

Stock Code:6160



欣技資訊股份有限公司
CIPHERLAB CO., Ltd.

2022 Annual Report

Notice to readers

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

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Content

I. Letter to Shareholders	1
II. Company Profile	7
2.1 Date of Incorporation	7
2.2 Company History	7
III. Corporate Governance Report	11
3.1 Organization	11
3.2 Profiles of Directors, Presidents, Vice Presidents, Assistant VPs and Head of the Departments	14
3.3 Implement of Corporate Governance	27
3.4 Information of CPAs Professional Service fee	61
3.5 Information on Replacement of CPAs.....	62
3.6 The Company’s Chairman, President, and Officers in charge of Financial or Accounting Affairs who have Served in Its CPA Firm or Its Alleviated Enterprise for the Most Recent Year should be disclosed their Name, Title, and the Period that their CPA Firm or their Alleviated Enterprise.....	64
3.7 Change in shares held and pledged by Directors, Managers, and Major Shareholders holding over 10% of outstanding shares in the Most Recent Year and up to the Publication of the Annual Report	64
3.8 The Information of the Relationship among the Top Ten Shareholders who are Interested or Spouse, Relatives with Second-Degree Kinships	64
3.9 The Number of Shares of the Company held by the Company, the Company’s Directors and Managers, and the Company Directly and Indirectly Controlled by the Company in the same business, and Combine to calculate total Shareholding Percentage	65
IV. Capital Overview	65
4.1 Capital and Share	65
4.2 Issuance of Corporate Bonds.....	69
4.3 Preferred Shares	69
4.4 Issuance of Global Depository Receipts	69
4.5 Status of Employee Stock Option Plan	69
4.6 Status of Employee Restricted Stock New Share.....	69
4.7 Status of New Shares Issuance In Connection with Mergers and Acquisitions.....	69
4.8 Financing Plans and Implementation	69
V. Operational Highlight	70
5.1 Business Content	70
5.2 Market and Sales Overview	79
5.3 Information of employees in the last two years and as of the annual report publication date	83

5.4 Information on environmental protection expenditures	83
5.5 Labor Relations	85
5.6 Cyber Security Management	89
5.7 Important Contracts.....	90
VI. Financial Overview	91
6.1 Five Year Condensed Balance Sheet and Income Statement	91
6.2 Financial analysis for the most recent five years	95
6.3 Audit Committee’s Report in the Most Recent Year	98
6.4 Financial Statement in The Most Recent which Includes CPA Audit Report, two-year Comparative Balance Sheet, Comprehensive Income Statement, Statement of Equity Changes, Cash Flow Statement, and Notes or Tables	99
6.5 The Company’s Parent Company-only Financial Statement Certified by Accountant in the Most Recent Year	158
6.6 If the Company or Its Affiliates Enterprise have Experienced Difficulties for the Recent Year or during the Current Fiscal Year up to the Publication Date of the Annual Report, the Annual Report shall Explain How Difficulties Affected the Company’s Financial Situation.....	213
VII. Review analysis of financial position and performance and risk matters	214
7.1 Financial Status	214
7.2 Financial Performance.....	215
7.3 Cash Flow.....	215
7.4 Impact of Major Capital Expenditure in the Most Recent Year on the Financial and Business.....	216
7.5 The policy, main reason for profit or loss, and improvement plan of reinvestment in the most recent fiscal year and investment plan for the coming one year	216
7.6 The following risk matters for analysis and assessment for the most recent year and as of the annual report publication date	217
7.7 Others Important Matters	221
VIII. Special Disclosure	222
8.1 Related Information of Affiliated Enterprises	222
8.2 Handling Status of Privately Placed Securities in the Most Recent Year and Up to the Publication date of the Annual Report	224
8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual	224
8.4 Other Supplementary Information or Explanations	224
8.5 Significant issues in the Most Recent Year and up to the Publication Date of the Annual Report which might Affect Shareholders’ Equity or Price of Shares Pursuant to Item 2, Paragraph 2, Article 36 of the Securities Exchange Law	224

CipherLab Co., Ltd

2022

I. Letter to Shareholders

Dear Shareholders:

To our company, 2022 is a year full of challenges but with infinite possibilities. With global economy being affected by rising inflation and ongoing impact of COVID-19, the outlook of consumer market is yet to be certain; however, the shortage of materials is no longer a factor affecting industrial computer market, and the demand from the business remains strong. Therefore, the industry is unaffected by the economic recession. In the face of the pandemic and material shortage, CIPHERLAB has undergone transformation with a goal of enhancing customer value and creating company value. Our company also promotes USER CASE to connect user proposes and value; besides, we aim at assisting users in their digital transformation and enhancing their operational efficiency, in order to enable users to compare and analyze their performance with their peers, supporting them to expand and transform their business model and content, and thus make CIPHERLAB become a trusted expert assistant in the industry; meanwhile, we will continue to update new software versions of the main products, strengthening the management capabilities of the cloud service, and optimize the warranty service for the purpose of increasing the proportion of service revenue compared to previous years. As the result, it will be helpful in the growth of overall gross margin.

In 2023, we will continue to promote the transformation of our company, and launch Android product solutions which meet the needs of the market and users with enhancing user value as the starting point. On top of that, we will strive to conduct research and development on 5G, WIFI 6E and sensing technology, and apply them to various industries to meet the requirements of new application fields. At the same time, we will collaborate with crucial partners in the market and strengthen our business team construction; in terms of factory operation, we will control inventory levels effectively, improving the product quality, and lay the foundation for the sustainable growth of the Company in order to bring profits to the shareholders.

I. 2022 business report

1. Business Operational Performance

In 2022, the consolidated operations are mainly driven by net operating income of NT\$1,257,962 thousand, which decreased by 11.34% compared to 2021. The net profit after tax attributable to the Company is NT\$32,254 thousand, which is NT\$3,228 thousand compared to 2021, resulting earnings per share equals to NT\$0.47.

2. Budget Execution

As the financial forecast in 2022 is not available to the public, there is no information about budget execution.

3. Revenue & Expenditure and Profitability Analysis

(Resources: consolidated financial statements)

Unit : NT\$ thousand

Year		Item	2022	2021	Difference (%)
Revenue & Expenditure	Operating Revenue		1,257,962	1,418,876	(11.34%)
	Gross Margin		472,077	499,005	(5.40%)
	Profit After Tax		31,194	36,021	(13.40%)
Profitability Analysis (%)	Debt Ratio : (Total Liabilities / Total Assets)		41.33	40.37	2.38%
	Long Term Funds to Fixed Assets : (Long Term Funds / Fixed Assets)		817.71	693.55	17.90%
	Current Ratio : (Current Assets / Current Liabilities)		235.25	224.28	4.89%
	Quick Ratio : (Liquid Assets / Current Liabilities)		107.56	97.48	10.34%
	Return on Equity : (Profit After Tax / Average Shareholder's Equity)		4.05	4.62	(12.34%)
	Profit Margin : (Profit After Tax / Net Sales)		2.56	2.50	2.40%
	Earnings Per Share: (Profit After Tax – Preference Dividend) / Weighted Average Shares Outstanding		0.47	0.52	(9.62%)

4. Research and Development Status

In the year of 2022, which is also the post pandemic era, the domestic restrictions are gradually lifted, and consumption is gradually recovering. Demand for manufacturing, warehousing, logistics and other industries keeps increasing. CIPHERLAB continues to input resources for the purpose of developing sensor module and cloud-based mobile management system. Companies are able to choose the suitable alternative to manage their assets and ensure the temperature requirement is met while delivering products (including medicine, vaccine). Furthermore, fill the gaps in the products. All the series of Android products comply with Google GMS and AER certification, providing business users automatic data capture products which meet information security requirements.

Main products developed in 2022, including:

1. Added 2564 3000mAh and Extended Range 2D image versions to Scanner in the second half of the year in order to provide richer user experience and to offer products with better price-quality ratio in the competitive scanner market.
2. Completed the proof of concept (POC) for temperature sensing and recording module in the second half of the year. We also work with the customers on driving it towards Minimum Viable Product (MVP), which is a process of optimizing customers filed. The temperature sensing and recording module is able to be used in the growing cold chain logistics and distribution industry. From picking up to dropping off the cold chain products (e.g., vaccine, medicine, and fresh), the module can measure the temperature and upload the record to the head office at the same time. Therefore, it can be helpful for logistics providers to implement proof collection, and solve the long-term problem of proof collection and responsibility identification difficulties that the logistics providers have encountered.
3. Android products-related software development : a new user interface and added features for the cloud-based mobile device management system, a new input interface for the terminal simulation software, and support for AS/400 new functions, a private cloud mobile device management system, and enterprise application tools. Besides, we also developed Agility Intelligence. These efforts aim to ensure CIPHERLAB commitment to customer product security by providing agile and intelligent data systems

4. AI area: we developed license plate detection and character recognition features using deep learning technology for automatic license plate recognition. We have developed the first-generation prototype by combining this technology with our existing AER products as well.

5. Business Expansion Status:

1. We are building a localized and experienced business team, enhancing our first-line outstanding sales personnel, developing vertical market cooperation partners and alliances, implementing profit-oriented performance assessment, establishing an agile and sound business organization, and continuously strengthening our business promotion efforts.
2. We are integrating technical support and on-site application consulting to gain a deeper understanding of user needs, enhancing user engagement on the client-side, assisting enterprise users in improving operational efficiency and customer experience, expanding and transforming business models, establishing a client-side business ecosystem, deepening collaboration with enterprise users, replicating successful models, and discussing the future development direction and mode together.

II. Strategy for 2022 Business Development:

A. Development plan for new products and research :

1. Development plan for public and private cloud enterprise devices management and agile smart data systems.

(1)RemoCloud/EndeCloud public and private cloud enterprise devices management systems :

Public and private cloud enterprise devices management systems can include all registered devices into the scope of enterprise management, making IT department and managers can easily get hold of the activity status of company devices, reducing the time required for large-scale deployment and configuration, and restrict company devices for work-related purposes only; strengthen information security with multi-factor authentication (MFA) mechanism, enabling IT to perform configuration and management from anywhere without location restrictions, thereby improving work efficiency.

- a) The new remote control feature enhances the visibility of remote devices where allowed, allowing IT to provide real-time assistance to scattered devices and significantly reducing work stagnation, thereby improving work efficiency .
- b) The new device tracking feature allows enterprises to effectively manage the geographic location of devices in various locations, restrict work areas, and record trajectories of movement to adjust workflows and improve operational efficiency.
- c) The machine learning feature provides customers with a platform to train neural artificial intelligence on their own, achieving the evolution of artificial intelligence Internet of Things through edge computing, and make the machine applications for repetitive tasks more efficient.
- d) Implementing the ISO/IEC 27001:2022 BSI standard to reduce the risk of information leaks and stakeholders, and establish brand trust
- e) Implementing the GDPR (General Data Protection Regulation) to assure human rights and privacy.

(2) Agility Intelligence: an agile intelligent data system which is able to uses big data

analysis to obtain insights of customers' task goals, job requirements, operational capabilities, and future trends. It also provides visualized statistical analysis reports and management dashboard to assist in improving the management efficiency of IT and departmental supervisors, and to identify key reasons for improving business capabilities.

- (3) EagleEyes: a remote device control system which is able to control devices timelier and further achieve the goal of remote collaborative work through remote operation, device tracking, environmental sound, and remote video functions
- (4) Contactless payment: providing a third-party payment tool integration platform and complying with the PCI international standard protocol to achieve the transaction function of contactless payment and meet the market demand for the last mile of payment flows.

2. The core technology development team continues to conduct research and development on 5G, WIFI 6E, and sensing technology :

- (1)5G: The global industry's demand for data transmission is increasing, and the requirements for user experience are also constantly improving. Therefore, CIPHERLAB CO. must continue to work towards providing solutions that can provide higher data transmission rates, reduce latency, save energy, and reduce costs. 5G is a key technology that CIPHERLAB CO. has adopted to meet the new demands and challenges of the Artificial Intelligence of Things (A-IoT).
- (2) WIFI 6E (IEEE 802.11ax): refers to the extension of WIFI 6 to the 6 GHz frequency band, which is different from the limited spectrum used by current channels. The 6 GHz channel does not overlap or interfere with other frequencies. The existing 2.4 GHz and 5 GHz frequency bands have become overcrowded and cannot meet the growing demand for data traffic. The overlap and interference of frequency channels can seriously block network connections, greatly reducing the user experience. Therefore, efficient WIFI 6 with a wider frequency band is needed to solve the problems of high-density usage, more devices, and increasing data traffic. The goal is to support indoor and outdoor usage environments. Compared with 802.11ac, WIFI 6E can increase transmission speed by 37%, reduce latency by 75%, and significantly extend the battery life of WIFI devices, providing a better user experience for advanced applications such as all-wireless offices and IoT.
- (3) Temperature sensing and recording module has completed proof of concept (POC) in the second half of 2022 ° This year, we will collaborate with key partners to quickly launch a Minimum Viable Product (MVP) to the actual market, and confirm the actual usage scenarios of logistics providers. We will then modify the temperature sensing and recording module based on feedback from actual usage by logistics providers, with the goal of making the temperature sensing and recording module a profitable product that meets market demand.
- (4) AI projects :
 - a) Automatic license plate detection: Based on customer needs, we will train custom models for specific usage scenarios and incorporate the next-generation Camera Sensor in our AER product to develop a real-time license plate recognition system. The system emphasizes automation, high accuracy, fast processing, and convenience to reduce human errors caused by manual input of license plates by operators.

