517
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	16,529	27.6800	457,523
USD:RMB	12,309	6.3674	340,713

- v. Total exchange (loss) gain, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 are shown in Note 6(17).
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 6,763	\$ -
USD:RMB	1%	2,769	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	3,688	-
USD:RMB	1%	3,861	-

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 6,835	\$ -
USD:RMB	1%	3,255	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(4,575)	-
USD:RMB	1%	(3,407)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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. 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, other components of equity for the years ended December 31, 2022 and 2021 would have increased/decreased by \$7,070 and \$10,137 respectively, as a result of other comprehensive income classified as financial assets at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions at specified intervals to verify that the maximum loss potential is within the limit given by the management.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, pre-tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$2,970 and \$2,970, respectively.

(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.
- ii. The Group manages their credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group classifies customers' notes receivable and accounts receivable, contract assets and rents receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vii. Customers that are grouped as good customers have no significant default record in recent years. However, in accordance with IFRS 9, when measuring expected credit loss, the possibility of default should be taken into consideration even when the possibility of credit loss is remote.

The Group estimated forecast index before adjustment by the default rate in the past years using each operating entity as a unit. The Group considered that in the financial industry, the default rate should not be lower than 0.03% for numerous and unidentifiable individual investors. However, the Group refers to the reference rate set by the financial industry as a basis of forecast adjustment, and adjusts the expected loss rate referring to monitoring indicator and the nature of risk. The loss rate methodology is as follows:

	Without past due	Up to 30 days	Up to 60 days	Up to 90 days	Over 90 days	Total
At December 31, 2022						
Expected loss rate	0.050%	0.053%	0.056%	0.065%	100%	
Total book value	\$ 308,946	\$ 648	\$ -	\$ -	\$ -	\$ 309,594
Loss allowance	\$ 158	\$ -	\$ -	\$ -	\$ -	\$ 158
	Without past due	Up to 30 days	Up to 60 days	Up to 90 days	Over 90 days	Total
At December 31, 2021						
Expected loss rate	0.050%	0.053%	0.056%	0.065%	100%	
Total book value	\$ 402,174	\$ 457	\$ -	\$ -	\$ -	\$ 402,631
Loss allowance	\$ 199	\$ -	\$ -	\$ -	\$ -	\$ 199

The above ageing analysis was based on past due date.

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

	2022		
	Accounts receivable	Notes receivable	Total
At January 1	\$ 199	\$ -	\$ 199
Provision of expected credit loss (gain)	(41)	-	(41)
At December 31	\$ 158	\$ -	\$ 158
	2021		
	Accounts receivable	Notes receivable	Total
At January 1	\$ 171	\$ -	\$ 171
Provision of expected credit loss (gain)	28	-	28
At December 31	\$ 199	\$ -	\$ 199

(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 while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- 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 and marketable securities.

iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate		
Expiring within one year	\$ 203,000	\$ 203,000

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, except for the table below they are all financial liabilities due for repayment within one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Lease liabilities-current/non-current	\$ 9,753	\$ 29,987	\$ 100,170	\$ 139,910
<u>December 31, 2021</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Lease liabilities-current/non-current	\$ 6,071	\$ 17,812	\$ 21,399	\$ 45,282

(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 derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in unlisted stocks is included in Level 3.

B. Financial instruments not measured at fair value, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, accounts payable (including related parties), other payables and lease liabilities (current/non-current) are approximate to their fair values.

C. 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 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 other comprehensive income				
- Equity Securities	<u>\$ 593,954</u>	<u>\$ 105,010</u>	<u>\$ 8,000</u>	<u>\$ 706,964</u>
Financial assets at fair value through profit or loss				
- Non-hedging derivatives	<u>\$ -</u>	<u>\$ 616</u>	<u>\$ -</u>	<u>\$ 616</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 other comprehensive income				
- Equity Securities	<u>\$ 847,392</u>	<u>\$ 158,330</u>	<u>\$ 8,000</u>	<u>\$ 1,013,722</u>
Financial assets at fair value through profit or loss				
- Non-hedging derivatives	<u>\$ -</u>	<u>\$ 730</u>	<u>\$ -</u>	<u>\$ 730</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:
 - (i) The fair value of listed shares is the closing price at the balance sheet date.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments.
- iii. When assessing non-standard and low-complexity financial instruments, for example, equity instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the

Group's credit quality.

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

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

	<u>2022</u>	<u>2021</u>
	<u>Non-derivative equity instrument</u>	<u>Non-derivative equity instrument</u>
At January 1 (At December 31)	<u>\$ 8,000</u>	<u>\$ 8,000</u>

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

G. Financial function is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other sources and represented as the exercisable price.

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:

<u>December 31, 2022</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 8,000	Market comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
<u>December 31, 2021</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 8,000	Market comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value

I. The Group 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. For the years ended December 31, 2022 and 2021, there was no significant effect on other comprehensive income categorised within Level 3 if the net assets had increased/decreased by 0.1%.

(4) Others

Due to the prevalence of the novel coronavirus pneumonia (COVID-19) pandemic and the government having successively implemented various epidemic prevention measures, as of December 31, 2022, the Group has assessed that the Group's operations will not be significantly affected by the epidemic and epidemic prevention measures. Meanwhile, the Group has also taken relevant countermeasures and maintained management policies to prevent the spread of the epidemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

The profit or loss of the Group's operation segments is measured by (loss) profit before tax and on which the performance is assessed.

(3) Information about segment profit or loss and assets and liabilities

In addition, the accounting policies and accounting estimates adopted by reportable segments are consistent with the summary of significant accounting policies in Note 4 and critical accounting estimates and assumption mentioned in Note 5.

(4) Reconciliation for segment income (loss)

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

(5) Information on products and services

The Group engaged in manufacturing and selling of multi-function machines and modules, label printers, wide format printers and 3D printing. Details of revenues are as follows:

	Years ended December 31,	
	2022	2021
Multi-function printers	\$ 1,442,425	\$ 1,614,790
Others	280,342	156,583
	<u>\$ 1,722,767</u>	<u>\$ 1,771,373</u>

(6) Geographical information

Details of the Group's revenues from external customers are separated by customers' location and separated the non-current assets by assets' location as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
The People's Republic of China and Hong Kong	\$ 1,417,307	\$ 121,536	\$ 1,560,390	\$ 27,277
Japan	180,992	-	50,991	-
Taiwan	28,696	64,225	67,583	58,528
Others	95,772	-	92,409	-
	<u>\$ 1,722,767</u>	<u>\$ 185,761</u>	<u>\$ 1,771,373</u>	<u>\$ 85,805</u>

Note: Non-current assets do not include financial instruments, deferred income tax assets, pension plan asset and rights of insurance contracts.

(7) Major customer information

The Group is a single operating segment. Details of the revenue from individual customers that exceed 10% of net sale revenue in the statements of comprehensive income for the reported period are as follows:

	Years ended December 31,	
	2022	2021
Customer B	\$ 1,301,171	\$ 1,450,519
Customer T	125,896	126,929
	<u>\$ 1,427,067</u>	<u>\$ 1,577,448</u>

Teco Image Systems Co., Ltd. and its subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer (Note)	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Teco Image Systems Co., Ltd.	Domestic listed common stock -KORYO ELECTRONICS CO., LTD	(1)	Financial assets at fair value through other comprehensive income - non-current	9,994,000	\$ 293,823	19.29	\$ 293,823	-
"	Domestic listed common stock -TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	10,383,000	286,052	0.50	286,052	-
"	Domestic non-listed common stock -INTERNATIONAL UNITED TECHNOLOGY CO., LTD.	None	"	159,335	-	0.97	-	-
"	Domestic non-listed common stock -KROM ELECTRONICS CO., LTD.	None	"	622,408	8,000	1.86	8,000	-
"	Foreign non-listed common stock -Convergence Tech Venture II Ltd.	None	"	420,000	-	5.71	-	-
"	Domestic non-listed common stock -ProMOS TECHNOLOGIES INC.	(3)	"	5,500,000	59,290	12.22	59,290	-
"	Domestic non-listed common stock -Darbe II Venture	(1)	"	5,000,000	45,720	7.14	45,720	-
"	Domestic listed common stock -TAIWAN PELICAN EXPRESS CO., LTD.	(4)	"	281,000	14,079	0.29	14,079	-
			Total		\$ 706,964		\$ 706,964	

Note: Relationship with the securities issuer is as follows:

- (1) The Company is a corporate director of this company.
- (2) This company's corporate director is the Company's associates.
- (3) The director of the securities holding company is the Company's vice chairman.
- (4) This company's director and the Company's chairman are within first degree of kinship.

Teco Image Systems Co., Ltd. and its subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser / seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes / accounts receivable (payable)
Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co.,Ltd	Subsidiary	Processing cost	\$ 832,322	46%	60 days after next monthly billings	NA	NA	(\$ 88,331)	(46%)	-
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	Processing sales	(832,322)	(99%)	60 days after next monthly billings	NA	NA	88,331	100%	-

Teco Image Systems Co., Ltd. and its subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2022

Table 3

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		
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	\$ 88,331	5.42	\$ -	Not applicable	\$ 75,213	\$ -

Teco Image Systems Co., Ltd. and its subsidiaries
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 2)	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Operating cost	\$ 832,322	In accordance with the agreement between the parties	48%
0	"	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Accounts payable	88,331	60 days after monthly billings	3%

Note 1: Individual transactions not reaching \$10,000 and the corresponding transactions of transactions disclosed by presenting parent company's transactions will not be disclosed.

Note 2: Parent company is '0'.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Teco Image Systems Co., Ltd. and its subsidiaries
Information on investees
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Teco Image Systems Co., Ltd.	Atlas Tech Investment Co., Ltd.	British Virgin Islands	Professional investment company	\$ 196,096	\$ 196,096	6,248,313	100.00	\$ 68,599	(\$ 32,654)	(\$ 32,654)	Subsidiary
"	SOLMAX POWER TAIWAN LITMITED	R.O.C	Renewable energy-based electricity generation	70,000	70,000	7,000,000	35.00	67,313	(4,906)	(1,717)	Associate
"	CREATIVE SENSOR INC.	"	Manufacturing and sales of electronic components	547,477	547,477	28,906,260	20.46	813,323	359,682	87,450	Associate
"	Tien Da Investment Co., Ltd.	"	Professional investment company	180,000	180,000	18,000,000	25.17	176,289	26,543	6,681	Associate
Atlas Tech Investment Co., Ltd.	All-In-One International Co., Ltd.	Samoa	"	83,648	83,648	2,410,000	100.00	7,727	99	-	Sub-subsidiary (Note)
"	Image System International Limited	"	"	148,304	148,304	4,812,423	100.00	42,715	(32,760)	-	Sub-subsidiary (Note)

Note : The investment income was recognized by a subsidiary company.

Teco Image Systems Co., Ltd. and its subsidiaries
Information on investments in Mainland China
Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of	Net income (loss) of investee for the year ended 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 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of	Footnote
				January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	December 31, 2022					December 31, 2022	
TECO Image Systems (Suzhou) Co., Ltd.	Research, technical service, manufacturing and sales of multi-function printers and related products	\$ 81,528	(2)	\$ 81,528	\$ -	\$ -	\$ 81,528	\$ 92	100	\$ 92	\$ 7,615	\$ -	Note 5
Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	32,710	(2)	32,710	-	-	32,710	(4)	100	(4)	18,096	-	Note 4
Teco Image Systems (Dong Guan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	88,647	(2)	88,647	-	-	88,647	(32,761)	100	(32,761)	42,704	-	Note 3

Note 1: Investment methods are classified into the following three categories:

- (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: The financial statements were reviewed by R.O.C. parent company's CPA.

Note 3: On December 25, 2012, the Board of Directors resolved for the Company to establish Teco Image Systems (DongGuan) Co., Ltd. in Mainland Area through Image Systems International Limited, the subsidiary is wholly-owned by Atlas Tech Investment Co., Ltd. The shareholding ratio was 100% and the total investment amount was USD3,000 thousand. The registration for the establishment of the investee company had been completed in January 2013.

Note 4: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and cease the business of Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd. As of March 17, 2023, the liquidation process is still ongoing.

Note 5: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of TECO Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd., All-In-One International Co., Ltd. As of March 17, 2023, the liquidation process is still ongoing.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 7)
Teco Image Systems Co., Ltd.	\$ 202,885	\$ 231,906	\$ 1,246,195

Note 6: As of December 31, 2022, ceiling on investments in Mainland China imposed by the Investment Commission of MOEA amounted to US\$7.4 million.