- b) The bottle cap manufacturing date recognition system: targeted towards retail customers. It integrates the image recognition capabilities of the new generation AER product's Scan Engine to quickly identify if items are expired. The system emphasizes real-time performance and convenience while reducing errors caused by human judgement or delays caused by back-end data interpretation.
3. Development plan for Scanner :

Free up both hands, Scanner allows operators to use both hands for picking, handling, and production operations, which can increase work efficiency by about 30%. Such devices are mostly used in warehousing, manufacturing, retail, and other industries. CIPHERLAB CO. will develop the first Ring scanner product to meet the high expectations of today's workers for wearable devices (they expect a stylish, compact, and comfortable device that can be easily used intuitively without training and with the simplicity of barcode alignment and scanning).
4. The COVID-19 pandemic has forced retailers to accelerate the ongoing trend of digital transformation and to adopt RFID more widely. According to data from global data centers, the RFID market is expected to grow at a compound annual growth rate of 12.6% over the next five years, especially in the retail, logistics, and warehousing industries. In addition to quickly capturing the location and quantity of assets and goods, the application of collecting environmental parameters (such as temperature) has also increased. CIPHERLAB CO. will develop the next generation of RFID guns with ergonomic grip design, long-term use, and easy-to-use without training.
5. Mobile POS and Self-Service Systems: In the post-COVID-19 era, there is a growing demand for contactless payment and self-service systems that reduce crowd gatherings. In response, CIPHERLAB CO. is developing optimized user interfaces and integrating various payment mechanisms to enhance the integration of software and hardware services.
6. Establish information security team: in response to the increasing threat to the Company's operations and customer data in the information market, we establish a team to promote information security strengthening operations to provide a secure operating environment.

B. Market Sales Development Plan :

1. The main targets for development are system integrators, software developers, and value-added sales agents, aiming to cultivate large customers and establish a business ecosystem on the supply side, enhancing the ability and scope of participating in user-side projects.
2. Provide customers with hardware and software equipment solutions, as well as extended remote (cloud) networked mobile management systems, expanding to related operational networks, aiming for comprehensive integration of the business ecosystem.
3. Establish database of USER CASE, in order to enhance completeness and win customers' trust through connecting users' value and goals.
 - Gain a deep understanding of user environments and collaborate with IT units to improve IT systems and promote digitalization.
 - Collaborate with operational units to establish processes and procedures, and establish indicators to enhance user experience.
 - Become a collaborative partner with management decision-making units, review and optimize process steps, improve indicators, and expand and transform business models and content.

4. Setting up key channel partners and alliances in target markets, and directing the sales team to strengthen cooperation, complement each other, and pursue the Company's maximum revenue and profitability.
5. Implement lead generation as the main indicator of marketing performance and improve the conversion rate of potential sales opportunities that contribute to actual revenue.

C. Factory Operation Plan :

- Inventory Preparation Mode: In response to global supply chain restructuring, raw material shortages, and rising costs, we will establish a supply chain management (SCM) communication platform to discuss strategic procurement decisions every week, in addition to preparing inventory based on monthly business forecasts.
- Production Mode: We take the different advantages of in-house and outsourced production to meet the characteristics of business orders and process differences of various models. Besides, we allocate the production capacity configuration of in-house and outsourced production to achieve the most efficient production. Moreover, we also utilize the production capacity and material procurement advantages of ODM factories to reduce production costs and maximize production yield.
- Inventory Rationalization: We strengthen timely control of on-order delivery dates and reduce the minimum order quantity (MOQ) for procurement. We also enhance the quick linkage of Production, Sales, and Inventory (PSI) information to achieve effective inventory reduction.
- Smart Factory :
 1. We continue to integrate information from each stage of the production process to provide product production history inquiry and analysis.
 2. We continuously introduce automated testing for product production to improve production quality and efficiency.

III 、 Influenced by external competitive environment, regulatory environment and general economic environment:

The covid-19 pandemic has come to an end in 2023, and the restrictions all over the world have gradually lifted. However, central banks in various countries have adopted monetary tightening policies to curb high inflation, which has raised concerns about a potential market economic downturn. In the face of an extremely uncertain economic outlook, the Company continues to invest resources in its ICT products and services to maintain its competitive advantage in the industry. At the same time, given the shortage of market talent, the Company provides maximum support for the cultivation of its employees. We hope that in the context of economic recovery, we can overcome the challenges faced by the Company one by one and embrace the great opportunities in the market.

Besides above-mentioned business plans and strategies, in the face of rapidly changing market and challenges from computers, the Company will adhere our business philosophy and cautious attitude to face the challenge. We strive to pursue and share fruitful business results with the society, our shareholders, our customers and employees.

We would like to express our deepest gratitude to all the shareholders for their long-term support and care for CIPHERLAB CO. We look forward to your continued encouragement and guidance in the coming year. We wish you all the best and hope that everything goes smoothly for you and your families. Thank you all very much.

Chairman/President Mr. Steven Liao

II. Company Profile

2.1 Date of incorporation: October 12, 1988

2.2 Company History

- 1988 ● Company Established, Paid-in capital to NT\$5,000,000. Set up the first “Instant Reporting System” for Taiwan Securities Firm.
- 1989 ● Introduced the Time Attendance/Data Terminal -5000.
- 1990 ● Established the first domestic the solid-state LCD technology Eco-Friendly Display for CPC Corporation Taiwan - Linyuan Dist.
- 1991 ● Introduced the handheld CCD Barcode Scanner -1021.
- 1992 ● Introduced the smallest in the world Tiny I Decoder-101 and Access Control Terminal-6002, Barcode Slot Reader-1002 (Metal housing) .
- 1993 ● Designed The first Portable Terminal IC Terminal for Bank of Taiwan System
- 1994 ● Introduced The Barcode Slot Reader-1022 (Plastic housing) .
● Increased paid-in capital to NT\$12,500,000 in cash, Total paid-in capital increased to NT\$17,500,000
- 1995 ● Introduced The Magnetic Stripe Reader-1023, Programmable Terminal-510, Tiny III Performance Editing Decoder-131.
- 1996 ● Introduced The Handheld High Sensitivity CCD Barcode Scanner-1067/90, Programmable Power Universal Terminal-201.
● Increased paid-in capital to NT\$12,500,000 in cash, Total paid-in capital increased to NT\$30,000,000.
● Purchased the first Self-owned Real Estate
- 1997 ● Introduced The Super-102 Tiny I + Barcode Decoder-102.
● Increased paid-in capital to NT\$50,000,000 in cash, Total paid-in capital increased to NT\$80,000,000.
● Passed Germany ISO-9001 International Quality Management System Certification.
● Assisted 7-11 to implement the first-generation POS (All 7-11 Stores use the CCD barcode scanner from the Company).
- 1998 ● Introduced Multi-function Programmable Terminal-520, Fixed CCD Scanner-104, The first special for Terminal Program Editing Software-Basic Compiler and Handheld Laser Scanner-1240, Portable Terminal-710, Ethernet Box-310 etc.
● Earning turn to increase capital NT\$16,000,000 and also increased paid-in capital NT\$99,000,00 in cash, total paid-in capital increased to NT\$195,000,000.
● The Magnetic Stripe Reader of the Company has obtained Compaq attendance system implemented in Italy Ministry of Education.
● Assisted FamilyMart to implement the first-generation POS (All Stores use the CCD barcode scanner from the Company).
● The Chairman Mr. Steven Liao received the 2nd Gold Asian Award of Outstanding for his role from Chinese Council for the Promotion of International Trade and Tatung Academic Foundation.
● CCD Reader is honored received the 2nd Gold Asian Product Award of Outstanding from Chinese Council for the Promotion of International Trade and Tatung Academic Foundation.
- 1999 ● Introduced the second-generation Portable Terminal-720

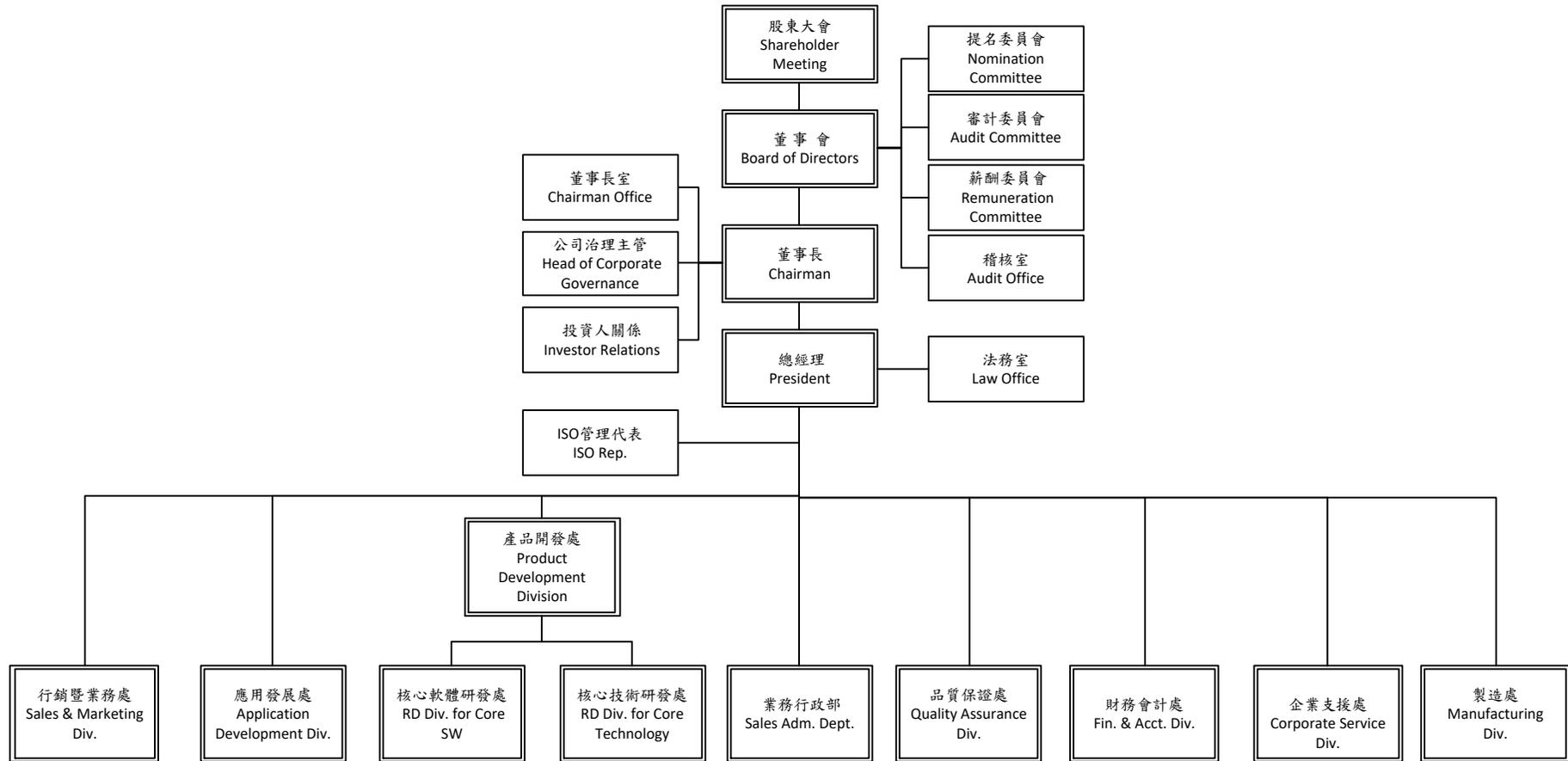
- Earning turn to increase capital and Capital Reserve turn to increase NT\$27,300,000 , Total paid-in capital increased to NT\$222,300,000.
 - Approved for public offering by the Securities and Futures Bureau of the Ministry of Finance.
- 2000
- Introduced The Portable Terminal Accessories-711/720, Dual Port Etherter Box-350, USB/RS232 Converter, Access Control Terminal-605 °
 - Earning turn to increase capital and Capital Reserve turn to increase capital NT\$44,460,000, Total paid-in capital increase to NT\$266,760,000 °
- 2001
- Introduced long distance CCD 1D, 2D barcode scanner -1300, 1301 Linear Image Scanner, long distance CCD memory 1D, 2D barcode scanner-1310, 1311Linear Image Memory Scanner, Handheld CCD barcode scanner-1000 CCD Barcode Scanner, 1100 Retail Imager °
 - Capital increase from earnings (including employee bonus) and capitalization of capital reserve NT\$16,764,000, Total paid-in capital increase to NT\$283,524,000.
 - Established Subsidiary-Syntech West in the US.
 - Submitted the TPEX-listed application to Taipei Exchange.
- 2002
- Application approved by Taipei Exchange and officially listed for trading in March.
 - Introduced Wireless Portable Data Terminal °
 - Capital increase from earnings (including employee bonus) NT\$37,155,400, Total paid-in capital increase to NT\$326,709,400.
- 2003
- Introduced Wireless Scanner, Bluetooth Wireless Terminal.
 - Passed Germany ISO9001:2000 International Quality Management System Certification.
 - Capital increase from earnings (including employee bonus) NT\$77,712,880, Total paid-in capital increased to NT\$398,392,280.
- 2004
- Introduced Bluetooth Wireless Scanner-1160/1260, Bluetooth Wireless Terminal-CPT-8061, CPT-8071 Wireless Terminal-CPT-8071, Fixed Data Terminal-5000/5100
 - Capital increase from earnings (including employee bonus) NT\$101,646,300, Total paid-in capital increased to NT\$50,038,580.
- 2005
- Introduced Bluetooth Wireless Scanner, Industrial Portable Data Terminal.
 - Capital increase from earnings (including employee bonus) NT\$121,811,100, Total paid-in capital increased to NT\$621,849,680.
- 2006
- Introduced 8500 、 9500 Pocket PC and 9500 WinCE Industrial Mobile Computer.
 - 1090+ Hand Held Scanner.
 - All production line complies with RoHS-EU environmental protection directive.
 - Capital increase from earnings (including employee bonus) NT\$87,961,520, Total paid –in capital increased to NT\$709,811,200.
- 2007
- Introduced 9400 Industrial Mobile Computer °
 - Established Subsidiary in China.
 - Awarded 2007 The Best Handheld Automation Product Innovation Award from Global Growth Consulting Company Frost & Sullivan.
- 2008
- Introduced 1500 Handheld Value Scanner.
 - Introduced 1660 pocket-size Bluetooth Scanner.
 - Established Subsidiary DACH in Germany.
- 2009
- Introduced BT scanner 1560/1562 series products
 - Introduced 8400 series products

- Introduced 9300 series products
 - Awarded Best Product and Service Award from Networks Products Guide, North America in 2009.
 - Awarded 1660 Gold Mobile Star Award from MobileVillag, North America in 2009.
 - Established Subsidiary GmbH in Germany.
- 2010
- Introduced 9600 series products.
 - Introduced Industrial Handheld 2D Barcode Scanner1704.
 - Established subsidiary CipherLab Medical Co., Ltd.
- 2011
- Anti-bacterial protection series products (1500H, 1600H, 8000H) : including barcode scanner and Self-platform industrial mobile computer
 - 2D Barcode Scanner (1504, 1564): including barcode scanner with wire and Bluetooth wireless barcode scanner.
 - 1070: Contact Barcode Scanner
 - 1661: Pocket-sized linear imager scanner
 - 8200: Self-platform industrial mobile computer
 - CP30: PDA-typed Windows mobile computer
 - Established Remuneration Committee
- 2012
- 8700: Self-platform Industrial Mobile Computer
 - Pocket-sized Bluetooth Barcode scanner (1662, 1664): Bluetooth wireless laser and 2D Imager Scanners.
 - Anti-bacterial protection series products (8200H, 1664H): including barcode scanner and Self-platform industrial mobile computer and 2D barcode scanner.
 - 1861: Handheld RFID reader.
 - CP50: Windows Embedded Handheld Industrial Mobile Computer.
 - Established Subsidiary CipherGenii Co., Ltd.
- 2013
- CP60: Windows Embedded Handheld and Windows CE handheld Industrial Mobile Computer.
 - 1663: Pocket-sized Bluetooth Linear Imager Scanner.
 - 9200: Windows Embedded Handheld Industrial Mobile Computer.
 - 8600:CipherLab operation system (COS) Handheld Industrial Mobile Data Collection
- 2014
- Introduced CP55 and 9700 two type which have Windows Embedded Handheld Windows CE can choose of Handheld Industrial Mobile Computer.
- 2015
- Introduced 1862 New Generation Handheld RFID reader.
 - Introduced New Generation 1500 series Barcode Scanner: Including 1500P 1D Barcode Scanner with wire , 1560P Bluetooth Wireless 1D Barcode Scanner,1504A 2D Barcode Scanner with wire and 1564A Bluetooth Wireless 2D Barcode Scanner.
 - Introduced the first with Android OS Mobile Computer: RS30 Series Touch-centric Android Mobile Computer.
- 2016
- Established CipherLab Europe Representative Office in the Netherlands.
 - Invested to established mPlus Technology Co., Ltd, develop the solution of marketing the POS system.
- 2017
- Introduced 2500 Series Rugged Handheld Scanner.
 - Introduced 9700 Series Extend Model · Android OS Handheld Industrial Mobile Computer.
 - Introduced RS31Series Touch-centric Mobile Computer, continuing the using experience and energy of RS30 series.

- Introduced RS50 Series Rugged Touch-centric Mobile Computer, develop high class user group.
- 2018
- Introduced 2200 Series Omnidirectional Presentation Scanner.
 - Introduced RK25 Series Rugged Mobile Computer, satisfied the user group who have keyboard input needs.
 - Awarded in Huawei Developer Challenge and received excellent partner certification.
 - RK25 Series is awarded the Best Retail Innovation of 2018f from Poland RetailShow.
- 2019
- Subsidiary mPlus Technology Co., Ltd introduced the first Q-bit Self-Order POS solution.
 - Introduced RS51 Series Rugged Touch-centric Mobile Compute, continuing and enhancing the high-end performance of the RS50 series in the Logistics and transportation industry.
- 2020
- Subsidiary mPlus Technology Co., Ltd introduced Hera51 Rugged Mobile Selling Series Touch-centric Mobile Computer, at the same time to satisfy the needs of logistics and collection payment.
 - Introduced RK95 Series Rugged Keyboard Touch Double Enter Mobile Computer, implemented low-temperature working environments specification, in order to expand the application of cold storage.
 - Subsidiary mPlus Technology Co., Ltd introduced Q21 Series Self-Order POS system, providing Provide convenient solutions for restaurants and hotel owners.
 - Introduced RS35 Series Touch Mobile Computer, targeting on retail and light logistic business, it belongs to the general use model.
- 2021
- Subsidiary mPlus Technology Co., Ltd introduced Q15 Series Self-Service equipment, targeting on Hotel traveling business owners, to reduce the personnel cost, and respond to
- 2022
- the trend and demand for unmanned service.
 - Upgraded AER-certified OS of RK25,RS35,RS51 and RK95 series products
Comprehensively, connected to develop the next generation of 5G/IoT Pocket-Sized Industrial Computers.
 - Enhanced function of Cloud equipment management platform ReMoCloud and EnDeCloud focus on Internet and Intranet environment to provide the convenient management service for business users.
- 2023
- Introduced RS36 series product full-touch and RK26 series keypads Pocket-Sized mobile computer, implement a new generation of Wi-Fi 6 wireless technology, keeping to promote on the application of retail, warehousing, and light logistic business.
 - Introduced WR30 series wearable devices, supporting ring-type, back-of-hand type and hanging-type wearables, accomplish the picking operation mode with free hands, and improve work efficiency in all ways.

III. Corporate Governance Report

3.1 Organization (1) Organizational Chart



Major Corporate Function:

Department	Main Responsibilities
Chairman Office	Responsible for handling affairs related to the chairman.
Audit Office	Audit and system of internal all kinds of internal control operating, prepare audit report draft and report, in order to enhance corporate governance and establish company risk evaluation and risk management mechanism.
Legal Office	Legal consultation, contract review and drafting, internal and external legal representation, etc.
ISO Management Representative	Establishment and Maintenance of management system, acquisition, inspection, sorting, and summary of relevant regulations.
Sales and Marketing Division	<ol style="list-style-type: none"> 1. Responsible for market business development, customer maintenance, new product introduction to the market, and order receipt. 2. The Company's website provides the internal and external consolidated information of the Company as the contact window and communication bridge for shareholders and investors; this platform explains the Company's concept of attaching importance to shareholders' rights and interests. 3. Market analysis and planning of products and services, data analysis of customer use and experience, planning proposals for consolidated products, services, marketing, business, and other related processes and content, etc. 4. Responsible for pre-sales product planning, and application, providing suggestions for customer solutions, technical support and problem-solving, technical manual writing, and necessary assistance for business promotion.
Sales Administration Department	Handle the order process after receiving order, RMA, return and change goods and accounts receivable settlement
Product Development Division	All kinds of product development, project management, outsourcing management, and project purchasing.
R&D Division for Core Technology	Product hardware board/circuit R&D and design, software design planning, mechanism appearance setting, and wireless R&D technology.
R&D Division for Core Software	Responsible for application software development.
Application Development Division	<ol style="list-style-type: none"> 1. Software project schedule and development management 2. Application and development of CipherLab's own software and third-party software. 3. PC, Server, and other equipment maintenance and Internet, computer room, server management, and control work. 4. Research and promotion of computer information development strategies, research, testing, introduction and application of company computer information, and system program maintenance. 5. The plan and promotion of cyber security policy, the plan and implementation of the cyber security operation, response to cyber security incidents and intelligence assessment response, and the promotion of continuous improvement of cyber security and planning performance management mechanism.
Quality Assurance	1. Responsible for design quality assurance inspection and market search for R&D parts.

Department	Main Responsibilities
Chairman Office	Responsible for handling affairs related to the chairman.
Division	<ol style="list-style-type: none"> 2. Plan and supervise product quality management operations, IQC, FQC. 3. Responsible for the maintenance of the Company's products and the supply, planning and control of spare parts and maintenance substitutes in the global RMA service.
Corporate Service Division	<ol style="list-style-type: none"> 1. Administrative management process planning, education planning and implementation, human resource planning and implementation of personnel administrative affairs, documents management center and subsidiary administrative management integration, etc. 2. Purchase and implement general affairs, working environment, company assets and employee safety and health management, etc. 3. The operation of the remuneration meeting.
Financial and Accounting Division	<ol style="list-style-type: none"> 1. Financial management matters such as cash flow control, capital utilization and scheduling, long-term and short-term investment 2. Establishment of general accounting procedures, implementation of various accounting operations such as taxation and accounting process, and review of various public financial information. 3. Share affairs and shareholders' meeting affairs handling. 4. Preparation of director and audit committee meetings and investor relations handling. 5. Observance and implementation of various commercial laws and regulations such as the Company Law and the Securities and Exchange Act, related internal control risk management, etc.
Manufacturing Division	<ol style="list-style-type: none"> 1. Orders reviews, manufacturing operations control, shipments control, special operations control, evaluation, assessment and management of suppliers, procurement of qualified materials, tooling management, material storage management, and evaluation and management of outsourced production. 2. Implementation of order making, control of manufacturing quality, control of manufacturing equipment and inspection equipment, IPQC. 3. Formulated CipherLab 's standard production test items, specifications, erection, calibration and technical acceptance of new models, Pilot run leading, instrument calibration, fixture production and maintenance.