Note 7: The limitation is \$80,000 or 60% of net worth.

Teco Image Systems Co., Ltd. and its subsidiaries
 Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area
 Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
 (Except as otherwise indicated)

Investee in Mainland China	Processing cost		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance as at December 31, 2022	%	Balance as at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance as at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Others
Teco Image Systems (DongGuan) Co., Ltd.	(\$ 832,322)	(46)	\$ -	-	(\$ 88,331)	(46)	\$ -	-	\$ -	\$ -	-	\$ -	-

Teco Image Systems Co., Ltd. and its subsidiaries

Major shareholders information

December 31, 2022

Table 8

Name of major shareholders	Shares		Ownership (%)
	No. of shares held (common shares)	No. of shares held (preference shares)	
CREATIVE SENSOR INC.	33,408,000	-	29.68%
KORYO ELECTRONICS CO., LTD.	11,425,000	-	10.15%
Tien Da Investment Co., Ltd	10,970,477	-	9.74%
Anfu International Investment Co., Ltd.	10,587,505	-	9.40%
Teco Capital Investment Co., Ltd.	8,196,501	-	7.28%
Teco International Investment Co., Ltd.	6,377,052	-	5.66%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000236

To the Board of Directors and Shareholders of Teco Image Systems Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Teco Image Systems Co., Ltd. (the "Company") as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to other matter section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only 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 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 financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our

audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Valuation of inventories

Description

For accounting policies adopted for the valuation of inventories, please refer to Note 4(12). For the significant judgements applied in the accounting policies adopted for the valuation of inventories, please refer to Note 5(2). For details of inventories, please refer to Note 6(5).

Before producing new types of multiple-function printers, the Company will prepare sufficient materials based on the sales forecast. If the actual sales are lower than the expected results, the materials in storage will be excessive and be consumed slowly. The Company estimates net present value of inventories on the balance sheet date, and then writes down inventory cost to net present value. As the valuation of inventories involve judgements, and the valuation amounts are material, we identified the valuation of inventories as one of the key audit matters.

How our audit addressed the matter:

We performed the following audit procedures in relation to the key audit matter:

1. Obtained the policies for inventory valuation and determined whether the policies applied in provision of allowance for inventory valuation losses in the different periods are in agreement.
2. Performed physical inventory count at the end of period to identify whether there are obsolete, damaged or unsalable inventories.
3. Obtained aging statements for each kind of inventory and tested the changes in ages of inventory. For selected samples with inventory number, we verified to changes record and expiration dates, checked the accuracy of classification range of inventory ages and valued the effects on inventories.
4. Obtained net realizable value statement of each kind of inventory and checked whether the applied calculation logic was in agreement for all inventory. Tested relevant parameters and relevant estimate document. Checked and compared allowance for valuation losses that the Company should provision at the lower of cost and net realizable value.

Existence of sales revenue

Description

For accounting policies adopted for the recognition of revenue, please refer to Note 4(28). For details of revenue, please refer to Note 6(15).

The Company mainly traded with established and reputable customers over the years. Since the changes in new top ten customers may materially affect the parent company only financial statements of the Company and sales revenue is high-risk in nature, we identified the existence of sales revenue from new top ten customers as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in relation to the key audit matter:

1. Understood the internal controls over sales.
2. Verified the appraisal report of new top ten customers by checking relevant information on them.
3. Tested whether the credit terms of new top ten customers have been approved appropriately.
4. Obtained and verified the details of sales and relevant supporting documents.
5. Performed sampling confirmation procedures to new top ten customers to ascertain the existence and accuracy of the receivables.
6. Obtained and verified the subsequent collections details of accounts receivable and relevant supporting documents.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for using the equity method that are included in the parent company only financial statements. The balance of investments accounted for using equity method was NT\$243,602 thousand and NT\$232,729 thousand, constituting 8.74% and 7.46% of the parent company only total assets as of December 31, 2022 and 2021, respectively. The balance of comprehensive income (loss) was NT\$11,911 thousand and NT(\$19,601) thousand for the years ended December 31, 2022 and 2021, constituting (11.94%) and (3.51%) of the parent company only total comprehensive income (loss), respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements 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.


Huang, Shih-Chun


Yeh, Tsui-Miao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 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.

TECO IMAGE SYSTEMS CO., 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)	\$ 358,252	13	\$ 237,616	8
1110	Financial assets at fair value through profit or loss - current	6(2)	616	-	730	-
1150	Notes receivable, net	6(4)	-	-	5,193	-
1170	Accounts receivable, net	6(4)	308,712	11	396,536	13
1180	Accounts receivable - related parties	6(4) and 7(2)	12	-	-	-
1200	Other receivables		2,373	-	9,498	-
1210	Other receivables - related parties	7(2)	235	-	54	-
130X	Inventories	6(5)	160,583	6	174,488	5
1410	Prepayments		44,178	1	53,686	2
11XX	Current Assets		<u>874,961</u>	<u>31</u>	<u>877,801</u>	<u>28</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	706,964	25	1,013,722	33
1550	Investments accounted for under equity method	6(6)	1,125,524	40	1,151,656	37
1600	Property, plant and equipment	6(7)	18,295	1	16,560	1
1755	Right-of-use assets	6(8)	39,553	2	34,599	1
1780	Intangible assets		5,587	-	6,095	-
1840	Deferred income tax assets	6(21)	12,517	1	15,350	-
1920	Guarantee deposits paid		1,581	-	884	-
1990	Other non-current assets, others		790	-	1,275	-
15XX	Non-current assets		<u>1,910,811</u>	<u>69</u>	<u>2,240,141</u>	<u>72</u>
1XXX	Total assets		<u>\$ 2,785,772</u>	<u>100</u>	<u>\$ 3,117,942</u>	<u>100</u>

(Continued)

TECO IMAGE SYSTEMS CO., 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						
2100	Short-term borrowings	6(9)	\$ 297,000	10	\$ 297,000	10
2130	Current contract liabilities	6(15)	21,883	1	25,652	1
2170	Accounts payable		99,260	3	153,051	5
2180	Accounts payable - related parties	7(2)	94,015	3	218,613	7
2200	Other payables	6(10) and 7(2)	107,123	4	117,991	4
2230	Current income tax liabilities	6(21)	19,357	1	8,072	-
2250	Provisions for liabilities - current	6(12)	23,041	1	23,166	1
2280	Current lease liabilities	7(2)	18,272	1	14,213	-
2300	Other current liabilities		519	-	2,222	-
21XX	Current Liabilities		<u>680,470</u>	<u>24</u>	<u>859,980</u>	<u>28</u>
Non-current liabilities						
2580	Non-current lease liabilities	7(2)	21,571	1	20,460	1
2600	Other non-current liabilities	6(11)	6,740	-	13,829	-
25XX	Non-current liabilities		<u>28,311</u>	<u>1</u>	<u>34,289</u>	<u>1</u>
2XXX	Total Liabilities		<u>708,781</u>	<u>25</u>	<u>894,269</u>	<u>29</u>
Equity						
Share capital						
3110	Share capital - common stock	6(13)	1,125,365	41	1,125,365	36
Capital surplus						
3200	Capital surplus	6(6)	245	-	998	-
Retained earnings						
3310	Legal reserve	6(14)	422,829	15	377,261	12
3350	Unappropriated retained earnings		588,958	21	585,614	19
Other equity interest						
3400	Other equity interest		(60,406)	(2)	134,435	4
3XXX	Total equity		<u>2,076,991</u>	<u>75</u>	<u>2,223,673</u>	<u>71</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 2,785,772</u>	<u>100</u>	<u>\$ 3,117,942</u>	<u>100</u>

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

TECO IMAGE SYSTEMS CO., 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	Sales revenue	6(15) and 7(2)	\$ 1,718,022	100	\$ 1,763,473	100
5000	Operating costs	6(5)(19) and 7(2)	(1,463,513)	(85)	(1,456,818)	(83)
5900	Net operating margin		<u>254,509</u>	<u>15</u>	<u>306,655</u>	<u>17</u>
	Operating expenses	6(19) and 7(2)				
6100	Selling expenses		(33,181)	(2)	(39,314)	(2)
6200	General & administrative expenses		(137,936)	(8)	(136,297)	(8)
6300	Research and development expenses		(104,547)	(6)	(127,292)	(7)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>41</u>	<u>-</u>	<u>(30)</u>	<u>-</u>
6000	Total operating expenses		<u>(275,623)</u>	<u>(16)</u>	<u>(302,933)</u>	<u>(17)</u>
6900	Operating (loss) profit		<u>(21,114)</u>	<u>(1)</u>	<u>3,722</u>	<u>-</u>
	Non-operating income and expenses					
7100	Interest income		1,099	-	230	-
7010	Other income	6(16)	50,804	3	78,190	4
7020	Other gains and losses	6(17)	6,675	-	(6,803)	-
7050	Finance costs	6(18)	(6,501)	-	(3,701)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	6(6)	<u>59,760</u>	<u>3</u>	<u>(15,383)</u>	<u>(1)</u>
7000	Total non-operating expenses		<u>111,837</u>	<u>6</u>	<u>52,533</u>	<u>3</u>
7900	Profit before income tax		<u>90,723</u>	<u>5</u>	<u>56,255</u>	<u>3</u>
7950	Income tax expense	6(21)	<u>(26,339)</u>	<u>(1)</u>	<u>(4,429)</u>	<u>-</u>
8200	Profit for the year		<u>\$ 64,384</u>	<u>4</u>	<u>\$ 51,826</u>	<u>3</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan	6(11)	\$ 5,228	-	\$ 4,547	-
8316	Unrealized (loss) gain on valuation of equity instruments at fair value through other comprehensive income	6(3)	(120,460)	(7)	501,478	29
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)	(53,796)	(3)	5,589	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	<u>(1,047)</u>	<u>-</u>	<u>(8,981)</u>	<u>-</u>
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>(170,075)</u>	<u>(10)</u>	<u>502,633</u>	<u>29</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		1,568	-	(970)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		<u>4,334</u>	<u>-</u>	<u>4,420</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>5,902</u>	<u>-</u>	<u>3,450</u>	<u>-</u>
8300	Other comprehensive (loss) income for the year		<u>(\$ 164,173)</u>	<u>(10)</u>	<u>\$ 506,083</u>	<u>29</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 99,789)</u>	<u>(6)</u>	<u>\$ 557,909</u>	<u>32</u>
	Basic earnings per share					
9750	Total basic earnings per share	6(22)	<u>\$ 0.81</u>		<u>\$ 0.51</u>	
	Diluted earnings per share					
9850	Total diluted earnings per share	6(22)	<u>\$ 0.81</u>		<u>\$ 0.51</u>	

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

Teco Images Systems Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus, others	Retained Earnings		Other equity interest		Total equity
				Legal reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 1,125,365	\$ 55	\$ 377,261	\$ 141,189	(\$ 7,759)	\$ 64,939	\$ 1,701,050
Profit for the year		-	-	-	51,826	-	-	51,826
Other comprehensive income for the year		-	-	-	3,825	3,450	498,808	506,083
Total comprehensive income		-	-	-	55,651	3,450	498,808	557,909
Appropriation and distribution of 2020 retained earnings	6(14)							
Cash dividends		-	-	-	(11,254)	-	-	(11,254)
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	425,003	-	(425,003)	-
Changes in equity of associates and joint ventures accounted for using equity method	6(6)	-	943	-	(24,975)	-	-	(24,032)
Balance at December 31, 2021		<u>\$ 1,125,365</u>	<u>\$ 998</u>	<u>\$ 377,261</u>	<u>\$ 585,614</u>	<u>(\$ 4,309)</u>	<u>\$ 138,744</u>	<u>\$ 2,223,673</u>
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 1,125,365	\$ 998	\$ 377,261	\$ 585,614	(\$ 4,309)	\$ 138,744	\$ 2,223,673
Profit for the year		-	-	-	64,384	-	-	64,384
Other comprehensive income (loss) for the year		-	-	-	4,531	5,902	(174,606)	(164,173)
Total comprehensive income (loss)		-	-	-	68,915	5,902	(174,606)	(99,789)
Appropriation and distribution of 2021 retained earnings								
Legal reserve appropriated		-	-	45,568	(45,568)	-	-	-
Cash dividends		-	-	-	(46,140)	-	-	(46,140)
Changes in equity of associates and joint ventures accounted for using equity method	6(6)	-	285	-	4,079	-	(4,079)	285
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	22,058	-	(22,058)	-
To recognise that associate did not participate in the capital increase raised in proportion to its share interest	6(6)	-	(1,038)	-	-	-	-	(1,038)
Balance at December 31, 2022		<u>\$ 1,125,365</u>	<u>\$ 245</u>	<u>\$ 422,829</u>	<u>\$ 588,958</u>	<u>\$ 1,593</u>	<u>(\$ 61,999)</u>	<u>\$ 2,076,991</u>