3.2 Profiles of Directors, Presidents, Vice Presidents, Assistant VPs and Head of the Departments :

(1)The information of Directors

The information of Directors (1)

April 28,2023 Unit : Share ; %

Title (Note 1)	Nationality	Name	Gender/Ag e (Note 2)	Date elected	Term	First elected Date (Note 3)	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholding by nominee arrangement		Major education and selected past positions (Note 4)	Current position and additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remark (Note 5)
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relatio nship	
Chairman	Taiwan	ChangeEn Management Consulting Co., Ltd.		2022.06.21	3 years	1998.09.17	6,706,934	9.79	6,706,934	9.79	0	0.00	0	0.00	-	-	-	-	-	
	Taiwan	Representative: Mr. Steven Liao	Male 61-70 Years old	2022.06.21	3 years	1998.09.17	0	0	0	0	8,266	0.01	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Master, Mechanical Engineering, University of Washington, USA Department of Business Administration, Entrepreneur Management Research Class, National Chengchi University Ministry of Economic Affairs Whole plant output team marketing engineer Chairman and president of the CipherLab Co., Ltd	Chairman and president of the Company- legal presentative Director of ChangeEn Management Consulting Co., Ltd Director of Cipherlab USA, Inc. Director of Ace Motors Inc. Chairman of mPlus Technology Co., Ltd	None	None	None	Since the Company does not belong to a large enterprise, the chairman concurrently serves as the president to fully demonstrate the flexibility and high-efficiency operation of the Company
Director	Taiwan	Tan, Chen-Huan	Male 61-70 Years old	2022.06.21	3 years	2010.05.15	1,386,215	2.02	1,386,215	2.02	825,209	1.20	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Engineer of Guohui Information Manager of Sunlight Computer Co., Ltd.	Vice President of the Company Director of CIPHERLAB USA, Inc. Director of CIPHERLAB Limited(SAMOA) Chairman of Saifulai Electron Trade (Shanghai) Limited Company Director of mPlus Technology Co., Ltd	None	None	None	
Director	Taiwan	Lin, Yung-Fa	Male 71-80 Years old	2022.06.21	3 years	2004.06.15	6,613,376	9.65	6,613,376	9.65	0	0	0	0.00	Department of Business Administration, Tamkang University	Director of Guangyuan Investment Co., Ltd	None	None	None	
Director	Taiwan	Yen, Wei-Chun	Male 61-70 Years old	2022.06.21	3 years	2004.06.15	16,000	0.02	16,000	0.02	0	0.00	0	0.00	MBA, The City University of New York	Chairman of Atech OEM Inc.- legal presentative Chairman of Atech Technology (Samoa) Limited - legal presentative Director of Machvision Inc. Director of AAEON Technology Co., Ltd- legal presentative Director of AAEON Technology (Europe) B.V.- legal presentative Chairman of Outstanding Electronics Manufacturer Group Co., Ltd - legal presentative Chairman of Growing Profits Group Limited- legal presentative Director of Outstanding Electronics Manufacturer Group Co., Ltd.- legal presentative Director and legal presentative of ATECH Technology (SAMOA) Ltd. Supervisor of Autovision Tech Co., Ltd. Independent Director of Abico Avy Co., Ltd. Director of Sigold Optics Inc. Director of Avountes Inc. Chairman of QOE Technology Co., Ltd.	None	None	None	
Director	Taiwan	Yang, Kuo-Liang	Male 61-70 Years old	2022.06.21	3 years	2008.05.16	532,000	0.77	532,000	0.77	0	0.00	0	0.00	Department of Accounting, Tamkang University Specialist of Finance Department of Evergreen Marine Company President of Lian Yang Certified Public Accountants firm	Director of Ginar Technology Co., Ltd. Director of Atech OEM Inc.	None	None	None	

Title (Note 1)	Nationality	Name	Gender/Ag e (Note 2)	Date elected	Term	First elected Date (Note 3)	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholding by nominee arrangement		Major education and selected past positions (Note 4)	Current position and additional positions	Other heads, directors, or supervisors asspouse or kin within the second degree			Remark (Note 5)
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relatio nship	
Independent Director	Taiwan	Hu, Chiu-Chiang	Male 61-70 Years old	2022.06.21	3 years	2010.05.15	0	0	0	0	0	0	0	0	Ph.D., Institute of Science and Technology Management, Chiao Tung University Master of Business Administration, Da Yeh University Department of Business Administration, Entrepreneur Management Research Class, National Chengchi University Bachelor of Telecommunications Engineering, Chiao Tung University	Chairman and President of Weitech Int. Co., Ltd Chairman of Weiji Investment Co., Ltd. Director of Promate Electronic Co., Ltd Director of LEADTEK Research Inc Director of Promate Solutions Corporation Independent director of V-TAC Technology Co., Ltd Remuneration Committee member of V-TAC Technology Co., Ltd Director of Amazing Micro Electronic Co., Ltd. Supervisor of EVGA Corporation Legal Representative of Weikeng Industrial Co., Ltd. Director of Weitech Int. Co., Ltd Legal Representative of Weikeng Technology Pte Ltd.	None	None	None	
Independent Director	Taiwan	Chen, Wen-Yu	Female 51-60 years old	2022.06.21	3 years	2016.6.21	0	0.00	0	0.00	0	0.00	0	0.00	EMBA, Institute of Finance, National Taiwan University EMBA, Institute of Business Administration, National Chengchi University Bachelor of Accounting, National Chengchi University	Hua Nan Financial Holdings Co., Ltd. - Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department Independent Director of ChipherLab Information Co., Ltd.	None	None	None	
Independent Director	Taiwan	Yu, Ming-Chang	Male 61-70 Years old	2022.06.21	3 years	2001.09.17	540,000	0.79	540,000	0.78	0	0.00	0	0.00	Master of Electrical Engineering, Tsinghua University	Director of Stark Technology Inc. Director of Machvision Inc. Legal representative of Aspeed Technology Inc. Director of Atech OEM Inc. Director of Autovision Tech Co., Ltd Director of ChipAI Co., Ltd.	None	None	None	
Independent Director	Taiwan	Tsai, Yu-Ping (Note 6)	Male 61-70 Years old	2022.06.21	3 years	2022.06.21	0	0.00	0	0.00	0	0.00	0	0.00	Juris Doctor, Santa Clara University, California The 15 th term of Entrepreneur Management Development Training Course of the Institute of Enterprise Management, National Chengchi University. Chairman of Meitung Limited	Chairman of Baoli Asset Management Co., Ltd. Vice President of the Enterprise Evaluation Society of ROC Director and President Hydroionic Technology Co., Ltd Director of Cellmax Taiwan Co., Ltd. Independent director, remuneration committee member and audit committee member of Welldone Company Independent director, audit committee member, remuneration committee member, nomination committee member and sustainable development committee member of Weikeng Industrial Co., Ltd.	None	None	None	

Note 1: In case of institutional shareholders, the name and representative of an institutional shareholder shall be listed respectively (the representative of an institutional shareholder shall indicate the name of institutional shareholder),

Note 2: Please provide the chronological age by indicating the applicable age bracket, e.g. 41 to 50 years old or 51 to 60 years old

Note 3: Fill in when he/she first takes the office of the director or supervisor; if a break takes place, please explain.

Note 4: Experiences related to the position he/she currently serves, if in the aforesaid time, he/she was employed in the certifying accounting firm or its affiliates, the position and duties shall be indicated.

Note 5: Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): Since the Company does not belong to a large enterprise, the chairman concurrently serves as the president to fully demonstrate the flexibility and high-efficiency operation of the Company; the Company has re-elected an additional one-seat independent director to strengthen corporate governance in 2022.

Note 6: The Company has established the audit committee to replace the supervisor on June 25, 2019.

Note 7: Mr. Tsai, Yu-Ping served as the independent director on June 21, 2022.

Major Shareholders of Institutional Shareholders

April 28, 2023

Name of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)
ChangeEn Management Consulting Co., Ltd.	Mr. Steven Liao (54.00 %) , Tsai, Yu-Shan (46.00 %)

The information of Directors

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

Qualifications Name	Professional qualifications and experience (Note 1)	Independence status (Note 2)	Number of public companies where the person holds the titles as an independent director
ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	Have more than five years of work experience in business, legal, finance, accounting, or corporate business		None
Lin, Yung-Fa	Have more than five years of work experience in business, legal, finance, accounting, or corporate business		None
Tan, Chen-Huan	Have more than five years of work experience in business, legal, finance, accounting, or corporate business		None
Yen, Wei-Chun	Have more than five years of work experience in business, legal, finance, accounting, or corporate business		1
Yang, Kuo-Liang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business		None
Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Weitech Int. Co., Ltd	(Note 2)	1
Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. - Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department	(Note 2)	None
Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology (Co.,) Inc. Director of Machvision (Co.,) Inc.	(Note 2)	None
Tsai, Yu-Ping Note 3	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman of Meitung Limited	(Note 2)	1

Note 1 : None of the directors of the Company has any circumstance under any subparagraph of Article 30 of the Company Act

Note 2 : Independent status as below:

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Not a director or supervisor of the Company or its affiliated enterprises.
- (3) Non-self and their spouses, minor children, or in the name of others who hold more than 1% of the Company's total issued shares or natural person shareholders who hold the top 10 shares.
- (4) Spouses, relatives within the second degree of kinship, or direct blood relatives within the third degree of kinship of persons not listed in the preceding three paragraphs.
- (5) Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company.
- (6) No remuneration amount was received for providing commercial, legal, financial, accounting, and other services to the Company or its affiliated enterprise in the last 2 years.

Note 3: Mr. Tsai, Yu-Ping served as the independent director on June 21, 2022.

2. Diversity and Independence of Directors :

(1) Diversity of Board of Directors

The Company stipulates in the "Corporate Governance Best Practice Principles" that the composition of the Board of Directors should consider to be diversified, and formulate appropriate diversification policies based on its own operations, business model, and development demands, which should include but not be limited to the following two major criteria:

- 1) Basic conditions and values: Gender, Age, Nationality and Culture, etc.
- 2) Professional knowledge and skills: professional background (such as law, accounting, finance, marketing or technology), professional skills and industry experience, etc.

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

- 1) Ability to make operational judgments.
- 2) Ability to perform accounting and financial analysis.
- 3) Ability to conduct management administration.
- 4) Ability to conduct crisis management.
- 5) Knowledge of the industry.
- 6) An international market perspective.
- 7) Leadership ability.
- 8) Ability to make policy decisions.

Achievement of diversity of Board members:

The Board of Directors of the Company should guide the Company's strategy, supervise the management level, and be responsible for the Company and its shareholders. The operation and arrangement of the corporate governance system should ensure the Board of Directors exercises its powers according to the law, the regulations of the Articles of Incorporation, or the resolution of the shareholders' meeting .

The specific management objectives are as follows:

- 1) The Board of Directors of the Company also pays attention to gender equality of members, and the board members should include at least one female director.
- 2) The Board of Directors of the Company focuses on operational judgment, operational management, and crisis-handling capabilities, and more than 2/3 of the directors should have relevant core project capabilities.
- 3) From the directors, the number of employees who are employees of the Company, parent company, subsidiary company, or brother company should be less than (including) 1/3 of the number of directors, so as to achieve the purpose of supervision.

Implementation of the board diversity policy:

22% of the board members are employees; 44% are independent directors; female directors take 11%, and the tenure of the four independent directors ranges from one to twelve years.

According to the goal of diversified management, the overall expertise of the Board of Directors has to include professionals in different fields who possess the knowledge, skills, and accomplishments necessary to perform their duties. The industrial experience and professional capabilities of each director are diverse and complementary, the implementation status please refer below table :

Core Item Title	Name	Gender	Industry Background	Served as an employee of company concurrently	Education Experience	Business management	Leadership and making decision ability	Knowledge of th industry	Accounting and financial analysis ability
Chairman Legal person director representative	Steven Liao	Male	V	V		V	V	V	V
Director	Lin, Yung-Fa	Male	V			V	V	V	V
Director	Tan, Chen-Huan	Male	V	V		V	V	V	V
Directors	Yang, Kuo-Liang	Male	V			V	V	V	V
Director	Yen, Wei-Chun	Male	V			V	V	V	V
Independent Director	Hu, Chiu-Chiang	Male	V		V	V	V	V	V
Independent Director	Chen, Wen-Yu	Female	V			V	V	V	V
Independent Director	Yu, Ming-Chang	Male	V			V	V	V	V
Independent Director	Tsai, Yu-Ping	Male	V			V	V	V	V

(2). Independence of Board of Directors

The Company has 9 directors currently, of which four independent directors take up 44%, none of the directors is spouses or relatives within the second degree of kinship, The Company never had a government agency or a single legal entity, and its subsidiaries take for more than one-third of the Board of Directors.

(2) Profiles of President, Vice President, Assistant Vps, and Heads of the Branches/Departments

April 29, 2023 Unit: Share %

Title	Nationality	Name	Gender	Date of first-time elected (Note 3)	Shares held currently		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major industrial (educational) experience	Position(s) held concurrently in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark (Note3)
					Share	%	Share	%	Share	%			Title	Name	Relationship	
President	Taiwan	Steven Liau	Male	2013.5.14	0	0	8,266	0.01	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Master, Mechanical Engineering, University of Washington, USA Department of Business Administration, Entrepreneur Management Research Class, National Chengchi University Ministry of Economic Affairs Whole plant output team marketing engineer Chairman and president of the CipherLab Co., Ltd	Chairman and president of the Company- legal representative Director of ChangeEn Management Consulting Co., Ltd Director of CIPHERLAB USA, Inc. Director of Ace Motors Inc. Chairman of mPlus Technology Co., Ltd	None	None	None	Since the Company does not belong to a large enterprise, the chairman concurrently serves as the president to fully demonstrate the flexibility and high-efficiency operation of the Company *
Senior Vice President	Taiwan	Tan, Chen-Huan	Male	1996.07.01	1,386,215	2.02	825,209	1.20	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Engineer of Guohui Information Manager of Sunlight Computer Co., Ltd Senior Vice President of CipherLab Co., Ltd.	Director of CIPHERLAB USA, Inc. Director of CIPHERLAB Limited(SAMOA) Chairman of Saifulai Electron Trade (Shanghai) Limited Company Director of mPlus Technology Co., Ltd	None	None	None	
Associate	Taiwan	Li, Kan-Yang	Male	2012.03.01	1,000	0.00	0	0.00	0	0.00	MBA, Santa Clara University, USA Master of Food Science, University of Massachusetts, Amherst, USA Senior Brand Manager of American Energizer Comfort Co., Ltd. Taiwan Branch Senior Brand Manager, Nestle Taiwan Co., Ltd. Associate of CipherLab Co., Ltd.	None	None	None	None	
Associate	Taiwan	Lai, Chin-Yi	Male	2018.07.20	0	0.00	0	0.00	0	0.00	Tamkang University Spanish Department/International Trade Department (auxiliary department) Nissho TEAC Business Director Southern Europe area sale of CipherLab Co., Ltd. Director of Asia Pacific area sales of CipherLab Co., Ltd.	None	None	None	None	

Title	Nationality	Name	Gender	Date of first-time elected (Note 3)	Shares held currently		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major industrial (educational) experience	Position(s) held concurrently in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark (Note3)
					Share	%	Share	%	Share	%			Title	Name	Relationship	
Chief technology officer	Taiwan	Chen, To	Male	2021.11.08	1,243	0.00	1,484	0.00	0	0.00	Institute of Industrial Management, National Taiwan University of Science and Technology Assistant Manager of Application Division of Taixun Computer Co., Ltd Assistant Manager of Information Department of CipherLab Co., Ltd Assistant Manager of Information Department, Daily Project Department of Shye Shyang Mechanical Industrial Co., Ltd Information Technology Management/Senior Consultant of PwC Taiwan Senior Manager of Audit Office and CNC Supervisor of Hony Glas Technology Co., Ltd Manager of Information Department of K.H.S. Musical Instruments Co., Ltd. IT Director of Jieshan Technology Chief Operating Officer Technical Consultant of Ant's Power Co., Ltd CTO of CipherLab Co., Ltd	None	None	None	None	
Accounting senior manager	Taiwan	Chang, Chia-Jung	Male	2014.08.11	0	0.00	0	0.00	0	0.00	Department of Accounting, Shih Shin University Assistant Manager of Fuzhong United Accounting Firm Manager of Finance and Accounting Department of International Integrated Systems Inc. Manager of Accounting Department of Taicang Jingfu Plastic Products Co., Ltd. Director of Finance and Management of L & D International Chief Financial Officer of Fortune Mfg. Co., Ltd Finance and Accounting Supervisor of CipherLab Co., Ltd	None	None	None	None	
Vice President (Note1)	Taiwan	Wu, Chin-Jung	Male	2011.01.01	0	0.00	0	0.00	0	0.00	Institute of Industrial Engineering, National Taiwan University Department of Banking, National Chengchi University Business Development Manager of SAS Computer Co., Ltd. Vice President of Wuxun Technology Co., Ltd Deputy Manager of Marketing Department of YES Logistics Corp. Vice president of CipherLab USA, Inc.	None	None	None	None	

Title	Nationality	Name	Gender	Date of first-time elected (Note 3)	Shares held currently		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major industrial (educational) experience	Position(s) held concurrently in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark (Note3)
					Share	%	Share	%	Share	%			Title	Name	Relationship	
Vice President (Note 2)	Taiwan	Chien, Tsung-Min	Male	2016.10.12	0	0.00	0	0.00	0	0.00	Industrial Engineering and Management Division, Tungnan University Regional Branch Manager of Taiwan Aurora Group OA Office Equipment Division China Aurora Group, Business Director of OA Direct Sales Division Senior manager of CipherLab Co., Ltd Vice President of MaMaWay Inc. Subsidiary, Tiankui Trading (Shanghai) Co., Ltd. Vice President of Saifulai Electron Trade (Shanghai) Limited Company	None	None	None	None	

Note 1 : The title of the US subsidiary is Vice President.

Note 2 : The title of Saifulai Electron Trade (Shanghai) Limited Company is Vice President of China area

Note 3 : Where the chairperson of the Board of Directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. adding seats of independent directors, and the majority of directors do not concurrently serve as employees or managerial officers): Since the Company does not belong to a large enterprise, the chairman concurrently serves as the president to fully demonstrate the flexibility and high-efficiency operation of the Company; the Company has re-elected an additional one-seat independent director to strengthen corporate governance in 2022.

(3) Remuneration to Directors, Supervisor, President and Vice Presidents in Recent Year

1. Remuneration of Directors and Independent Director

December 31, 2022 unit : NT\$ thousand ; %

Title ^{Note 2}	Name	Remuneration								Total Remuneration (A+B+C+D) and Ratio of Total Remuneration to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Total Compensation (A+B+C+D+E+F+G) and Ratio of Total Compensation to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Severance Pay(B)		Directors Compensation (C)(Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowance (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	Companies in the consolidated financial	The Company	Companies in the consolidated financial	The Company	Companies in the consolidated financial	The Company	Companies in the consolidated financial	The Company	Companies in the consolidated financial	The Company	Companies in the consolidated financial	Cash	Stock Price	Cash	Stock Price	The Company	Companies in the consolidated financial			
Chairman and President	ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liaw	0	0	0	0	421 ^{Note3}	421 ^{Note3}	60	60	NT\$481 thousand 1.49%	NT\$481 thousand 1.49%	4,387	4,387	0	0	473 ^{Note3}	473 ^{Note3}	0	0	NT\$5,341 thousand 16.56%	NT\$5,341 thousand 16.56%	None
Director	Tan, Chen-Huan	0	0	0	0	211 ^{Note3}	211 ^{Note3}	60	60	NT\$271 thousand 0.84%	NT\$271 thousand 0.84%	3,059	3,059	0	0	237 ^{Note3}	237 ^{Note3}	0	0	NT\$3,567 thousand 11.06%	NT\$3,567 thousand 11.06%	
Director	Lin, Yung-Fa	0	0	0	0	210 ^{Note3}	210 ^{Note3}	60	60	NT\$270 thousand 0.84%	NT\$270 thousand 0.84%	0	0	0	0	0	0	0	0	NT\$270 thousand 0.84%	NT\$270 thousand 0.84%	
Director	Yen, Wei-Chun	0	0	0	0	210 ^{Note3}	210 ^{Note3}	60	60	NT\$270 thousand 0.84%	NT\$270 thousand 0.84%	0	0	0	0	0	0	0	0	NT\$270 thousand 0.84%	NT\$270 thousand 0.84%	
Director	Yang, Kuo-Liang	0	0	0	0	210 ^{Note3}	210 ^{Note3}	60	60	NT\$270 thousand 0.84%	NT\$270 thousand 0.84%	0	0	0	0	0	0	0	0	NT\$270 thousand 0.84%	NT\$270 thousand 0.84%	
Independent Director	Chen, Wen-Yu	0	0	0	0	0	0	540	540	NT\$540 thousand 1.67%	NT\$540 thousand 1.67%	0	0	0	0	0	0	0	0	NT\$540 thousand 1.67%	NT\$540 thousand 1.67%	
Independent Director	Hu, Chiu-Chiang	0	0	0	0	0	0	780	780	NT\$780 thousand 2.42%	NT\$780 thousand 2.42%	0	0	0	0	0	0	0	0	NT\$780 thousand 2.42%	NT\$780 thousand 2.42%	
Independent Director	Yu, Ming-Chang	0	0	0	0	0	0	540	540	NT\$540 thousand 1.67%	NT\$540 thousand 1.67%	0	0	0	0	0	0	0	0	NT\$540 thousand 1.67%	NT\$540 thousand 1.67%	
Independent Director	Tsai, Yu-Ping	0	0	0	0	0	0	180	180	NT\$180 thousand 0.56%	NT\$180 thousand 0.56%	0	0	0	0	0	0	0	0	NT\$180 thousand 0.56%	NT\$180 thousand 0.56%	

Note 1 : Has concurrently served as a corporate representative director from June 21, 2022.

Note 2 : The Company has established the Audit Committee

Note 3 : The Remuneration of director and employee are the estimated number

Range of Remuneration

Rang of Remuneration for each director of the Company	Name of Directors			
	Total remuneration for the first four items (A+B+C+D)		Total remuneration for the first seven items (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than\$ 1,000,000	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao, Tan, Chen-Huan, Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang, Tsai, Yu-Ping	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao, Tan, Chen-Huan, Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang, Tsai, Yu-Ping	Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang Tsai, Yu-Ping	Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang Tsai, Yu-Ping
NT\$1,000,000(Include) ~ NT\$2,000,000(Not Include)	-	-	-	-
NT\$2,000,000(Include) ~ NT\$3,500,000(Not Include)	-	-	-	-
NT\$3,500,000(Include) ~ NT\$5,000,000(Not Include)	-	-	Tan, Chen-Huan	Tan, Chen-Huan
NT\$5,000,000(Include) ~ NT\$10,000,000(Not Include)	-	-	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao
NT\$10,000,000(Include) ~ NT\$15,000,000(Not Include)	-	-	-	-
NT\$15,000,000(Include) ~ NT\$30,000,000(Not Include)	-	-	-	-
NT\$30,000,000(Include) ~ NT\$50,000,000(Not Include)	-	-	-	-
NT\$50,000,000(Include) ~ NT\$100,000,000(Not Include)	-	-	-	-
Over NT\$100,000,000(Include)	-	-	-	-
Total	9 people	9 people	9 people	9 people

2. Remuneration of Supervisor: Not Applicable

Range of Remuneration for Supervisor: Not Applicable

3. Remuneration of President and Vice president

December 31, 2022 Unit: NT\$ Thousand %

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Mr. Steven Liao ^{Note 1}	3,948	3,948	0	0	439	439	473 ^{Note2}	0	473 ^{Note2}	0	NT\$4,860 thousand 15.07%	NT\$4,860 thousand 15.07%	0
Senior Vice President	Tan Chen-Huan	2,748	2,748	0	0	311	311	237 ^{Note2}	0	237 ^{Note2}	0	NT\$3,296 thousand 10.22%	NT\$3,296 thousand 10.22%	0
CTO	Chen, To	3,000	3,000	0	0	366	366	237 ^{Note2}	0	237 ^{Note2}	0	NT\$3,603 thousand 11.17%	NT\$3,603 thousand 11.17%	0

Note 1 : Chairman Mr. Steven Liao served as President concurrently on May 14, 2013

Note 2 : The employee remuneration is the estimated number.

Range of Remuneration

Range of Remuneration for each president and vice president of the Company	The Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-
NT\$1,000,000(Include) ~ NT\$2,000,000(Not Include)	-	-
NT\$2,000,000(Include) ~ NT\$3,500,000(Not Include)	Tan, Chen-Huan	Tan, Chen-Huan
NT\$3,500,000(Include) ~ NT\$5,000,000(Not Include)	Chen, To, Steven Liao	Chen, To, Steven Liao
NT\$5,000,000(Include) ~ NT\$10,000,000(Not Include)	-	-
NT\$10,000,000(Include) ~ NT\$15,000,000(Not Include)	-	-
NT\$15,000,000(Include) ~ NT\$30,000,000(Not Include)	-	-
NT\$30,000,000(Include) ~ NT\$50,000,000(Not Include)	-	-
NT\$50,000,000(Include) ~ NT\$100,000,000(Not Include)	-	-
Over NT\$100,000,000(Include)	-	-
Total	3 people	3 people

4. Managerial officers with the top five highest remuneration amounts (disclose their names and remuneration method)(Note 1)

December 31, 2022 Unit: thousand %

Title	Name	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 7)
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company		Companies in the consolidated financial statements (Note 5)		The Company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman and President	Mr. Steven Liao	3,948	3,948	0	0	439	439	473 ^{Note2}	0	473 ^{Note2}	0	15.07	15.07	0
Senior Vice President	Tan, Chen-Huan	2,748	2,748	0	0	311	311	237 ^{Note2}	0	237 ^{Note2}	0	10.22	10.22	0
CTO	Chen, To	3,000	3,000	0	0	366	366	237 ^{Note2}	0	237 ^{Note2}	0	11.17	11.17	0
Associate	Li, Kan-Yang	2,375	2,375	0	0	289	289	158 ^{Note2}	0	158 ^{Note2}	0	8.75	8.75	0
Associate	Lai, Chin-Yi	2,340	2,340	0	0	284	284	158 ^{Note2}	0	158 ^{Note2}	0	8.62	8.62	0

Note 1: Managerial officers with the top five highest remuneration amounts refers to managers at the Company, in which the standard for determining managers is the applicable scope set forth in Approved-certified No.: (92)Tai-Cai-Certificate(3) No.001301 from the former Securities and Futures Commission, Ministry of Finance dated March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D).

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.

Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not calculating as remuneration. The salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock at cash capital increase, shall also be calculated as remuneration.

Note 4: Refers to the amount of employee compensation (including stock and cash) approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year. If the amount

of employee compensation cannot be estimated this year, the proposed amount should be calculated based on the actual amount and ratio distributed last year.

Note 5: The total remuneration paid by all companies in the consolidated statements (including the Company) to managerial officers with the top five highest remuneration amounts must be disclosed.

Note 6: The net income after-tax refers to the net income after-tax in the standalone financial statements for the most recent year.

Note 7: a. Specify the amount of remuneration received by managerial officers with the top five remuneration amounts from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by managerial officers with the top five remuneration amounts who are serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

* The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

Note 8: The employee remuneration is the estimated number.