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

TECO IMAGE SYSTEMS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 90,723	\$ 56,255
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(19)	24,574	21,848
Amortization	6(19)	2,508	3,295
Net income on financial assets and liabilities at fair value through profit or loss	6(17)	31,589	(5,756)
Expected credit loss	12(2)	(41)	30
Share of (profit) loss of associates and joint ventures accounted for under the equity method	6(6)	(59,760)	15,383
Loss on disposal of property, plant and equipment	6(17)	-	50
Accrued product warranty provision	6(12)	2	105
Interest expense	6(18)	6,501	3,701
Interest income		(1,099)	(230)
Dividend income	6(16)	(45,865)	(66,709)
Gain from lease modification	6(8)	(33)	(13)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss		(31,475)	3,738
Notes receivable		5,193	(5,193)
Accounts receivable		87,865	(59,897)
Accounts receivable-related parties		(12)	-
Other receivables		7,030	(1,883)
Inventories		13,905	(82,756)
Prepayments		9,508	(20,783)
Changes in operating liabilities			
Contract liabilities-current		(3,769)	(5,890)
Accounts payable		(53,791)	62,944
Accounts payable - related parties		(124,598)	(14,561)
Other payables		(11,750)	15,826
Provisions-current		(127)	(56)
Other current liabilities		(1,703)	44
Other non-current liabilities		(1,860)	(9,079)
Cash outflow generated from operations		(56,485)	(89,587)
Interest received		1,099	230
Interest paid		(6,501)	(3,701)
Income tax refund received		-	2,887
Income tax paid		(13,267)	(3,540)
Net cash flows used in operating activities		(75,154)	(93,711)

(Continued)

TECO IMAGE SYSTEMS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Dividends received	6(16)	\$ 45,865	\$ 66,709
Dividend income from investments accounted for under the equity method	6(6) and 7(2)	37,246	-
Decrease in prepayments	7(2)	-	10,000
Acquisition of financial assets at fair value through other comprehensive income - non current	6(3)	-	(506,639)
Proceeds from disposal of financial assets at fair value through other comprehensive income - non current	6(3)	186,212	262,508
Acquisition of property, plant and equipment	6(23)	(7,351)	(13,641)
Acquisition of intangible assets		(2,000)	(6,175)
Increase in refundable deposits		(697)	(129)
Increase in prepayments for business facilities		(790)	(1,275)
Net cash flows from (used in) investing activities		<u>258,485</u>	<u>(188,642)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid	6(24)	(46,140)	(11,254)
Increase in short-term borrowings	6(24)	1,597,000	1,008,500
Repayment of short-term borrowings	6(24)	(1,597,000)	(861,500)
Repayment of the principal portion of lease liabilities	6(24)	(16,555)	(11,306)
Net cash flows (used in) from financing activities		<u>(62,695)</u>	<u>124,440</u>
Net increase (decrease) in cash and cash equivalents		120,636	(157,913)
Cash and cash equivalents at beginning of year		<u>237,616</u>	<u>395,529</u>
Cash and cash equivalents at end of year		<u>\$ 358,252</u>	<u>\$ 237,616</u>

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

TECO IMAGE SYSTEMS CO., 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

(1) Teco Image Systems Co., 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 September 8, 1997 and has begun its operations in the same year. The Company is primarily engaged in designing, manufacturing and trading of multi-function printers and modules, label printers, wide format printers, 3D printing, etc.

(2) The Company’s shares have been listed on the Taipei Exchange since June 2000.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 17, 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 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 – non-current'	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 contractual terms'	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 the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations 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 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 parent company only financial statements of the Company 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 (NTD), 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 recognized 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 recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income under “other gains and losses”.

B. Translation of foreign operations

The operating results and financial position of all the company entities 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 exchange rate prevailing at the dates of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, 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 realized 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 amount of cash and 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 settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the

transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(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 settlement 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 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 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 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 moving average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for under the equity method / subsidiaries and 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 gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognise loss continuously in proportion to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognised at cost.
- E. The Company's share of its associates' 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 an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of

the associate, the Company recognises change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. The Company applied the treasury stock approach to calculate investments accounted for using equity method when the Company and its associates have reciprocal stock holdings and both the Company and associate accounts for the investment using the equity method.
- J. 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 non-consolidated financial statements shall be equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the non-consolidated financial statements shall be equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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:

Mold equipment	3 years
Machinery and equipment	8 years
Testing equipment	4 years
Transportation equipment	6 years
Office equipment	4 years
Leasehold improvements	3 years
Others	4 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 fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. 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, which consists of the amount of the initial measurement of lease liability.

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 recognize the difference between remeasured lease liability in profit or loss.

(16) Intangible assets

A. Trademarks

Separately acquired trademarks are stated at historical cost. Trademarks have a finite useful life

and are amortised on a straight-time basis over their estimated useful lives of 5 to 6 years.

B. Computer software and royalty

Acquired computer software and royalty are stated at historical cost and are amortised on a straight-line basis over their estimated useful lives of 1 to 5 years.

(17) 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.

(18) Borrowings

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

(19) 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.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

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

(22) 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.

(23) Provisions

Provisions (including contingent liabilities arising from warranties) for warranty are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee

compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously. Deferred tax assets is offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

Ordinary shares are classified as equity. 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.

(27) Dividends

Cash dividends appropriated from earnings of year 2021 are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash

dividends appropriated from earnings of year 2022 are recorded as liabilities in the Company's financial statements in the period in which they are authorized to do so with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present by the Company's Board of Directors in accordance with Article 240 of the Company Act and the Articles of Incorporation of the Company. In addition, stock dividends are recorded as stock dividends to be distributed after the resolution of the shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

- A. The Company engages in the manufacture and sale of multi-function printers and modules, label printers, wide format printers, 3D printing and related 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 customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The sales usually are made with a credit term of 60 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company 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 Company recognises expenses for the related costs for which the grants are intended to compensate.

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

After assessment, the Company's accounting policies have no significant uncertainty.

(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 innovation of multi-function printers and scanners, the Company may incur losses on decline in market value of these inventories caused by the unexpected decrease in sales revenue and the unusability of the materials for the new products. 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.

As of December 31, 2022, the carrying amount of inventories is shown in Note 6(5).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 362	\$ 362
Demand deposits	<u>357,890</u>	<u>237,254</u>
	<u>\$ 358,252</u>	<u>\$ 237,616</u>

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

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities 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		
Beneficiary certificates	<u>\$ 616</u>	<u>\$ 730</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021 are shown in Note 6(17).

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

December 31, 2022			
<u>Derivative financial assets/liabilities</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>	
Current items:			
Foreign exchange swap	USD	1,000	2022.11.18~2023.01.18
Foreign exchange swap	USD	2,000	2022.11.25~2023.01.19
Foreign exchange swap	USD	2,000	2022.11.16~2023.01.13
Foreign exchange swap	USD	1,000	2022.12.21~2023.02.17
Foreign exchange swap	USD	2,000	2022.12.23~2023.02.21
Foreign exchange swap	USD	1,000	2022.12.14~2023.02.13
December 31, 2021			
<u>Derivative financial assets/liabilities</u>	<u>Contract amount (notional principal)</u>	<u>Contract period</u>	
Current items:			
Foreign exchange swap	USD	2,000	2021.11.15~2022.01.18
Foreign exchange swap	USD	1,000	2021.11.17~2022.01.19
Foreign exchange swap	USD	2,000	2021.11.29~2022.01.27
Foreign exchange swap	USD	1,000	2021.11.30~2022.01.28
Foreign exchange swap	USD	2,000	2021.12.30~2022.02.24
Foreign exchange swap	USD	1,000	2021.12.30~2022.02.23

- C. The Company has no financial assets at fair value through profit or loss pledged or collateralised.
- D. The Company entered into foreign exchange swap to hedge exchange rate risk. However, these foreign exchange swap contracts are not accounted for under hedge accounting.
- E. Information relating to credit risk of financial assets and liabilities 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	\$ 569,923	\$ 734,163
Unlisted stocks	146,217	146,217
	716,140	880,380
Valuation adjustment	(9,176)	133,342
	<u>\$ 706,964</u>	<u>\$ 1,013,722</u>

- A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income.
- B. Aiming to satisfy the financial management, the Company sold \$186,298 and \$262,508 of equity instrument investments at fair value during the years ended December 31, 2022 and 2021, respectively. The Company had no stock-settled payments arising from the abovementioned transactions on December 31, 2022 and 2021, respectively.

C. Amounts recognised in comprehensive income and transferred to retained earnings in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive (losses) income</u>		
Fair value change recognised in other comprehensive (losses) income	(\$ 120,460)	\$ 501,478
Cumulative (losses) gains reclassified to retained earnings due to derecognition (Note)	\$ 22,058	\$ 425,003

Note: For the year ended December 31, 2021, the amount included transfers to retained earnings amounting to \$257,717 due to reclassification of investments in CREATIVE SENSOR INC and Tien Da Investment Co., Ltd. from financial assets at fair value through other comprehensive income to investments accounted for under the equity method, and the net amount of accumulated gains amounting to \$175,358 less effect from income tax amounting to \$8,072.

D. The Company has 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) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ -	\$ 5,193
Accounts receivable	\$ 308,870	\$ 396,735
Accounts receivable - related parties	12	-
Less: Loss allowance	(158)	(199)
	<u>\$ 308,724</u>	<u>\$ 396,536</u>

A. For information on the ageing analysis, related credit risk of notes receivable and accounts receivable, please refer to Note 12(2).

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$336,838.

C. The Company did not hold any collateral for abovementioned notes and accounts receivable.

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 172,655	(\$ 16,829)	\$ 155,826
Work in progress	4,241	(116)	4,125
Finished goods	1,230	(1,230)	-
Merchandise	2,241	(2,241)	-
Inventory in transit	632	-	632
	<u>\$ 180,999</u>	<u>(\$ 20,416)</u>	<u>\$ 160,583</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 115,670	(\$ 14,199)	\$ 101,471
Work in progress	50,707	(1,118)	49,589
Finished goods	15,985	(1,230)	14,755
Merchandise	9,052	(2,986)	6,066
Inventory in transit	2,607	-	2,607
	<u>\$ 194,021</u>	<u>(\$ 19,533)</u>	<u>\$ 174,488</u>

A. Abovementioned inventories were not pledged or collateralised.

B. The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 1,462,631	\$ 1,458,150
Loss on (gain on reversal of) decline in market value	883	(1,332)
Revenue from sale of scraps	(1)	-
	<u>\$ 1,463,513</u>	<u>\$ 1,456,818</u>

Gain on reversal was caused by the decrease in allowance for valuation loss arising from sales of inventories with allowance for valuation loss.

(6) Investments accounted for under the equity method

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Amount</u>	<u>Ownership</u>	<u>Amount</u>	<u>Ownership</u>
Subsidiary:				
Atlas Tech Investment Co., Ltd.	\$ 68,599	100.00%	\$ 99,685	100.00%
Associates:				
SOLMAX POWER				
TAIWAN LIMITED	67,313	35.00%	70,068	35.00%
CREATIVE SENSOR				
INC. (Note 1)	813,323	20.46%	819,242	20.64%
Tien Da Investment				
Co., Ltd. (Note 2)	<u>176,289</u>	25.17%	<u>162,661</u>	25.17%
	<u>\$ 1,125,524</u>		<u>\$ 1,151,656</u>	

	<u>Years ended December 31,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Share of profit (loss) of associate accounted for under the equity method</u>	<u>Other comprehensive profit and loss (before tax)</u>	<u>Share of profit (loss) of associate accounted for under the equity method</u>	<u>Other comprehensive profit and loss (before tax)</u>
Subsidiary:				
Atlas Tech Investment Co., Ltd.	(\$ 32,654)	\$ 1,568	(\$ 25,276)	(\$ 970)
Associates:				
SOLMAX POWER				
TAIWAN LIMITED	(1,717)	-	(662)	-
CREATIVE SENSOR				
INC. (Note 1)	87,450	(56,409)	9,202	30,301
Tien Da Investment				
Co., Ltd. (Note 2)	<u>6,681</u>	<u>6,947</u>	<u>1,353</u>	<u>(20,292)</u>
	<u>\$ 59,760</u>	<u>(\$ 47,894)</u>	<u>(\$ 15,383)</u>	<u>\$ 9,039</u>

Note 1: The Company continuously increased its investment in the investee - CREATIVE SENSOR INC., and based on the assessment, the Company had significant influence over the investee when the Company held over than 20% shareholding ratio in August 2021. Thus, the investment was transferred from financial assets at fair value through other comprehensive income - non-current to investments accounted for under the equity method.