5. Employee Compensation amount paid to managers

December 31, 2022

Unit : NT\$ thousands ; thousands share ; %

	Title	Name	Stock Price	Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	Chairman and President	Mr. Steven Liao	0	473 ^{Note}	473 ^{Note}	1.47
	Senior Vice President	Tan, Chen-Huan	0	237 ^{Note}	237 ^{Note}	0.73
	CTO	Chen, To	0	237 ^{Note}	237 ^{Note}	0.73
	Associate	Li, Kan-Yang	0	158 ^{Note}	158 ^{Note}	0.49
	Associate	Lai, Chin-Yi	0	158 ^{Note}	158 ^{Note}	0.49
	Senior Manager	Chang, Chia-Jung	0	79 ^{Note}	79 ^{Note}	0.24

Note : Employee Remuneration is the estimated number

6. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income and explain the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risks:

1) The ratio of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income:

Unit : thousand ; %

Title	2022				2021			
	The Company		The Company (Consulted Subsidiary)		The Company		The Company (Consulted Subsidiary)	
	Remuneration Amount ^{Note 1}	% of net profit after tax	Remuneration Amount ^{Note 1}	% of net profit after tax	Remuneration Amount ^{Note 1}	% of net profit after tax	Remuneration Amount	% of net profit after tax
Director(Note1)	3,603	11.17	3,603	11.17	3,518	9.91	3,518	9.91
Supervisor	0	0	0	0	0	0	0	0
President and Vice President	11,759	36.46	17,630	54.67	9,178	25.87	15,433	43.50
Total	15,362	47.63	21,233	65.84	12,696	35.78	18,951	53.41

Note 1 : The remuneration of the director not included the related remuneration of the president and vice president who concurrently served as an employee.

Note 2 : "Employee Remuneration" is the estimated number

- 2) The policies, standards, system and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risks:
- (1) The policies, standards, system, and portfolios for the payment of the Company director and independent directors' remuneration, comply with the law and Article 16 of "Remuneration Committee Constitution" as the determining remuneration policy and system
 - (2) Director's Remuneration, according to Article 16 of the Company's Articles of Incorporation, follows the assessment of the Remuneration Committee, the determining remuneration of executing business shall be based on the degree of participation and contribution value of individual directors (including the risks and time invested, etc.) and refer the general standard at the same industry and also considering the overall operating performance and the factors of the external market and regularly review through the Remuneration committee and the Board of Director to approved giving by reasonable remuneration; related performance review and reasonable of salary will audit by Remuneration Committee and the Board of Director, also review the remuneration in a timely manner according to the actual situation and relevant laws and regulations in order to keep the balance between company's sustainable operation and risk control.
 - (3) Director's compensation, according to Article 20 of the Company's Article of Incorporation, if the Company makes profit in the current year, the Company shall allocate no more than 3% of profit as director compensation, the independent director will not join in the distribution of director's compensation. The Company complies with the "Board of Directors Performance Evaluation Method" to review the director's compensation regularly, related performance reviews and reasonable salary will audit by the Remuneration Committee and the Board of Directors.
 - (4) The remuneration of manager of the Company, according to the main points of the salary operation, various work allowances and bonuses are clearly stipulated, in order to synthase and reward the hard work on employee, the related bonus will be given by the year operating performance, the financial status, the operating status and personal work performance. Besides, if the Company makes a profit in the current year, 0.5%~10% will be appropriated as employee remuneration in accordance with Article 20 of the Company's articles of Incorporation.
 - (5) The portfolios of the Company's remuneration, it made by the organized rule of the remuneration committee, including the cash reward, stock options, dividends, retirement pensions or severance pay, various allowances, and other measures with substantial incentives rewards. The category is insistent with the record item guidelines about the remuneration for directors and managers of the listed company's annual report.
 - (6) Please refer the annual report " (1)Comparison and explanation of the percentage of the total remuneration for directors, presidents, and vice presidents of this company paid over the past two years by this company and consolidated statement companies to net profit after tax the in the Company-only or individual financial statements, the policy of remuneration payment, the Standards and combination, the procedure for remuneration decision, and the relevant between operation performance and future risks."
 - (7) Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as the parent company/all companies/reinvested enterprises in the financial report that are not employees, etc.) to have remuneration : NA
- 3) The correlation between company business performance and future risk:
- (1) The review for the remuneration given standard and system of the Company is considering from overall operating status, and according to the reach rate of the performance and contribution level as the given standards, in order to increase the efficient the whole organization team of the board of directors and managers. Also take reference of the salary standard of same industry, to ensure the remuneration of company's management level have competitive, in order to keep good talent management people.
 - (2) The review for the remuneration given standard and system of the Company is considering from overall operating status, and according to the achievement rate of the performance and contribution level as the given standards, to increase the overall organizational team effectiveness of the Board of Directors and managers. Also take reference of the salary standard of the same industry, to ensure the remuneration of the Company's management level has competitive, in order to keep good talent management people

3.3 Implementation of Corporate Governance

(1) Operations of the Board of Directors

Information for operations of the Board of Directors

In 2022, a total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 1)	Remarks
Chairman	ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	7	0	100%	Continue to serve, shall attend 7 times
Director	Lin, Yung-Fa	7	0	100%	Continue to serve, shall attend 7 times
Director	Tan, Chen-Huan	7	0	100%	Continue to serve, shall attend 7 times
Director	Yang, Kuo-Liang	7	0	100%	Continue to serve, shall attend 7 times
Director	Yen, Wei-Chun	7	0	100%	Continue to serve, shall attend 7 times
Independent Director	Hu, Chiu-Chiang	7	0	100%	Continue to serve, shall attend 7 times
Independent Director	Chen, Wen-Yu	7	0	100%	Continue to serve, shall attend 7 times
Independent Director	Yu, Ming-Chang	7	0	100%	Continue to serve, shall attend 7 times
Independent Director	Tsai, Yu-Ping	5	0	100%	New serve, shall attend 5 times

Other mentionable items:

1. If any of the following circumstances occur of the status of Board of Directors, the dates of the meetings, sessions, contents of motion, all directors and independent directors' opinions and the Company's response should be specified:

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

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors.

Board of Director	Proposal content and follow-up processing	Matters set in the Article 14-3 of Security Exchange Act	object or reserve opinions of Independent directors	Handling of Opinions of Independent Directors of the Company	Resolution result
The 1 st time of 2022 2022/03/30	The 1 st case: the Company's 2021 internal control system statement.	V	None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: Amendment to the Internal Control System and Internal Audit System.	V	None	None	Discussed by all attended directors and approved without objection.
	The 3 rd case: The Company's 2021 annual parent company only financial statements and consolidated financial statements.		None	None	Discussed by all attended directors and approved without objection.
	The 4 th case: the Company's 2021 annual business report.		None	None	Discussed by all attended directors and approved without objection.
	The 5 th case: The Company's 2021 earning distribution case		None	None	Discussed by all attended directors and approved without objection.
	The 6 th case: the Company's 2021 employee remuneration and director remuneration distribution case	V	None	None	Discussed by all attended directors and approved without objection.
	The 7 th case: The schedule, venue and related matters of the Company's 2022 Annual General Meeting of Shareholders.		None	None	Discussed by all attended directors and approved without objection.
	The 8 th case: The general meeting of shareholders accepts matters related to the nomination of directors by shareholders.		None	None	Discussed by all attended directors and approved without objection.
	The 9 th case: Amending some articles of the Company's " Articles of Incorporation"		None	None	Discussed by all attended directors and approved without objection.

	The 10 th case: Amending some articles of the Company's "Rules of Procedure for Shareholders' Meetings".		None	None	Discussed by all attended directors and approved without objection.
	The 11 th case: Amending some articles of the Company's "Procedures for Acquisition and Disposal of Assets" case.	V	None	None	Discussed by all attended directors and approved without objection.
	The 12 th case: Amending some articles of the Company's "Remuneration Committee Charter" case.		None	None	Discussed by all attended directors and approved without objection.
	The 13 th case: Amending some of the articles of the Company's "Corporate Social Responsibility Best Practice Principles".		None	None	Discussed by all attended directors and approved without objection.
	The 14 th case: Submit the 2022 annual remuneration proposals for directors, independent directors and remuneration committee members of the Company case.	V	None	None	Discussed by all attended directors and approved without objection.
	The 15 th case: Submit the 2022 annual salary and structure proposal for the managers of the Company case.	V	None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attend in person is 3 people.				
The 2 nd time of 2022/05/11	The 1 st case: The Company's consolidated financial statements for the first quarter of 2022.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: It is proposed to appoint the CPA of the Company and decide on their remuneration, and the independent assessment of the accountants is as explained.	V	None	None	Discussed by all attended directors and approved without objection.
	The 3 rd case: The Company's overall re-election of directors' case.		None	None	Discussed by all attended directors and approved without objection.
	The 4 th case: Nomination and reviewing of candidates for directors (including independent directors) case.		None	None	Discussed by all attended directors and approved without objection.
	The 5 th case: Dismissed the newly appointed director of the non-competition forbidden case	V	None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attend in person is 3 people.				
The 3 rd time of 2022 2022/06/21	The 1 st case: Plan to elect the chairman of the Company.		None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attend in person is 4 people.				
The 4 th time of 2022 2022/06/21	The 1 st case: The appointment case of the Company's 5 th remuneration committee.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: Propose to establish the first nomination committee of the Company.		None	None	Discussed by all attended directors and approved without objection.
	The 3 rd case: Plan to formulate the Company's "Nomination Committee Organization Regulations".		None	None	Discussed by all attended directors and approved without objection.
	The 4 th case: Plan to set up the Company's 2021 cash dividend distribution base date.		None	None	Discussed by all attended directors and approved without objection.
	The 5 th case: Plan to draft the Company's "Greenhouse Gas Inventory and Verification Schedule Plan".		None	None	Discussed by all attended directors and approved without objection.
	The 6 th case: the appointment case of the 2 nd audit committee of the Company.		None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attend in person is 4 people.				
The 5 th time of 2022 2022/08/03	The 1 st case: the Company's consolidated financial statements for the 2 nd quarter of 2022.		None	None	Discussed by all attended directors and approved without objection.

	The number of independent directors attend in person is 4 people.				
The 6 th time of 2022 2022/11/09	The 1 st case: the Company's consolidated financial statements for the 3 rd quarter of 2011.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: The Company increases the number of banks Short-term guaranteed loan credit amount.		None	None	Discussed by all attended directors and approved without objection.
	The 3 rd case: Amending some of the articles of " Ethical Management Procedures and Behavioral Guidelines" of the Company.		None	None	Discussed by all attended directors and approved without objection.
	The 4 th case: Adding new company's "Human Rights Policy".		None	None	Discussed by all attended directors and approved without objection.
	The 5 th case: Amending some of the articles of " Internal Major Information Processing Procedures"		None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attend in person is 4 people.				
The 7 th time of 2022 2022/12/28	The 1 st case: The Company's "2023 Consolidated Financial Report Forecast and Budget" report.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: The Company signed a credit contract with the financial institution, it is due and renewed in 2022.		None	None	Discussed by all attended directors and approved without objection.
	The 3 rd case: 2023 Annual Audit planning case.		None	None	Discussed by all attended directors and approved without objection.
	The 4 th case: Company setting up a "Corporate governance supervisor".		None	None	Discussed by all attended directors and approved without objection.
	The 5 th case: Amending the Company's "Standard Operating Procedures for Handling Directors' Requests".		None	None	Discussed by all attended directors and approved without objection.
	The 6 th case: : Amending to the Company's "Board of Directors' Rules of Procedures".		None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attend in person is 4 people.				

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. TPEX-listed/TWSE-listed companies should disclose the information as the external evaluation of the Board of Directors (or peers and evaluation cycle and period, evaluation scope, method, and evaluation content, etc.) and fill in the below table for implementation of evaluations by the Company's Board of Directors:

Implementation of evaluations by the Company's Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once every 3 years	2022/01/01 to 2022/12/31	All Board of Directors	External evaluation	1. Composition of the Board of Directors and professional development: Excellent 2. Decision-making quality of the Board of Directors: Excellent 3. Operational efficiency of the Board of Directors: Excellent 4. Internal control and risk management: Excellent 5. Degree of board participation in corporate social responsibility: Excellent
		Individual directors	External evaluation	1. Composition of the Board of Directors and professional development: Excellent 2. Decision-making quality of the Board of Directors: Excellent 3. Operational efficiency of the Board of Directors: Excellent 4. Internal control and risk management: Excellent 5. Degree of board participation in corporate social responsibility: Excellent
		Functional committee	External evaluation	1. Degree of Participation in the Company's operations: Extremely excellent 2. Responsibility awareness of functional Committee: Extremely excellent 3. Improve the decision-making quality of functional committees: Extremely excellent 4. Composition and selection of functional committee members: Extremely excellent 5. Internal control: Extremely excellent

4. In the current year and the most recent year to enhance the goal of the Board of Director function (such as establishing an audit committee, improving information transparency, etc.) and the evaluation of the implementation situation.
1. Enhance the goal of the Board of Director function:
- (1) Amend the "Board of Directors Meeting Procedures" to make the operation of the Board of Directors more systemize and make the announcement of important information on the major resolution according to the law and regulations and disclose on the Company's website in order to meet the requirements of improving information transparency.
- (2) Independent directors are set up to strengthen the corporate governance function of the Board of Directors.
2. The evaluation of the implementation situation:
- (1) The Board of Directors of the Company has approved the amendment to the "Board of Directors Meeting Procedures" on 2006/11/7, 2007/04/03, 2008/04/02, 2010/03/30, 2014/12/23, 2017/12/26, 2019/06/25, 2020/03/25 and 2022/12/28.
- (2) There are 4 independent directors have been set up and the Board of Directors has approved the establishment of "Regulations on Responsibilities of Independent Directors" on 2010/03/30 and 2017/12/26
- (3) The Company purchased liability insurance status for directors and supervisors: The Company has purchased US\$8 million liability insurance from Fubon Insurance Co., Ltd for all directors and supervisors.
- (4) The Company has set up the audit committee to replace the supervisor and has approved the "Audit committee organization regulations" on 2019/6/25.
5. Every Board of Directors meeting of the Company shall have at least one independent director attending in person.

Note (1) : If a director or supervisor resigns, the date of resignation shall be indicated, and the actual attendance (list) rate (%) shall be calculated based on the number of board meetings and the actual number of attendance (list) during the term of office.

(2) Participation of the Audit Committee in the operation of the Board of Directors

The Company set up the audit committee on June 25, 2019 to replace the right of supervisor. The Audit Committee convened six meetings (A) in 2022. The attendance is described below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Hu, Chiu-Chiang	6	0	100%	Continue to serve, shall attend 6 times
Independent Director	Chen, Wen-Yu	6	0	100%	Continue to serve, shall attend 6 times
Independent Director	Yu, Ming-Chang	6	0	100%	Continue to serve, shall attend 6 times
Independent Director	Tsai, Yu-Ping	4	0	100%	Continue to serve, shall attend 4 times (Note 2)

Other mentionable items:

1. The opinion process of Audit Committee

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(2) Except for the previously mentioned matters, other resolutions that have not been approved by the Audit Committee but approved by more than two-thirds of all directors: None.

Remuneration Committee	Proposal content	Matters referred to in Article 14-5 of the Securities and Exchange Act	Not approved by the Audit Committee, but approved by more than two-thirds of all directors	Handling of Opinions of	Resolution result
The 1 st time of 2022 2022/03/30	The 1 st case: The Company's 2021 internal control system statement case.	v	None	None	All attending independent directors approved without dissent
	The 2 nd case: Amendment to the Internal Control System and Internal Audit System.	v			
	The 3 rd case: The Company's 2021 annual parent company only financial statements and consolidated financial statements.	v			
	The 4 th case: the Company's 2021 annual business report.				
	The 5 th case: The Company's 2021 earning distribution case				

	The 6 th case: Amending some articles of the Company's " Procedures for Acquisition and Disposal of Assets " case.	V			
The 2 nd time of 2022 2022/05/11	The 1 st case: the Company's consolidated financial statements for the 1 st quarter of 2022.		None	None	All attending independent directors approved without dissent
	The 2 nd case: It is proposed to appoint the CPA of the Company and decide on their remuneration, and the independent assessment of the accountants is as explained.	V			
	The 3 rd case: Amending some articles of the Company's "Remuneration Committee Charter" case.				
The 3 rd time of 2022 2022/06/21	The 1 st case: It is proposed to elect the convener of the 2nd term of audit committee.		None	None	All attending independent directors approved without dissent
The 4 th time of 2022 2022/08/03	The 1 st case: the Company's consolidated financial statements for the 2 nd quarter of 2022.	V	None	None	All attending independent directors approved without dissent
The 5 th time of 2022 2022/11/09	The 1 st case: the Company's consolidated financial statements for the 3 rd quarter of 2022.		None	None	All attending independent directors approved without dissent
The 6 th time of 2022 2022/12/28	The 1 st case: 2022 Annual Audit Plan case		None	None	All attending independent directors approved without dissent
	The 2 nd case: : Amending to the Company's "Board of Directors' Rules of Procedures" case.				
2. The implementation status of recusal bearing on the interest-related proposals of an independent director: None					
3. Status of communication between Independent Directors, the Internal Audit Supervisor, and CPA : The Company's internal auditing manager sends audit reports to independent directors according to the regulation and provides the report to the Audit Committee. In addition, certified accountants regularly review the financial report and explain the annual audit report so that independent directors can fully understand the Company's financial report					

Note (1) : The Company has set up Audit Committee on 2019/6/25

Note(2) : 2022/6/21 newly-elected

From 2022 to March 29, 2023, the key issues of the communication between independent directors, audit managers, and accountants are summarized below table:

(1) The communication status between Audit Committee and Accountant summary as below:

Date	Communication Items	Suggestions and results
2022/03/30	The 1 st term, the 16 th meeting of Audit committee 1. To explain the main audit summary items in the audit report for the 2021 financial statement. 2. The accountants explained the inspection status of individual and consolidated financial reports in 2021 and discussed and communicated the questions raised by the participants.	The audit committee of the Company communicated well with CPA, and there was no objection.
2022/05/11	The 1 st term, the 17 th meeting of Audit committee 1. The accountants explained the inspection status of consolidated financial reports in Q1, 2022 and discussed and communicated the questions raised by the participants. 2. Review the independence and suitability of the 2022 certification accountant and assessment accountant and the 2022 remuneration of the certification accountant.	The audit committee of the Company communicated well with CPA, and there was no objection.
2022/06/21	The 2 nd term, the 1 st meeting of audit committee. The audit committee only elects the convener of the second term of audit committee, and there are no other things need to communicate with accountants.	NA
202/08/03	The 2 nd term, the 2 nd meeting of Audit committee The accountants explained the inspection status of consolidated financial reports in Q2, 2022 and discussed and communicated the questions raised by the participants.	The audit committee of the Company communicated well with CPA, and there was no objection.

2022/11/09	The 2 nd term, the 3 rd meeting of Audit committee The accountants explained the inspection status of consolidated financial reports in Q3, 2022 and discussed and communicated the questions raised by the participants.	The audit committee of the Company communicated well with CPA, and there was no objection.
2022/12/28	The 2 nd term, the 4 th meeting, the audit committee communicated the main audit items in the audit report of the 2022 financial statements according to Auditing Standard No. 701.	The audit committee of the Company communicated well with CPA, and there was no objection.
2022/03/29	The 2 nd term, the 5 th meeting of Audit committee The accountant communicated with the management on the conclusion of the 2022 annual inspection.	The audit committee of the Company communicated well with CPA, and there was no objection.

(2) The communication status between Audit Committee member and Internal audit officer summary as below:

Date	Communication Items	Suggestions and results
2022/03/30	The 1 st term, the 16 th meeting of audit committee 1.The internal audit executing report 2. 2021 annual statement of internal control system. 3. Revised the internal control system and internal audit system.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2022/05/11	The 1 st term, the 17 th meeting of audit committee Internal audit business execution report.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2022/06/21	The 2 nd term, the 1 st meeting of the audit committee, only selects the convener of the 2nd term of the audit committee, there are no other things that need to communicate with the auditor.	NA
2022/08/03	The 2 nd term, the 2 nd meeting of audit committee Internal audit business execution report.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2022/11/09	The 2 nd term, the 3 rd meeting of audit committee Internal audit business execution report.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2022/12/28	The 2 nd term, the 4 th meeting of audit committee 1. Internal audit business execution report 2. Review 2023 Audit plan.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2023/03/29	The 2 nd term, the 5 th meeting of audit committee 1. Internal audit business execution report 2. Review the assessment of the effectiveness of the 2022 internal control system and 2022 annual statement of internal control system.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.

(3)Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and Reasons:

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?”	V		The Company has established the “Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and disclosed.	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
2. Shareholding structure and shareholders’ interests (1). Has the Company implemented a set of internal procedures to handle Shareholders’ recommendations, queries, disputes, and litigations?	V		The Company in order to ensure the right of shareholders has formulated various internal operating processes and "Rules of Procedure for Shareholding Meetings" and "Internal Major Information Processing Procedures", and also has a spokesperson and acting spokesperson to handle suggestions, disputes, and doubts properly.	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(2). Is the Company constantly informed of the identities of its major Shareholders and the ultimate controller?	V		The Company has set up a dedicated person internally to handle related matters and appointed Yuanta professional stock affair agency to handle the stock matters according to the laws, it can grasp the name list of main shareholders who actually control the Company; according to the law to declare the changes and pledges of the shares of the shareholding is over 10% of big shareholders per month regularly; another who shareholding over 50% or shareholder who has share ratio is top 10, and keep abreast of the name list of main shareholders who actually control the Company and the ultimate controller of the main shareholders, the Company is committed to maintaining good relationships with shareholders.	No deviation from Articles 19 of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(3). Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		The people, assets, and financial management responsibilities are clear and independent between the Company and its affiliated enterprises. To require the financial, and business management report of the subsidiaries every month, and the risk control mechanism for the subsidiaries is implemented and also set up "Subsidiary Management Operation Measures" and "Affiliated Enterprises' Relevant Financial Business Regulations", and implemented after approved by the Board of Director on December 27, 2011. In addition, the information transaction to and from the subsidiary has also set up a firewall in order to achieve risk control.	No deviation from Articles 14 of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(4). Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		From the established Ethical Corporate Management Best Practice Principles, regulates that company's employee should follow the Securities Exchange Law, and cannot use unpublished information to make insider trading nor disclose it to others from using the unpublished information to make insider trading.	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1). Has the Board of Directors established and implemented policies and management goals to ensure the diversity of its members?</p>	V		To achieve sustainability and balanced development, the level of the Company's Board of Directors has been diversified in order to reach the strategic goal and maintain sustainability as the key factor. when the Company set up the composition of the Board of Directors, will consider the diversified members in various ways, including but not limited to gender, age, culture and educational background, race, professional experience, skills, knowledge, and service period. The Board of Directors all appointments are based on the principle of meritocracy, and the benefits of the diversity of board members are fully taken into account with objective conditions when considering candidates.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
<p>(2). Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p>	V		<p>(1) New product and technology development review meeting: Use the regular meeting to review the new product before they are put into development and discussion of implementing the new technology/ concept and rely on borrowed professional managers from each department, to give full experience and wisdom on the organization and professional area, will also check together the new product development and new technology/concept implement.</p> <p>(2) Human resource review meeting: Due to the occurrence of special rewards or major punishments, the review meeting is held irregularly, so that to have a fair and equitable reward and punishment mechanism for the Company and its employee.</p> <p>(3) Labor-Management Conference Committee and Labor Retirement Reserve Fund Supervision Committee: it is operating according to the law.</p>	According to Article 28 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" to set up the Remuneration Committee and other committees related to Corporate Governance, the Company will gradually start planning to establish it.
<p>(3). Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and a nomination for re-election?</p>	V		The Company formulated the "Board of Directors Performance Evaluation Method" in 2020, currently, through the executive unit to do a self-check on the Board of Directors procedures and operation management every year, in order to ensure the operation of the Board of Directors is following the related law to executing.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
<p>(4). Does the Company regularly evaluate the independence of CPAs?</p>	V		The Company regularly evaluates the independence before to appointed accountants every year and none of the CPAs is a related person to the Company, for the audit and non-audit public expenses have been approved by the report to the Board of Directors, and obtain the " Total independent statement" to enhance the independence of financial public information, through the result to evaluation, it complies with the Company's independence evaluation, the related assessment item please refer to the accountant information in this annual report.	No deviation from Articles 29 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
4. Does the TWSE/TPEX listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?	V		The Company has set up a part-time corporate governance unit to push the corporate governance practices, such as the marketing unit, human resource unit, etc., providing at least services as below: consulting opinions from each director before the Board of Director meeting, planning the agenda, and notifying all directors before the meeting's legal deadline also provides the relation meeting information, in order to let directors understand the content of the related issues, make the meeting minutes after the meeting, and provide the record content to directors within the regulation deadline. Make the performance evaluation on individual directors every year, handle matters of shareholders' meetings according to the law every year, make meeting minutes, handle company registration and change registration; matters related to investor relations, etc.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up the stakeholder's area on the Company website (http://www.ir-cloud.com/taiwan/6160/irwebsite_c/pages.php?id=13) and assigned a dedicated person to handle the affairs of different interested parties, they are spokespersons, acting spokespersons and investor relations, and other related units, also have a public e-mail on the Company's website and the dedicated person is responsible for it, to enhance the communicated channel is smooth and maintain the legal right of the stakeholder's	No deviation from Articles 51 to 54 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
6. Does the Company appoint the professional stock affair agency to handle the affairs of the shareholders' meeting?	V		The Company appointed the Yuanta professional stock affairs agency to handle stock affairs according to law.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
7. Information Disclosure (1). Has the Company established a website that discloses financial, business, and corporate governance-related information? (2). Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing a spokesperson system, disclosing the process of institutional investor conferences on the Company website and etc.)? (3). Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?	V		The Company set up the " stakeholder's area" with Chinese and English versions on the Company's website http://www.ir-cloud.com/taiwan/6160/irwebsite_c/ . regularly disclose each matter, financial information, and important messages to shareholders for reference. In addition, the Company has disclosed important regulations such as fund lending and endorsement guarantee procedures, procedures for acquisition and disposal of assets, and internal audit operations on the Company website. Implement the spokesperson system, designate a dedicated person to be responsible for the collection and disclosure of public information, and provide it to the spokesperson, acting spokesperson, and relevant business departments to answer questions from interested parties and competent authorities. Currently, the Company actively estimated the feasibility of announcing and filing the quarterly financial report and monthly	No deviation from Articles 55 to 58 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			operation status in advance.	
8. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of stakeholders, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		<p>(1) The right and care of employees: To formulate all kinds of employee welfare measures, training, and retirement system in order to maintain the right of employees, and formulate employee safety and health regulation according to the law for the daily management</p> <p>(2) Employee care: The Company has a general manager mailbox to establish a direct communication channel with employees; at the same time, a dedicated window has been set up in accordance with the Gender Equality in Work Act to respect the human rights of employees and express the Company's concern for colleagues.</p> <p>(3) Investors relationship: the Company set up the spokesperson acting spokesperson and investor relationship department, expect to be a good communication bridge between the Company and investors. Also, set up the investor's contact information and automatic email notification services on the Company website (with English version) and provide the appropriate and reasonable answers to reply to the calling in order to maintain communication with investors.</p> <p>(4) Supplier relationship: the Company formulated the main point of supplier operations management, keeping smooth communication channels with suppliers and holding the integrity principle when working with them.</p> <p>(5) The right of shareholders: the Company has been committed to technological innovation, through developing new technology and high additional value of new products, to creating a working environment for employees to grow, and seeking stable investment returns for shareholders through revenue and profit growing, pursuing the maximum value of shareholder, employee and the whole society. Also, set up the investor's contact information and automatic email notification services on the Company website (with English version) and provide the appropriate and reasonable answers to reply to the calling in order to maintain communication with investors.</p> <p>(6) The training status of the directors and supervisors: The directors and supervisors of the Company all have related financial, business, accounting, and information backgrounds, and the training status has been posted on MOPS according to the law. At the same time,</p>	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>the appointed CPA and legal personnel also provide the appropriate legal consulting service to assist improve their relevant legal literacy and prevent the possibility of breaking the law.</p> <p>(7) The implementation status of risk policy and risk evaluation standards: The risk management and evaluation standards are through the chairman's office, president's office, audit office, and financial office of each unit to comprehensively be responsible for implementing the risk policy and executing risk measurement.</p> <p>(8) The implementation status of customer policy: The Company's daily operations are according to the related regulation and laws to formulate the system to let employees follow and also set up the legal unit to help sales or customers' rights and other complaints, the audit office will check and disclose according to the procedures</p> <p>(9) The status of the Company's purchase of liability insurance for directors and supervisors: The Company has purchased US\$8 million liability insurance from Fubon Property & Casualty Insurance for directors, supervisors and key employees</p>	
9. Please describe improvements that have been made about the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved.(Companies not included in the evaluation do not need to fill in)	V		<p>In 2022, the Company make an evaluation according to the evaluation indicators of the corporate governance center. The evaluation results were announced on April 27,2023, and the Company got 69.84 points. The evaluation results of TPEX Listed companies are listed in the range of 21~35%. Please refer to the following (Appendix 1) for the improved status in 2021, and for the summary with an overall score higher than 65% of the unscored questions and improvement status of the 2022 corporate governance evaluation results , please refer to the following (Appendix 2)</p>	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Appendix 1. The improved items of corporate governance evaluation that released in 2022