Note 2: The Company continuously increased its investment in the investee - Tien Da Investment Co., Ltd., and based on the assessment, the Company had significant influence over the investee when the Company held over than 20% shareholding ratio in August 2021. Thus,

the investment was transferred from financial assets at fair value through other comprehensive income - non-current to investments accounted for under the equity method.

A. Subsidiaries

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

- B. The Company recognised investments accounted for using equity method amounting to \$243,602 and \$232,729 as at December 31, 2022 and 2021 and comprehensive income amounting to \$11,911 and (\$19,601) for the years ended December 31, 2022 and 2021, respectively, based on the investees' financial statements audited by other independent auditors.
- C. SOLMAX POWER TAIWAN LIMITED did not acquire shares proportionally to its interest during its investees' capital increase by cash for the years ended December 31, 2022 and 2021 which caused the change of shareholding ratio and adjusted 'Capital surplus', 'Unappropriated retained earnings' and 'Investments accounted for under equity method'. The Group decreased 'Capital surplus' to (\$1,038) and 'Investments accounted for under the equity method' to (\$1,038) and decreased 'Capital surplus' to (\$55), 'Unappropriated retained earnings' to (\$122) and 'Investments accounted for under the equity method' to (\$177) for the change of the equity from SOLMAX POWER TAIWAN LIMITED.
- D. The Company did not acquire shares proportionally to its interest during CREATIVE SENSOR INC.'s capital increase by private common stocks in the fourth quarter of 2021. The Company decreased 'Retained earnings' to (\$24,853) and 'Investments accounted for under the equity method' to (\$24,853) for the change of the equity from CREATIVE SENSOR INC.
- E. CREATIVE SENSOR INC., purchased shares as treasury stock during the years ended December 31, 2022 and 2021 which caused the change of shareholding ratio and adjusted 'Capital surplus'. The Group increased 'Capital surplus' to \$285 and 'Investments accounted for under the equity method' to \$285 and increased 'Capital surplus' to \$998 and 'Investments accounted for under the equity method' to \$998 for the change of the equity from CREATIVE SENSOR INC.
- F. CREATIVE SENSOR INC. disposed equity instruments at fair value through other comprehensive income (losses) for the year ended December 31, 2022 which caused the change of shareholding ratio and adjusted 'Unappropriated retained earnings' and 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income'. The Group increased 'Unappropriated retained earnings' to \$3,993 and decreased 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income' to (\$3,993) for the change of the equity from CREATIVE SENSOR INC.
- G. Tien Da Investment Co., Ltd. disposed equity instruments at fair value through other comprehensive income (losses) for the year ended December 31, 2022 which caused the change of shareholding ratio and adjusted 'Unappropriated retained earnings' and 'Unrealized gain (loss) on valuation of financial assets at fair value through other comprehensive income'. The Group increased 'Unappropriated retained earnings' to \$86 and decreased 'Unrealized gain (loss) on

valuation of financial assets at fair value through other comprehensive income' to (\$86) for the change of the equity from Tien Da Investment Co., Ltd.

H. Significant associates

(a) The basic information of the associates that are material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2022	December 31, 2021		
CREATIVE SENSOR INC.	Taiwan	20.46%	20.64%	Associates	Equity method
Tien Da Investment Co., Ltd.	Taiwan	25.17%	25.17%	Associates	Equity method

(b) The summarised financial information of the associates that are material to the Company is as follows:

i. CREATIVE SENSOR INC.

(i) Balance sheet

	CREATIVE SENSOR INC.	
	December 31, 2022	December 31, 2021
Current assets	\$ 2,967,629	\$ 2,675,797
Non-current assets	3,446,617	4,056,724
Current liabilities	(2,471,247)	(2,725,410)
Non-current liabilities	(65,235)	(36,342)
Total net assets	<u>\$ 3,877,764</u>	<u>\$ 3,970,769</u>
Carrying amount of the associate	<u>\$ 813,323</u>	<u>\$ 819,242</u>

(ii) Statement of comprehensive income

	CREATIVE SENSOR INC.	
	Years ended December 31,	
	2022	2021
Revenue	\$ 4,256,952	\$ 3,951,319
Profit for the year from continuing operations	\$ 359,682	\$ 176,681
Other comprehensive (loss) income, net of tax	(306,374)	268,332
Total comprehensive income	<u>\$ 53,308</u>	<u>\$ 445,013</u>
Dividends received from associates	<u>\$ 37,246</u>	<u>\$ 32,814</u>

(iii) The Company's material associate, CREATIVE SENSOR INC., has quoted market prices. As of December 31, 2022 and 2021, the fair value was \$797,813 and \$726,992, respectively.

(iv) The Company is the single largest shareholder of CREATIVE SENSOR INC. with a 20.46% equity interest. Considering the participation degree of other shareholders and the voting right record of the significant resolution in the shareholders' meeting of CREATIVE SENSOR INC. and the Company holding 2 out of 7 board seats of the company, which indicates that the Company has no current ability to direct the relevant activities of CREATIVE SENSOR INC., the Company has no control, but only has significant influence, over the investee.

ii. Tien Da Investment Co., Ltd.

(i) Balance sheet

	<u>Tien Da Investment Co., Ltd.</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 41,252	\$ 70,326
Non-current assets	712,352	627,257
Current liabilities	(2,274)	(644)
Total net assets	<u>\$ 751,330</u>	<u>\$ 696,939</u>
Carrying amount of the associate	<u>\$ 176,289</u>	<u>\$ 162,661</u>

(ii) Statement of comprehensive income

	<u>Tien Da Investment Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 31,726	\$ 7,577
Profit for the year from continuing operations	\$ 26,543	\$ 3,815
Other comprehensive income (loss), net of tax	27,848	(21,876)
Total comprehensive income (loss)	<u>\$ 54,391</u>	<u>(\$ 18,061)</u>
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>

(iii) The Company's material associate, Tien Da Investment Co., Ltd., has no quoted market prices. Accordingly, there are no fair value information.

E. The Company's associate accounted for using equity method were not material to the financial statements based on the Company's individual assessment. As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$67,313 and \$70,068, respectively. The Company's share of the operating results are summarised below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Loss for the year from continuing operations	(\$ 1,717)	(\$ 662)
Total comprehensive loss	<u>(\$ 1,717)</u>	<u>(\$ 662)</u>

F. The Company has no investments accounted for under the equity method pledged to others.

(7) Property, plant and equipment

	2022							Total
	Mold equipment	Machinery and equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	
	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	
At January 1								
Cost	\$ 2,932	\$ 2,050	\$ 17,606	\$ 900	\$ 34,836	\$ 14,066	\$ 22,174	\$ 94,564
Accumulated depreciation and impairment	(2,932)	(123)	(16,480)	(900)	(30,847)	(10,821)	(15,901)	(78,004)
	<u>\$ -</u>	<u>\$ 1,927</u>	<u>\$ 1,126</u>	<u>\$ -</u>	<u>\$ 3,989</u>	<u>\$ 3,245</u>	<u>\$ 6,273</u>	<u>\$ 16,560</u>
Opening net book amount as at January 1	\$ -	\$ 1,927	\$ 1,126	\$ -	\$ 3,989	\$ 3,245	\$ 6,273	\$ 16,560
Additions	2,209	-	2,975	645	1,663	-	416	7,908
Depreciation charge	(245)	(256)	(1,204)	(9)	(1,256)	(1,523)	(2,955)	(7,448)
Reclassifications for the period (Note)	-	-	1,275	-	-	-	-	1,275
Closing net book amount as at December 31	<u>\$ 1,964</u>	<u>\$ 1,671</u>	<u>\$ 4,172</u>	<u>\$ 636</u>	<u>\$ 4,396</u>	<u>\$ 1,722</u>	<u>\$ 3,734</u>	<u>\$ 18,295</u>
<u>At December 31</u>								
Cost	\$ 4,697	\$ 2,050	\$ 21,856	\$ 1,545	\$ 36,012	\$ 14,067	\$ 22,507	\$ 102,734
Accumulated depreciation and impairment	(2,733)	(379)	(17,684)	(909)	(31,616)	(12,345)	(18,773)	(84,439)
	<u>\$ 1,964</u>	<u>\$ 1,671</u>	<u>\$ 4,172</u>	<u>\$ 636</u>	<u>\$ 4,396</u>	<u>\$ 1,722</u>	<u>\$ 3,734</u>	<u>\$ 18,295</u>

	2021							
	<u>Mold equipment</u>	<u>Machinery and equipment</u>	<u>Testing equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Others</u>	
	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Owner occupied</u>	<u>Total</u>
At January 1								
Cost	\$ 2,932	\$ -	\$ 24,439	\$ 900	\$ 31,494	\$ 10,490	\$ 16,458	\$ 86,713
Accumulated depreciation and impairment	(2,932)	-	(23,471)	(900)	(31,005)	(9,213)	(11,723)	(79,244)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ 489</u>	<u>\$ 1,277</u>	<u>\$ 4,735</u>	<u>\$ 7,469</u>
Opening net book amount as at January 1	\$ -	\$ -	\$ 968	\$ -	\$ 489	\$ 1,277	\$ 4,735	\$ 7,469
Additions	-	2,050	622	-	4,028	3,072	3,957	13,729
Disposals	-	-	-	-	-	(50)	-	(50)
Depreciation charge	-	(123)	(464)	-	(528)	(2,116)	(4,207)	(7,438)
Reclassifications for the period (Note)	-	-	-	-	-	1,062	1,788	2,850
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 1,927</u>	<u>\$ 1,126</u>	<u>\$ -</u>	<u>\$ 3,989</u>	<u>\$ 3,245</u>	<u>\$ 6,273</u>	<u>\$ 16,560</u>
<u>At December 31</u>								
Cost	\$ 2,932	\$ 2,050	\$ 17,606	\$ 900	\$ 34,836	\$ 14,066	\$ 22,174	\$ 94,564
Accumulated depreciation and impairment	(2,932)	(123)	(16,480)	(900)	(30,847)	(10,821)	(15,901)	(78,004)
	<u>\$ -</u>	<u>\$ 1,927</u>	<u>\$ 1,126</u>	<u>\$ -</u>	<u>\$ 3,989</u>	<u>\$ 3,245</u>	<u>\$ 6,273</u>	<u>\$ 16,560</u>

Note: Reclassifications for the period were transferred from prepayments for business facilities.

Abovementioned property, plant and equipment were neither pledged nor collateralised and no interest was capitalised.

(8) Leasing arrangements-lessee

A. The Company leases various assets including plants, offices and business vehicles. Rental contracts are typically made for periods of 1 to 3 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 for borrowing, subleasing and tenancy disposal right or another way for others using it.

B. The movements of right-of-use assets of the Company are as follows:

	2022		
	Business		
	Buildings	vehicles	Total
Opening net book amount as at January 1	\$ 32,453	\$ 2,146	\$ 34,599
Additions	19,647	3,316	22,963
Early termination of lease contract	(839)	(44)	(883)
Depreciation charge	(14,921)	(2,205)	(17,126)
Closing net book amount as at December 31	<u>\$ 36,340</u>	<u>\$ 3,213</u>	<u>\$ 39,553</u>

	2021		
	Business		
	Buildings	vehicles	Total
Opening net book amount as at January 1	\$ 3,637	\$ 2,559	\$ 6,196
Additions	44,182	1,902	46,084
Disposals	(2,850)	(421)	(3,271)
Depreciation charge	(12,516)	(1,894)	(14,410)
Closing net book amount as at December 31	<u>\$ 32,453</u>	<u>\$ 2,146</u>	<u>\$ 34,599</u>

C. The information on income and expense accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 394	\$ 190
Expense on short-term lease contracts	1,825	3,119
Gain on lease modification	(33)	(13)
	<u>\$ 2,186</u>	<u>\$ 3,296</u>

D. For the years ended December 31, 2022 and 2021, apart from cash outflow for interest expense on lease liabilities and expense on short-term lease contracts mentioned in Note 6(8)C., the Company's total cash outflow for repayments of the principal portion of lease liabilities is mentioned in Note 6(24).

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 297,000</u>	1.775%~1.78%	None

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 297,000</u>	1.10%~1.075%	None

For the details of interest expense recognised in profit or loss, please refer to Note 6(18).

(10) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonuses payable	\$ 52,480	\$ 52,033
Service charge payable	12,897	13,446
Employees' compensation and directors' remuneration payable	15,281	7,041
Insurance payable	2,065	6,514
Research and development expense payable	2,187	3,089
Others payables	<u>22,213</u>	<u>35,868</u>
	<u>\$ 107,123</u>	<u>\$ 117,991</u>

(11) Pensions

A. Defined benefit pension plans

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 37,843)	(\$ 41,204)
Fair value of plan assets	<u>31,103</u>	<u>27,375</u>
Net defined benefit liability (Shown as other non-current liabilities)	<u>(\$ 6,740)</u>	<u>(\$ 13,829)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2022			
Balance at January 1	(\$ 41,204)	\$ 27,375	(\$ 13,829)
Current service cost	(182)	-	(182)
Interest (expense) income	<u>(286)</u>	<u>196</u>	<u>(90)</u>
	<u>(41,672)</u>	<u>27,571</u>	<u>(14,101)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,317	2,317
Change in demographic assumptions	(22)	-	(22)
Change in financial assumptions	2,539	-	2,539
Experience adjustments	<u>394</u>	<u>-</u>	<u>394</u>
	<u>2,911</u>	<u>2,317</u>	<u>5,228</u>
Pension fund contribution	-	2,133	2,133
Paid pension	<u>917</u>	<u>(917)</u>	<u>-</u>
Balance at December 31	<u>(\$ 37,844)</u>	<u>\$ 31,104</u>	<u>(\$ 6,740)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	(\$ 63,588)	\$ 36,133	(\$ 27,455)
Current service cost	(318)	-	(318)
Interest (expense) income	(166)	87	(79)
	<u>(64,072)</u>	<u>36,220</u>	<u>(27,852)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	509	509
Change in demographic assumptions	(115)	-	(115)
Change in financial assumptions	1,883	-	1,883
Experience adjustments	2,270	-	2,270
	<u>4,038</u>	<u>509</u>	<u>4,547</u>
Pension fund contribution	-	2,138	2,138
Paid pension	18,830	(11,492)	7,338
Balance at December 31	<u>(\$ 41,204)</u>	<u>\$ 27,375</u>	<u>(\$ 13,829)</u>

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

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

	Years ended December 31,	
	2022	2021
Discount rate	1.30%	0.70%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with future mortality rate estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of				
defined benefit obligation	(\$ 995)	\$ 1,032	\$ 1,022	(\$ 991)
<u>December 31, 2021</u>				
Effect on present value of				
defined benefit obligation	(\$ 1,135)	\$ 1,179	\$ 1,161	(\$ 1,123)

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

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$1,939.
- (g) As of December 31, 2022, the weighted average duration of that retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	\$ 899
1-2 year(s)	1,261
2-5 years	6,013
Over 5 years	35,159
	<u>\$ 43,332</u>

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021, were \$5,374 and \$5,107, respectively.

(12) Provisions

	2022	2021
At January 1	\$ 23,166	\$ 23,117
Additional provisions	2	105
Used during the year	(127)	(56)
At December 31	<u>\$ 23,041</u>	<u>\$ 23,166</u>

Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current-product warranty	<u>\$ 23,041</u>	<u>\$ 23,166</u>

The Company provides warranties on multi-function printers sold. Provision for product warranty is estimated based on history warranty data of multi-function printers. It is expected that provision for product warranty will be used in the following years.

(13) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$2,500,000, consisting of 250 million shares of ordinary stock, and the paid-in capital was \$1,125,365 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. For the years ended December 31, 2022 and 2021, the number of ordinary shares outstanding at the beginning of the period was consistent with the number at the end of the period which amounted to 112,536,565 shares.
- C. On December 31, 2022 and 2021, the Company's associate, CREATIVE SENSOR INC, held 33,408,000 shares of the Company.

(14) Retained earnings / Events after the balance sheet date

A. Earnings allocation under the Company's Articles of Incorporation

- (a) After the amended articles of association adopted by the shareholders' meeting on June 17, 2022:

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order: (i) Pay all taxes; (ii) Offset prior years' losses; (iii) Set aside 10% as legal reserve, except when the statutory surplus reserve has reached the total capital of the company ; (iv) Set aside special reserve in accordance with the regulations or resolutions approved by the competent authority or the shareholders; and (v) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. All or part of dividends and bonuses are paid in cash, the board of directors may be authorized to do so with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present and reported to the shareholders' meeting.

In principle, earnings distribution is based on the current year's after-tax net profit, but considering the principle of dividend balance, if the current year's after-tax net profit is insufficient for distribution, the undistributed surplus of previous years may be used for

distribution.

Considering the needs of future business expansion and cash flow, the Company will distribute earnings in the form of cash dividends or stock dividends, of which cash dividends shall not be less than 5% of the total dividends.

- (b) Before the amended articles of association adopted by the shareholders' meeting on June 17, 2022:

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order: (i) Pay all taxes; (ii) Offset prior years' losses; (iii) Set aside 10% as legal reserve, except when the statutory surplus reserve has reached the total capital of the company ; (iv) Set aside special reserve in accordance with the regulations or resolutions approved by the competent authority or the shareholders; and (v) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. The appropriation of the accumulated distributable earnings shall be proposed by the Board of Directors and resolved by the shareholders as the shareholders' bonus.

In principle, earnings distribution is based on the current year's after-tax net profit, but considering the principle of dividend balance, if the current year's after-tax net profit is insufficient for distribution, the undistributed surplus of previous years may be used for distribution. Considering the needs of future business expansion and cash flow, the Company will distribute earnings in the form of cash dividends or stock dividends, of which cash dividends shall not be less than 5% of the total dividends.

- B. 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.
- C. 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.
- D. Appropriation of the Company's earnings is as follows:
- (a) Details of appropriation of 2021 and 2020 earnings as resolved by the shareholders on June 17, 2022 and July 19, 2021, respectively, are as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 45,568		\$ -	
Cash dividends	46,140	0.41	11,254	0.10
	<u>\$ 91,708</u>		<u>\$ 11,254</u>	

(b) Details of appropriation of 2022 earnings as resolved by the Board of Directors on March 17, 2023 are as follows:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 9,505	
Reversal of special reserve appropriated	60,406	
Cash dividends	57,394	0.51
	<u>\$ 127,305</u>	

(15) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

<u>Year ended December 31,</u> <u>2022</u>	Revenue from sale of multi-function printer		Other sales		<u>Total</u>
	Mainland China and Hong Kong	Others	Mainland China and Hong Kong	Others	
	Revenue from customer contracts	<u>\$ 1,392,344</u>	<u>\$ 50,081</u>	<u>\$ 20,218</u>	

<u>Year ended December 31,</u> <u>2021</u>	Revenue from sale of multi-function printer		Other sales		<u>Total</u>
	Mainland China and Hong Kong	Others	Mainland China and Hong Kong	Others	
	Revenue from customer contracts	<u>\$ 1,549,002</u>	<u>\$ 65,788</u>	<u>\$ 3,488</u>	

B. Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities-sales revenue and other sales	<u>\$ 21,883</u>	<u>\$ 25,652</u>	<u>\$ 31,542</u>

(b) For the years ended December 31, 2022 and 2021, revenue recognised that was included in the contract liability balance at the beginning of the year was \$7,072 and \$15,855, respectively.

(16) Other income

	Years ended December 31,	
	2022	2021
Dividend income	\$ 45,865	\$ 66,709
Others	4,939	11,481
	<u>\$ 50,804</u>	<u>\$ 78,190</u>

(17) Other gains and losses

	Years ended December 31,	
	2022	2021
Net gains on financial assets/liabilities at fair value through profit or loss	(\$ 31,589)	\$ 5,756
Net currency exchange loss or gain	38,483 (8,514)
Loss on disposals of property, plant and equipment	- (50)
Expense of proxy solicitation (Note)	- (3,780)
Others	(219)	(215)
	<u>\$ 6,675</u>	<u>(\$ 6,803)</u>

Note: Information on the expense and payment that the Company participated in the allocation in relation to Teco Electric & Machinery Co., Ltd.'s shareholders soliciting proxies which CREATIVE SENSOR INC. paid on behalf of the Company is provided in Note 7(2).

(18) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 6,107	\$ 3,511
Lease liabilities	394	190
	<u>\$ 6,501</u>	<u>\$ 3,701</u>

(19) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expenses	\$ 190,465	\$ 190,928
Depreciation charges on property, plant, equipment and right-of-use assets	\$ 24,574	\$ 21,848
Amortisation charges on intangible assets	\$ 2,508	\$ 3,295

(20) Employee benefit expenses

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 150,995	\$ 153,429
Labour and health insurance fees	12,501	13,490
Pension costs	5,646	5,504
Directors' remuneration	12,704	9,938
Others	8,619	8,567
	<u>\$ 190,465</u>	<u>\$ 190,928</u>

- A. In accordance with the Articles of Incorporation of the Company, in order to motivate employees and the management team, if the company has a profit in the current year, the profit before the distribution of employee remuneration and directors' remuneration shall be deducted from the pre-tax profit of the current year and retained to make up for the accumulated loss. The balance should be allocated to the staff compensation range ratio of 5% to 15% and the director compensation ratio should not be higher than 5%. Employee remuneration, the actual distribution ratio of director and supervisor remuneration, and employee remuneration shall be in stock or cash, which shall be implemented by the board of directors with the presence of more than two-thirds of the directors and a resolution approved by more than half of the directors present, and reported to the shareholders' meeting. Employee remuneration is issued in stock or cash to employees of subordinate companies who meet certain conditions.
- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$7,112 and \$4,410, respectively; while directors' remuneration was accrued at \$3,759 and \$2,330, respectively. The aforementioned amounts were recognised in salary expenses.
- For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on 7% and 3.7% of distributable profit of current year as of the end of reporting period.
- On March 16, 2022, employees' compensation and directors' remuneration for 2021 amounting to \$4,410 and \$2,330, respectively, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. As of December 31, 2022, employees' compensation and supervisors' remuneration had been distributed in the amounts of \$0 and \$2,330, respectively.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current income tax liabilities	19,357	8,072
Withholding and provisional tax	90	-
Offshore income tax expense	4,070	3,187
Tax on undistributed surplus earnings	(19,447)	-
Current tax on profits for the year	4,070	11,259
Prior year income tax (over) estimation	1,036	(268)
Total current tax	5,106	10,991
Deferred tax:		
Origination and reversal of temporary differences	1,786	1,510
Others:		
The income tax charge relating to components of other comprehensive income	-	(8,072)
Tax on undistributed surplus earnings	19,447	-
	19,447	(8,072)
Income tax expense	\$ 26,339	\$ 4,429

(b) The Company did not have income tax charged/(credited) to equity. The income tax expense (profit) relating to components of other comprehensive income (loss) is as follows:

	Years ended December 31,	
	2022	2021
Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 8,072
Remesurements of defined benefit obligations	1,047	909
	\$ 1,047	\$ 8,981

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 18,145	\$ 11,251
Domestic dividend revenue exempted from tax	(9,173)	(13,342)
Non-deductible taxable losses caused by income from domestic tax-free dividends	6,138	3,982
Unrecognised deferred tax assets arising from loss on investments abroad	6,531	5,055
Unrecognised deferred tax liabilities arising from gain on domestic investments	(18,481)	(1,979)
Prior year income tax overestimation	1,036	(268)
Tax on undistributed earnings	19,447	-
Payable fees payment (unpaid) amount	(2,002)	(3,585)
Effect of other adjustments	4,698	3,315
Income tax expense	<u>\$ 26,339</u>	<u>\$ 4,429</u>

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

	2022			
	<u>January 1</u>	<u>Recognised in or loss</u>	<u>Recognised in other (loss) income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Loss for market value decline and obsolete and slow-moving inventories	\$ 3,907	\$ 177	\$ -	\$ 4,084
After-sales service guarantee expense	4,633	(25)	-	4,608
Unpaid expenses	1,286	1,729	-	3,015
Unused compensated absences payable	182	(1)	-	181
Pension payable	2,766	(1,417)	(1,047)	302
Unrealised exchange losses	2,576	(2,249)	-	327
Total	<u>\$ 15,350</u>	<u>(\$ 1,786)</u>	<u>(\$ 1,047)</u>	<u>\$ 12,517</u>

	2021			
	Recognised	Recognised	other	
	in profit	in profit	comprehensive	
	or loss	or loss	(loss) income	December 31
	<u>January 1</u>	<u>or loss</u>	<u>(loss) income</u>	<u>December 31</u>
Deferred tax assets:				
Temporary differences:				
Loss for market value decline and obsolete and slow-moving inventories	\$ 4,173	(\$ 266)	\$ -	\$ 3,907
After-sales service guarantee expense	4,623	10	-	4,633
Unpaid expenses	1,184	102	-	1,286
Unused compensated absences payable	127	55	-	182
Pension payable	5,491	(1,816)	(909)	2,766
Unrealised exchange losses	2,171	405	-	2,576
Total	<u>\$ 17,769</u>	<u>(\$ 1,510)</u>	<u>(\$ 909)</u>	<u>\$ 15,350</u>

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>
Share of profit (loss) of foreign subsidiaries for using equity method	<u>\$ 120,336</u>	<u>\$ 87,681</u>

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

(22) Earnings per share

The Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method. The Company adopted the treasury stock method for the investment in CREATIVE SENSOR INC., and the shares of the Company held by CREATIVE SENSOR INC. should be treated as treasury stocks and be deducted when calculating earnings per share.

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders (Note 1)	\$ 64,384	79,129	0.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 64,384	79,129	
Assumed conversion of all dilutive potential ordinary shares -Employees' compensation	-	422	
Profit attributable to ordinary shareholders (Note 2)	\$ 64,384	79,551	0.81

Note 1: The weighted average number of ordinary shares outstanding was 112,537 thousand shares and the basic earnings per share was \$0.57 (in dollars) without considering that the Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

Note 2: The weighted average number of ordinary shares outstanding was 112,959 thousand shares and the diluted earnings per share was \$0.57 (in dollars) without considering that the Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders (Note 1)	\$ 51,826	101,421	0.51
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 51,826	101,421	
Assumed conversion of all dilutive potential ordinary shares -Employees' compensation	-	259	
Profit attributable to ordinary shareholders (Note 2)	\$ 51,826	101,680	0.51

Note 1: The weighted average number of ordinary shares outstanding was 112,537 thousand shares and the basic earnings per share was \$0.46 (in dollars) without considering that the

Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

Note 2: The weighted average number of ordinary shares outstanding was 112,796 thousand shares and the diluted earnings per share was \$0.46 (in dollars) without considering that the Company and CREATIVE SENSOR INC. are mutual holdings and accounted for under the equity method.

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 7,908	\$ 13,729
Add: Opening balance of payable on equipment	88	-
Less: Ending balance of payable on equipment	(645)	(88)
Cash paid during the year	<u>\$ 7,351</u>	<u>\$ 13,641</u>

(24) Changes in liabilities from financing activities

	Short-term borrowings	Dividend payable (Shown in other payables)	Lease liabilities
At January 1, 2022	\$ 297,000	\$ -	\$ 34,673
Declaration of dividend	-	46,140	-
Cash dividends paid	-	(46,140)	-
Proceeds from debt	1,597,000	-	-
Repayments of debt	(1,597,000)	-	-
Increase in lease liabilities	-	-	22,963
Early termination of lease contract	-	-	(916)
Repayment of the principal portion	-	-	(16,555)
Transferred to other payables	-	-	(322)
At December 31, 2022	<u>\$ 297,000</u>	<u>\$ -</u>	<u>\$ 39,843</u>

	Short-term borrowings	Dividend payable (Shown in other payables)	Lease liabilities
At January 1, 2021	\$ 150,000	\$ -	\$ 6,233
Declaration of dividend	-	11,254	-
Cash dividends paid	-	(11,254)	-
Proceeds from debt	1,008,500	-	-
Repayments of debt	(861,500)	-	-
Increase in lease liabilities	-	-	46,084
Early termination of lease contract	-	-	(3,284)
Repayment of the principal portion	-	-	(11,306)
Transferred to other payables	-	-	(3,054)
At December 31, 2021	<u>\$ 297,000</u>	<u>\$ -</u>	<u>\$ 34,673</u>

(Remainder of page intentionally left blank)

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Teco Image Systems (DongGuan) Co.,Ltd.	Indirect subsidiary wholly owned by the Company
Teco Pro-Systems(JiangXi) Co.,Ltd.	Indirect subsidiary wholly owned by the Company
Teco Image Systems (Suzhou) Co.,Ltd.	Indirect subsidiary wholly owned by the Company
Atlas Tech Investment Co.,Ltd.	Subsidiary wholly owned by the Company
All-In-One International Co.,Ltd.	Indirect subsidiary wholly owned by the Company
Image Systems International Limited	Indirect subsidiary wholly owned by the Company
SOLMAX POWER TAIWAN LIMITED	Associates
CREATE SENSOR INC.	Associates
ProMOS TECHNOLOGIES INC.	The director of the securities holding company is the Company's vice chairman
Darbe II Venture	The Company is a corporate director of this company
KORYO ELECTRONICS CO., LTD.	The Company is a corporate director of this company
TECO ELECTRIC & MACHINERY CO., LTD.	This company's director is the Company's associates
TAIWAN PELICAN EXPRESS CO., LTD.	This company's director and the Company's chairman are within first degree of kinship
Tong An Assets Management & Development Co., Ltd.	The chairman of the securities holding company and the Company's chairman are within first degree of kinship
MULTILITE INTERNATIONAL CO., LTD.	Common chairman (Note 3)
LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD.	Common chairman (Note 1)
KROM ELECTRONICS CO., LTD.	This company is a corporate director of the Company (Note 2)
KUANG YUAN CO., LTD.	Common chairman (Note 4)
ROYAL HOST TAIWAN CO., LTD.	The chairman of the securities holding company and the Company's chairman are within first degree of kinship
AN-SHIN FOOD SERVICES CO., LTD.	This company's director and the Company's chairman are within first degree of kinship
Mingxiang Culture Co., Ltd.	This company's director is the Company's vice chairman
All directors, president and key management	The Company's key management and governing body

Note 1: On March 22, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Company since the resignation date.

Note 2: On March 18, 2021, this company transferred more than one half of the Company's shares being held by this company at the time it was elected, and thus, this company shall, ipso facto, be discharged as a corporate director and was no longer a related party of the Company since the discharge date.

Note 3: On May 24, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Company since the resignation date.

Note 4: On June 2, 2021, the chairman of the Company resigned as the chairman of this company. This company was no longer a related party of the Company since the resignation date.

(2) Significant related party transactions and balances

A. Sales

The amount of sales transactions between the Company and the related parties are not disclosed since it is not significant and did not reach \$3,000.

B. Processing and purchases

(a) Processing and purchases

The details of processing expenses paid to related parties and purchases from the related parties are as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Second-tier subsidiary-Teco Image Systems (DongGuan) Co., Ltd.	\$ 832,322	\$ 950,135
Other related parties	19,241	11,411
	<u>\$ 851,563</u>	<u>\$ 961,546</u>

Goods are purchased from associates on normal commercial terms and conditions. The terms are approximately the same as those to third-party suppliers which is from 30 days after the purchase to 105 days after monthly billing while to related parties is 45 days to 105 days after monthly billing.

(b) Payables

The payables from processing and purchasing with the related parties are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Second-tier subsidiary-Teco Image Systems (DongGuan) Co., Ltd.	\$ 88,331	\$ 210,349
Other related parties	5,684	8,264
	<u>\$ 94,015</u>	<u>\$ 218,613</u>

C. Property transactions - Acquisition of financial assets

For the year ended December 31, 2022: None.

	Year ended December 31, 2021			
	Accounts	No. of shares	Objects	Consideration
LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD	Financial assets at fair value through other comprehensive income - non-current	4,173,000	Stocks of TECO ELECTRIC & MACHINERY CO., LTD.	\$ 128,401

D. Leasing arrangements-lessee

(a) Acquisition of right-of-use assets

The acquisition of right-of-use assets from other related parties for the years ended December 31, 2022 and 2021 above is as follows:

	Years ended December 31,	
	2022	2021
Tong An Assets Management & Development Co., Ltd.	\$ -	\$ 38,658
Other related parties	-	936
	<u>\$ -</u>	<u>\$ 39,594</u>

(b) Lease liabilities/Other payables/Finance costs

i. The Company's lease liabilities and other payables generated from lease transactions:

	December 31, 2022	December 31, 2021
Tong An Assets Management & Development Co., Ltd.	\$ 17,061	\$ 26,675
Other related parties	322	820
	<u>\$ 17,383</u>	<u>\$ 27,495</u>

ii. The Company's interest expense generated from lease transactions:

	Years ended December 31,	
	2022	2021
Tong An Assets Management & Development Co., Ltd.	\$ 216	\$ 111
Other related parties	6	4
	<u>\$ 222</u>	<u>\$ 115</u>

E. Transaction of payment on behalf of others / Other payables

The amounts of advance money (shown as other payables) in relation to other transactions from the entities with the related parties are as follows:

	December 31, 2022	December 31, 2021
Second-tier subsidiary-Teco Image Systems (DongGuan) Co., Ltd.	\$ 640	\$ 704
Entities with significant influence to the Company	22	3,780
Other related parties	2,130	3,866
	<u>\$ 2,792</u>	<u>\$ 8,350</u>

F. Transaction of investment

(a) Other income-dividend income

Other income-dividend income arising from investment in associates is as follows:

	Years ended December 31,	
	2022	2021
CREATE SENSOR INC.	\$ -	\$ 32,814
Darbe II Venture	4,175	-
TECO ELECTRIC & MACHINERY CO., LTD.	23,049	21,704
KORYO ELECTRONICS CO., LTD.	17,989	9,994
Other related parties	590	2,055
	<u>\$ 45,803</u>	<u>\$ 66,567</u>

(b) Investments accounted for using the equity method

Dividend income arising from investment in associates (shown as deduction of investment accounted for using the equity method) is as follows:

	Years ended December 31,	
	2022	2021
CREATE SENSOR INC.	<u>\$ 37,246</u>	<u>\$ -</u>

(c) Other receivables

As of December 31, 2022 and 2021, there were no other receivables arising from aforementioned transactions.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 30,322	\$ 29,188
Post-employment benefits	506	470
	<u>\$ 30,828</u>	<u>\$ 29,658</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. Significant contingent liabilities

None.

B. Significant unrecognised contract commitments

(1) As of December 31, 2022 and 2021, the amounts of the promissory notes issued by the Company

for borrowings were both \$580,152.

- (2) The Company is required to purchase goods and is guaranteed by the bank for customs accounting. As of December 31, 2022 and 2021, the amount was all \$1,500.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details of the appropriation of 2022 retained earnings as resolved by the Board of Directors on March 17, 2023 are provided in Note 6(14).

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt to assets ratio. This ratio is calculated as total debt divided by total assets.

During 2022, the Company's strategy was unchanged from 2021. As of December 31, 2022 and 2021, the Company's debt to assets ratio were provided in parent company only balance sheets.

(2) Financial risk of financial instruments

A. Financial instruments by category

The Company's financial assets (including cash and cash equivalents, financial assets at fair value through profit or loss-current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), financial assets at fair value through other comprehensive income-non-current and refundable deposits) and financial liabilities (including short-term borrowings, accounts payable (including related parties), other payables and lease liabilities (current/non-current)) are provided in parent company only balance sheets and Note 6.

B. Risk management policies

- (a) 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. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and

hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries denominated in various functional currencies, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require Company entities 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. Cross currency swap are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using cross currency swap. However, the Company 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 Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	22,023	30.7100	\$ 676,326
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	12,009	30.7100	368,796

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	24,693	27.6800	\$ 683,502
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	16,529	27.6800	457,523

- v. Total exchange gain (loss), including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 are shown in Note 6(17).
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		Year ended December 31, 2022		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	6,763	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(3,688)	-
		Year ended December 31, 2021		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	6,835	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(4,575)	-

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, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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. Shares and beneficiary certificates 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 and beneficiary certificates had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by \$7,070 and \$10,137 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 analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions at specified intervals to verify that the maximum loss potential is within the limit given by the management.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, pre-tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,970 and \$2,970, respectively.

(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.
- ii. The Company manages their credit risk taking into consideration the entire Company's concern. 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 adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii. Customers that are Companyed as good customers have no significant default record in recent years. However, in accordance with IFRS 9, when measuring expected credit loss,

the possibility of default should be taken into consideration even when the possibility of credit loss is remote.

The Company estimated forecast index before adjustment by the default rate in the past years using each parent company only entity as a unit. The Company considered that in the financial industry, the default rate should not be lower than 0.03% for numerous and unidentifiable individual investors. However, in accordance with the policy, the Company traces the credit risk of customers at any time, the Company refers to the reference rate set by the financial industry as a basis of forecast adjustment, and adjusts the expected loss rate referring to monitoring indicator and the nature of risk. The loss rate methodology is as follows:

	Without past due	Up to 30 days	Up to 60 days	Up to 90 days	Over 90 days	Total
At December 31, 2022						
Expected loss rate	0.050%	0.053%	0.056%	0.065%	100%	
Total book value	\$ 308,875	\$ 7	\$ -	\$ -	\$ -	\$ 308,882
Loss allowance	\$ 158	\$ -	\$ -	\$ -	\$ -	\$ 158
At December 31, 2021						
Expected loss rate	0.050%	0.053%	0.056%	0.065%	100%	
Total book value	\$ 401,928	\$ -	\$ -	\$ -	\$ -	\$ 401,928
Loss allowance	\$ 199	\$ -	\$ -	\$ -	\$ -	\$ 199

The above ageing analysis was based on past due date.

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

	2022		Total
	Accounts receivable	Notes receivable	
At January 1	\$ 199	\$ -	\$ 199
Provision of expected credit loss (gain)	(41)	-	(41)
At December 31	\$ 158	\$ -	\$ 158

	2021		
	Accounts receivable	Notes receivable	Total
At January 1	\$ 169	\$ -	\$ 169
Provision of expected credit loss (gain)	<u>30</u>	<u>-</u>	<u>30</u>
At December 31	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 199</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in each unit of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by each unit 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, time deposits and marketable securities.
- iii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate		
Expiring within one year	<u>\$ 203,000</u>	<u>\$ 203,000</u>

- 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 except for the table below they are all financial liabilities due for repayment within one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Lease liabilities-current/non-current	\$ 4,737	\$ 13,939	\$ 21,850	\$ 40,526
<u>December 31, 2021</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Lease liabilities-current/non-current	\$ 3,695	\$ 10,791	\$ 20,624	\$ 35,110

(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 and beneficiary certificates 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 derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in unlisted stocks is included in Level 3.

B. Financial instruments not measured at fair value, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, other receivables-related parties, guarantee deposits paid, short-term borrowings, accounts payable, accounts payable-related parties, other payables and lease liabilities (current/non-current) are approximate to their fair values.

C. 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 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 other comprehensive income				
- Equity Securities	<u>\$ 593,954</u>	<u>\$ 105,010</u>	<u>\$ 8,000</u>	<u>\$ 706,964</u>
Financial assets at fair value through profit or loss				
- Non-hedging derivatives	<u>\$ -</u>	<u>\$ 616</u>	<u>\$ -</u>	<u>\$ 616</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 other comprehensive income				
- Equity Securities	\$ 847,392	\$ 158,330	\$ 8,000	\$ 1,013,722
Financial assets at fair value through profit or loss				
- Non-hedging derivatives	\$ -	\$ 730	\$ -	\$ 730

(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:
 - (i) The fair value of listed shares is the closing price at the balance sheet date.
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

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

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

	<u>2022</u>	<u>2021</u>
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1 (At December 31)	\$ 8,000	\$ 8,000

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

G. Financial function is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other sources and represented as the exercisable price.

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:

<u>December 31, 2022</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 8,000	Market comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value

<u>December 31, 2021</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 8,000	Market comparable companies	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value

I. 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. For the years ended December 31, 2022 and 2021, there was no significant effect on other comprehensive income categorised within Level 3 if the net assets had increased/decreased by 0.1%.

(4) Others

Due to the prevalence of the novel coronavirus pneumonia (COVID-19) pandemic and the government having successively implemented various epidemic prevention measures, as of December 31, 2022, the Company has assessed that the Company's operations will not be significantly affected by the epidemic and epidemic prevention measures. Meanwhile, the Company has also taken relevant countermeasures and maintained management policies to prevent the spread of the epidemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash on hand		\$ 362
Cash in banks		
Demand deposits - NTD		222,215
Demand deposits - foreign currencies	USD 4,410,949 ; conversion rate 30.71	135,460
	Others	215
		<u>\$ 358,252</u>

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 2

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
General customers -			
Client B		\$ 259,900	
Client T		23,222	
Others	None of the balances of each remaining client greater than 5% of this	<u>25,748</u>	
		308,870	
Less: Allowance for uncollectible accounts		(<u>158</u>)	
		<u>308,712</u>	
Related parties:			
TECO ELECTRIC & MACHINERY CO., LTD.		<u>12</u>	
		<u>\$ 308,724</u>	

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 3

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 172,655	\$ 159,393	Net realisable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.
Work in progress		4,241	4,264	
Finished goods		1,230	-	
Merchandise		2,241	-	
Inventory in transit		632	632	
		180,999	\$ 164,289	
Less: Allowance to reduce inventory to market	(20,416)		
		\$ 160,583		

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Statement 4

Name	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
CREATIVE SENSOR INC.	9,994,000	\$ 306,917	-	\$ -	-	\$ -	9,994,000	\$ 306,917	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		(20,089)		6,995		-		(13,094)		
		<u>286,828</u>		<u>6,995</u>		<u>-</u>		<u>293,823</u>		
TECO ELECTRIC & MACHINERY CO., LTD.	17,073,000	419,195	-	-	6,690,000	(164,240)	10,383,000	\$ 254,955	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		121,165		-		(90,068)		31,097		
		<u>540,360</u>		<u>-</u>		<u>(254,308)</u>		<u>286,052</u>		
INTERNATIONAL UNITED TECHNOLOGY CO., LTD.	159,335	4,450	-	-	-	-	159,335	\$ 4,450	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		(4,450)		-		-		(4,450)		
		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		
KROM ELETRONICS CO., LTD.	622,408	20,000	-	-	-	-	622,408	\$ 20,000	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		(12,000)		-		-		(12,000)		
		<u>8,000</u>		<u>-</u>		<u>-</u>		<u>8,000</u>		
Convergence Tech Venture II Ltd.	420,000	4,117	-	-	-	-	420,000	\$ 4,117	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		(4,117)		-		-		(4,117)		
		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		
TAIWAN PELICAN EXPRESS CO., LTD	281,000	8,050	-	-	-	-	281,000	\$ 8,050	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		12,154		-		(6,125)		6,029		
		<u>20,204</u>		<u>-</u>		<u>(6,125)</u>		<u>14,079</u>		

TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Name	Beginning Balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
ProMOS TECHNOLOGIES INC.	5,500,000	\$ 67,650	-	\$ -	-	\$ -	5,500,000	\$ 67,650	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		<u>43,835</u>		<u>-</u>		<u>(52,195)</u>		<u>(8,360)</u>		
		<u>111,485</u>		<u>-</u>		<u>(52,195)</u>		<u>59,290</u>		
Darbe II Venture	5,000,000	50,000	-	-	-	-	5,000,000	\$ 50,000	None	None
Add (less): Valuation adjustment of financial assets at fair value through other comprehensive income		<u>(3,155)</u>		<u>-</u>		<u>(1,125)</u>		<u>(4,280)</u>		
		<u>46,845</u>		<u>-</u>		<u>(1,125)</u>		<u>45,720</u>		
Total		<u>\$ 1,013,722</u>		<u>\$ 6,995</u>		<u>(\$ 313,753)</u>		<u>\$ 706,964</u>		

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 5

Name	Beginning Balance		Addition				Decrease		Ending Balance			Net Equity				
	Shares (in shares)	Amount	Shares (in shares)	Amount	Investment income (loss)	Other adjustments	Shares (in shares)	Amount	Shares (in shares)	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral	Note	
Atlas Tech Investment Co., Ltd.	6,248,313	\$ 108,414	-	\$ -	(\$ 32,654)	\$ -	-	\$ -	6,248,313	100.00%	\$ 75,760	<u>10.98</u>	<u>\$ 68,599</u>	None	None	
Add (less):Financial statements translation differences of foreign operations		(8,729)		-	-	1,568		-			(7,161)					
		<u>99,685</u>		-	(32,654)	1,568		-			<u>68,599</u>					
SOLMAX POWER TAIWAN LIMITED.	7,000,000	<u>70,068</u>	-	-	(1,717)	(1,038)		-	7,000,000	35.00%	<u>67,313</u>	<u>9.62</u>	<u>\$ 67,313</u>	None	None	
CREATIVE SENSOR INC.	28,906,260	814,822	-	-	87,450	(60,457)		(37,246)	Note1	28,906,260	20.46%	\$ 804,569	<u>28.14</u>	<u>\$ 813,323</u>	None	None
Add (less):Financial statements translation differences of foreign operations		4,420		-	-	4,334		-			8,754					
		<u>819,242</u>		-	<u>87,450</u>	(56,123)		(37,246)			<u>813,323</u>					
Tien Da Investment Co., Ltd.	18,000,000	<u>162,661</u>	-	-	6,681	6,947		-	18,000,000	25.17%	<u>176,289</u>	<u>9.79</u>	<u>\$ 176,289</u>	None	None	
Total		<u>\$ 1,151,656</u>		<u>\$ -</u>	<u>\$ 59,760</u>	<u>(\$ 48,646)</u>		<u>(\$ 37,246)</u>			<u>\$ 1,125,524</u>					

Note1: The reduction was caused by receiving cash dividends from CREATIVE SENSOR INC.

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Note</u>
Unsecured borrowings		\$ 297,000	Expiring within one year	1.775%~1.78%	\$ 500,000	None	

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Statement 7

<u>Supplier Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
General supplier -			
Supplier A		\$ 27,179	
Supplier C		7,830	
Others	None of the balances of each remaining supplier is greater than 5% of this account balance	64,251	
		<u>99,260</u>	
Related parties:			
Teco Image Systems (DongGuan) Co., Ltd.		88,331	
KORYO ELECTRONIC CO., LTD.		5,464	
TECO ELECTRIC & MACHINERY CO., LTD.		220	
		<u>\$ 94,015</u>	
		<u>\$ 193,275</u>	

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF SALES REVENUE
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Item</u>	<u>Quantity</u>		<u>Amount of</u> <u>complete machine</u>	<u>Amount of kit</u>	<u>Amount</u>
	<u>Complete machine</u>	<u>kit</u>			
Multifunction printers	105,818	221,932	\$ 1,249,699	\$ 198,805	\$ 1,448,504
Others	30,418	459,150	<u>174,602</u>	<u>104,177</u>	<u>278,779</u>
Total operating revenue			<u>\$ 1,424,301</u>	<u>\$ 302,982</u>	1,727,283
Less: Sales returns, discounts and allowances					(9,261)
Net operating revenue					<u>\$ 1,718,022</u>

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 9

Item	Amount	Note
Beginning raw materials	\$ 115,670	
Beginning inventory in transit	2,607	
Add: Raw materials purchased for the year	720,665	
Work in progress transferred to semi-finished goods and raw materials	214,803	
Less: Ending raw materials	(172,655)	
Ending inventory in transit	(632)	
Semi-finished goods and raw materials transferred to finished goods	(641,911)	
Raw materials reclassified as expenses	(1,588)	
Others	792	
Raw materials used for the year	237,751	
Direct labor	10,712	
Manufacturing expense	34,348	
Manufacturing cost	282,811	
Add: Beginning work in progress	50,707	
Outsourcing fees	28,639	
Less: Ending work in progress	(4,241)	
Work in progress transferred to semi-finished goods and raw materials	(214,803)	
Cost of finished goods	143,113	
Add: Finished goods at beginning of year	15,985	
Warehouse entry of finished goods purchased for the year	648,777	
Semi-finished goods and raw materials transferred to finished goods	641,911	
Others	6,361	
Less: Finished goods at end of year	(1,230)	
Finished goods reclassified as expenses	(247)	
Others	1,150	
Manufacturing and selling costs	1,455,820	
Cost of goods sold		
Opening balance of tradable merchandise	9,052	
Less: Ending balance of tradable merchandises	(2,241)	
Cost of purchasing and selling	6,811	
Other adjustments		
Add: Inventory valuation loss	883	
Less: Revenue from sale of scraps	(1)	
Operating costs	<u>\$ 1,463,513</u>	

TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 10

Items	Description	Amount	Note
Salary expenses		\$ 13,349	
Freight		6,338	
Depreciation expense		4,249	
Other expenses	The balance of each expense account has not exceeded 5% of the manufacturing expense	10,412	
		<u>\$ 34,348</u>	

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 11

Item	Description	Amount	Note
Salary expenses		\$ 12,657	
Cost of services		2,113	
Business promotion expenses		4,398	
Freight		4,591	
Other expenses	The balance of each expense account has not exceeded 5% of the selling expense	9,422	
		<u>\$ 33,181</u>	

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 12

Item	Description	Amount	Note
Salary expenses		\$ 63,450	
Cost of services		26,443	
Depreciation expense		8,668	
Data processing fee		7,843	
Other expenses	The balance of each expense account has not exceeded 5% of the administrative expense	31,532	
		<u>\$ 137,936</u>	

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TECO IMAGE SYSTEMS CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary expenses		\$ 51,278	
Depreciation expense		10,196	
Research and development expenses		6,837	
Other expenses	The balance of each expense account has not exceeded 5% of the research and development expense	36,236	
		<u>\$ 104,547</u>	

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TECO IMAGE SYSTEMS CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION
YEAR ENDED DECEMBER 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

Statement 14

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						
Salary expenses	\$ 23,610	\$ 127,385	\$ 150,995	\$ 9,014	\$ 144,415	\$ 153,429
Labour and health insurance fees	1,963	10,538	12,501	739	12,751	13,490
Pension costs	1,076	4,570	5,646	312	5,192	5,504
Directors' remuneration	-	12,704	12,704	-	9,938	9,938
Other personnel expenses	1,323	7,296	8,619	512	8,055	8,567
Depreciation Expense	4,249	20,325	24,574	3,475	18,373	21,848
Amortisation Expense	-	2,508	2,508	-	3,295	3,295

Notes:

- 1.As at December 31, 2022 and 2021, the Company had 140 and 134 employees,including 10 and 11 non-employee directors, respectively.
- 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 \$1,367 ((Total employee benefit expense in current year - Total directors' compensation in year) / (Number of employees in current year - Number of non-employee directors in current year)).
Average employee benefit expense in previous year was \$1,471 ((Total employee benefit expense in previous year - Total directors' compensation in previous year) / (Number of employees in previous year - Number of non-employee directors in previous year))
 - (2) Average employee salaries in current year were \$1,162 thousand (Total employee salaries in current year / (Number of employees in current year - Number of non-employee directors in current year)).

TECO IMAGE SYSTEMS CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION (Cont.)
YEAR ENDED DECEMBER 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

Statement 14

Average employee salaries in previous year was \$1,247 thousand (Total employee salaries in previous year / (Number of employees in previous year - Number of non-employee directors in previous year)).

(3) Adjustment of average employee salaries was -6.82% ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).

(4) The Company set audit committee in June 2020. Remuneration of supervisors was \$0 and \$0 for the years ended December 31, 2022 and 2021, respectively.

(5) Descriptions of remuneration policy (including directors, supervisors, managers and employees):

A. Remuneration policy of directors and supervisors: Principles and forms of remuneration distribution comprise remuneration from earnings distribution, service execution fees and rewards.

(a) Remuneration from earnings distribution: Under Article 25 of the Company's Articles of Incorporation, the current year's earnings, before deducting tax and distribution of employees' compensation and directors' and supervisors' remunerations, shall first be reserved certain amounts for offsetting accumulated deficits, then no higher than 5% of the remaining amount shall be set aside as remuneration to directors and supervisors. Remuneration from earnings distribution shall be paid after obtaining approval from the shareholders.

(b) Service execution fees: Service execution fees are determined by the Compensation Committee based on domestic and foreign industry standards and distributed after obtaining approval from the Board of Directors.

(c) Rewards: Rewards of directors and supervisors are paid monthly and determined based on their participation degree, contribution value and responsibility degree, referring to domestic and foreign industry standards. Rewards of directors and supervisors are distributed after obtaining approval from the Board of Directors.

B. Remuneration policy of managers and employees: Managers and employees of the Company are remunerated based on domestic and foreign industry standards and the principle of the correlation and rationality with respect to the individual's performance, the Company's performance and the future operational risks.

(a) Remunerations of managers and employees: remunerations of managers and employees include fixed and variable salaries. Fixed salary is the monthly payment, and variable salary is the year-end bonus, performance bonus, employees' compensation and other substantial incentive measures.

TECO IMAGE SYSTEMS CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY
FUNCTION (Cont.)
YEAR ENDED DECEMBER 31, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

Statement 14

- (b) Salary: Salary is decided based on the Company's compensation administration guidelines and the usual industry standard.
- (c) Employees' compensation: Under Article 25 of the Company's Articles of Incorporation, the current year's earnings, before deducting tax and distribution of employees' compensation and directors' and supervisors' remunerations, shall first be reserved certain amounts for offsetting accumulated deficits, then 5% ~15% of the remaining amount shall be set aside as compensation to employees. Employees' compensation shall be distributed after obtaining approval from the Board of Directors and reporting to the shareholders.

Teco Image Systems Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer (Note)	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Teco Image Systems Co., Ltd.	Domestic listed common stock -KORYO ELECTRONICS CO., LTD	(1)	Financial assets at fair value through other comprehensive income - non-current	9,994,000	\$ 293,823	19.29	\$ 293,823	-
"	Domestic listed common stock -TECO ELECTRIC & MACHINERY CO., LTD.	(2)	"	10,383,000	286,052	0.50	286,052	-
"	Domestic non-listed common stock -INTERNATIONAL UNITED TECHNOLOGY CO., LTD.	None	"	159,335	-	0.97	-	-
"	Domestic non-listed common stock -KROM ELECTRONICS CO., LTD.	None	"	622,408	8,000	1.86	8,000	-
"	Foreign non-listed common stock -Convergence Tech Venture II Ltd.	None	"	420,000	-	5.71	-	-
"	Domestic non-listed common stock -ProMOS TECHNOLOGIES INC.	(3)	"	5,500,000	59,290	12.22	59,290	-
"	Domestic non-listed common stock -Darbe II Venture	(1)	"	5,000,000	45,720	7.14	45,720	-
"	Domestic listed common stock -TAIWAN PELICAN EXPRESS CO., LTD.	(4)	"	281,000	14,079	0.29	14,079	-
			Total		\$ 706,964		\$ 706,964	

Note: Relationship with the securities issuer is as follows:

- (1) The Company is a corporate director of this company.
- (2) This company's corporate director is the Company's associates.
- (3) The director of the securities holding company is the Company's vice chairman.
- (4) This company's director and the Company's chairman are within first degree of kinship.

Teco Image Systems Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser / seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes / accounts receivable (payable)
Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co.,Ltd	Subsidiary	Processing cost	\$ 832,322	46%	60 days after next monthly billings	NA	NA	(\$ 88,331)	(46%)	-
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	Processing sales	(832,322)	(99%)	60 days after next monthly billings	NA	NA	88,331	100%	-

Teco Image Systems Co., Ltd.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2022

Table 3

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		
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	\$ 88,331	5.42	\$ -	Not applicable	\$ 75,213	\$ -

Teco Image Systems Co., Ltd.
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 2)	Company name	Counterparty	Relationship (Note 1)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Cost of sales	\$ 832,322	No significant differences in transaction terms compared to third party transactions	48%
0	"	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Accounts payable	88,331	60 days after monthly billings	3%

Note 1: Individual transactions not reaching \$10,000 and the corresponding transactions of transactions disclosed by presenting parent company's transactions will not be disclosed.

Note 2: Parent company is '0'.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Teco Image Systems Co., Ltd.
Information on investees
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Teco Image Systems Co., Ltd.	Atlas Tech Investment Co., Ltd.	British Virgin Islands	Professional investment company	\$ 196,096	\$ 196,096	6,248,313	100.00	\$ 68,599	(\$ 32,654)	(\$ 32,654)	Subsidiary
"	SOLMAX POWER TAIWAN LITMITED	R.O.C	Renewable energy-based electricity generation	70,000	70,000	7,000,000	35.00	67,313	(4,906)	(1,717)	Associate
"	CREATIVE SENSOR INC.	"	Manufacturing and sales of electronic components	547,477	547,477	28,906,260	20.46	813,323	359,682	87,450	"
"	Tien Da Investment Co., Ltd.	"	Professional investment company	180,000	180,000	18,000,000	25.17	176,289	26,543	6,681	"
Atlas Tech Investment Co., Ltd.	All-In-One International Co., Ltd.	Samoa	"	83,648	83,648	2,410,000	100.00	7,727	99	-	Sub-subsidiary (Note)
"	Image System International Limited	"	"	148,304	148,304	4,812,423	100.00	42,715	(32,760)	-	Sub-subsidiary (Note)

Note : The investment income was recognized by a subsidiary company.

Teco Image Systems Co., Ltd.
Information on investments in Mainland China
Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of	Net income (loss) of investee for the year ended 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 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of	Footnote
				January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	December 31, 2022					December 31, 2022	
TECO Image Systems (Suzhou) Co., Ltd.	Research, technical service, manufacturing and sales of multi-function printers and related products	\$ 81,528	(2)	\$ 81,528	\$ -	\$ -	\$ 81,528	\$ 92	100	\$ 92	\$ 7,615	\$ -	Note 5
Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	32,710	(2)	32,710	-	-	32,710	(4)	100	(4)	18,096	-	Note 4
Teco Image Systems (Dong Guan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	88,647	(2)	88,647	-	-	88,647	(32,761)	100	(32,761)	42,704	-	Note 3

Note 1: Investment methods are classified into the following three categories:

- (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: The financial statements were audited by R.O.C. parent company's CPA.

Note 3: On December 25, 2012, the Board of Directors resolved for the Company to establish Teco Image Systems (DongGuan) Co., Ltd. in Mainland Area through Image Systems International Limited, the subsidiary is wholly-owned by Atlas Tech Investment Co., Ltd. The shareholding ratio was 100% and the total investment amount was USD3,000 thousand. The registration for the establishment of the investee company had been completed in January 2013.

Note 4: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and cease the business of Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd. As of March 17, 2023, the liquidation process is still ongoing.

Note 5: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of TECO Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd., All-In-One International Co., Ltd. As of March 17, 2023, the liquidation process is still ongoing.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 7)
Teco Image Systems Co., Ltd.	\$ 202,885	\$ 231,906	\$ 1,246,195

Note 6: As of December 31, 2022, ceiling on investments in Mainland China imposed by the Investment Commission of MOEA amounted to US\$7.4 million.

Note 7: The limitation is \$80,000 or 60% of net worth.

Teco Image Systems Co., Ltd.
 Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area
 Year ended December 31, 2022

Table 7

Expressed in thousands of NTD
 (Except as otherwise indicated)

Investee in Mainland China	Processing cost		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance as at December 31, 2022	%	Balance as at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance as at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Others
Teco Image Systems (DongGuan) Co., Ltd.	(\$ 832,322)	(46)	\$ -	-	(\$ 88,331)	(46)	\$ -	-	\$ -	\$ -	-	\$ -	-

Teco Image Systems Co., Ltd.
Major shareholders information
December 31, 2022

Table 8

Name of major shareholders	Shares		
	No. of shares held (common shares)	No. of shares held (preference shares)	Ownership (%)
CREATIVE SENSOR INC.	33,408,000	-	29.68%
KORYO ELECTRONICS CO.,LTD.	11,425,000	-	10.15%
Tien Da Investment Co., Ltd	10,970,477	-	9.74%
Anfu International Investment Co., Ltd.	10,587,505	-	9.40%
Teco Capital Investment Co., Ltd.	8,196,501	-	7.28%
Teco International Investment Co., Ltd.	6,377,052	-	5.66%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.