No.	Evaluation Index
2.2	Does the Company formulate a policy on the diversity of board members, and disclose the specific management objectives and implementation status of the diversity policy on the Company's website and annual report?
2.7	Whether the Company's independent directors take over one-third of the directors' seats?
2.24	Does the Company establish an cyber security risk management framework, formulated cyber security policies, specific management plans, and invested resources in cyber security management, and disclosed them on the Company website or annual report?
2.27	Does the Company formulate an intellectual property management plan linked to operational goals and disclose the implementation status on the Company website or annual report, and also report to the Board of Directors at least once a year?
3.12	Does the Company's annual report disclose a specific and clear dividend policy?
3.13	Does the Company's annual report voluntarily disclose the individual remuneration of directors and supervisors?
3.14	Does the Company's annual report disclose the relationship between directors' and managers' performance evaluation and remuneration?
3.21	Does the Company's annual report voluntarily disclose the individual remuneration of the president vice president?
4.2	Does the Company set up a dedicated (part-time) unit to promote corporate integrity management, responsible for the formulation and supervision of the integrity management policy and prevention plan, and explain the operation and implementation of the establishment unit on the Company website and annual report, and report to the Board of Directors at least once a year?
4.6	Does the Company formulate human rights protection policies and specific management plans with reference to international human rights conventions, and disclose on the Company website or annual report?

Appendix 2. The summary and Explanation of 2022 Corporate Governance Evaluation Results on the overall scores higher than 65% and unscored questions type and improvements

No.	Evaluation Index	Things to be improved and measures to be strengthened
1.13	Does the Company has over half directors(including at least one independent director) and the convener of the audit committee (or at least one supervisor) attend the regular shareholders' meeting in person, and disclose the attendance list in the meeting minutes?	The directors and the convener of the audit committee will be invited strongly to attend the regular shareholders' meeting in person, and the attendance list will be disclosed in the meeting minutes.
2.25	If the independent directors of the Company have completed the training according to the number of hours specified in the "Implementation Points of Training for Directors and Supervisors of TWSE/TPEX Listed Companies" (If all the directors and supervisors have completed the training according to the regulation, the total score can be added one more point)	The independent directors of the Company have selected appropriate training courses for further training on weekdays, but the hours have not reached the standard, and independent directors will be asked to complete the training hours as soon as possible.

(4)The Composition, Responsibilities and Operation of the Remuneration Committee , If the Company has established Remuneration committee:

1. The information of Remuneration Committee members

December 31,2022

Capacity	Qualifications	Professional qualifications and experiences(Note 1)	Independence status	Number of other public companies at which the person concurrently served as the remuneration committee member
	Name			
Independent Director (convener)	Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Director of Weitech Int. Co., Ltd	Note 2	1
Independent Director	Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. - Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department	Note 2	0
Independent Director	Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology Inc. Director of Machvision Inc.	Note 2	0

Note 1 : None of the directors of the Company has any circumstance under any subparagraph of Article 30 of the Company Act

Note 2 : Independent status as below:

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Not a director or supervisor of a company or its affiliated enterprises.
- (3) Natural person shareholders who are not themselves and their spouses, minor children, or others who hold more than 1% of the Company's total issued shares or hold the top 10 shares.
- (4) Not spouses, relatives within the second degree of kinship, or direct blood relatives within the third degree of kinship of persons not listed in the preceding three paragraphs.
- (5) Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company
- (6) No amount of remuneration was received for providing business, legal, financial, accounting, and other services to the Company or its affiliated companies in the past two years.

2. Duties and responsibility range of Remuneration Committee

A. The duty of the remuneration committee is to evaluate the Company's directors and managers remuneration policy and system in a professional and objective position and make recommendations to the Board of Directors for reference in its decision-making.

B. Responsibility range :

- (1) The remuneration committee shall exercise the care of a good administrator in faithfully performing its official powers and shall submit its recommendations for deliberation by the Board of Directors:
- (2) Proposals on supervisors' remuneration are submitted to the Board of Directors for discussion, but only if the supervisors' remuneration is stipulated in the Company's articles of incorporation or the resolution of the shareholders' meeting authorizes the Board of Directors to handle it:
 - I、 Periodically reviewing this Charter and making recommendations for amendments.
 - II、 Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers
- (3) The committee shall follow the following principles when performing the functions and powers of the preceding paragraph:
 - I、 To ensure the arrangement of remuneration is complying with related regulations and is enough to attract the excellent talented people.
 - II、 The performance evaluation and remuneration of directors, supervisors, and managers should refer to standards in the same industry and consider the time invested by each person and the responsibilities should take, the status of the achievement goal, the performance in other positions, and the salary that the Company gives to the same level position and also through the achievement of company's short-term and long-term business goals and the Company's financial status to evaluated the rationality of the relationship between individual performance and the Company's operating performance and future risks

- III ∙ Should not guide the directors and managers to exceed the Company's risk behaviors in order to pursue remuneration.
- IV ∙ The percentage of directors and senior managers' short-term performance bonuses and the date of part of variable salary payment is should determine by considering the characteristics of the industry and the feature of the Company's business.
- V ∙ The member of the committee is not allowed to join the discussion and vote to determine their personal remuneration decision.
- VI ∙ The remuneration referred to in the previous paragraph includes cash remuneration, stock options, dividends, retirement pensions or severance pay, various allowances, and other measures with substantial rewards; the category is insistent with the record item guidelines about the remuneration for Directors, Supervisors, and Managers of the listed company's annual report.
- (4)When the Board of Directors discusses the suggestion of remuneration, it should consider matters like the amount of remuneration, the payment method, and the future risk of the Company.
- (5)The remuneration of the directors and managers of the subsidiaries of the Company needs to be approved by the Board of Directors as follows the subsidiary defines the decision matters, it should provide the proposal from this committee and then submit it to the Board of Directors for discussion.
3. Operation of Remuneration Committee
- A ∙ The total number of members in the Remuneration Committee amounts to three persons.
- B ∙ The term of office for the current members: June 21, 2022 to June 20, 2025. In the most recent year, a total of 3 (A) meetings were held by the Remuneration Committed. The attendance is as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Hu, Chiu-Chiang	3	0	100%	
Member	Chen, Wen-Yu	3	0	100%	
Member	Yu, Ming-Chang	3	0	100%	
Other matters required to be recorded:					
(1) If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g., if the amount of remuneration passed by the Board of Directors has a discrepancy with the recommended amount by the Remuneration Committee, the circumstances and cause for the difference shall be specified): The Company's Board of Directors has adopted the recommendations of remuneration committee					
(2) If resolutions of the Remuneration Committee are objected by members or become subjected to a qualified opinion, which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions, and the response to members' opinions should be specified: The meeting minutes of the Company's remuneration committee have been clearly recorded, and there are no special situations such as objections or reserved opinions.					

4. Proposal discussed and relocation result by the Remuneration Committee and the Company's treatment to the Remuneration Committee's opinions is as the following:

Date of meeting	Term	Proposal in the meeting	Resolution	The Company's treatment to the Remuneration Committee's opinions
2022/03/30	The 4 th term, the 6 th meeting	The 1 st case: The 2021 year-end bonus case of the Company's managers. The 2 nd case: 2021 the remuneration distribution suggestion case of the Company's directors, supervisors, and employees.	Approved the case with no objection. Approved the case with no objection.	None None
2022/08/03	The 5 th term, the 1 st meeting	The 1 st case: The 2021 director's remuneration distribution case of the Company. The 2 nd case: The current newly selected independent director's remuneration case.	Approved the case with no objection Approved the case with no objection	None None
2022/12/29	The 5 th term, the 2 nd meeting	The 1 st case: The 2021 deliberation proposal on the actual allocation amount of employee remuneration and incentive bonus to each Manager	The manager discussed in this case includes the distribution amount of Mr. Steven Liao, the general manager and chairman of the Board of Directors. According to the requirements of the law, he avoids his own interests in the resolution process, and does not participate in the discussion and voting of personal remuneration. Passed without objection	None

5. The information for Nomination Committee Member and Implementation status :

A. The nomination committee member of the Company has a total of 5 members

B. The current Nomination Committee is from June 21, 2022 to June 20, 2025. The number of Nomination Committee held in most recent year is: 0 (A) .The qualification, experience and attend status , discussed items as follows:

Title	Name	Professional qualifications and experience	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B / A) (Notes)	Remark
Convener	Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Weikeng Industrial Co., Ltd	-	-	-	No meeting was held in 2022.
Member	Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. - Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department	-	-	-	
Member	Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology Inc. Director of Machvision Inc.	-	-	-	
Member	Tsai, Yu-Ping	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman of Meitung Limited	-	-	-	
Member	Mr. Steven Liao	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Cipher Lab Co., Ltd	-	-	-	
<p>Other information required to be disclosed: Describe the date of the meeting, the period, the content of the meeting, the content of recommendations or dissenting opinions of the nomination committee members, the resolution result of the nomination committee, and the measures taken by the Company with respect to the nomination committee members' opinions. No meeting was held in 2022.</p>						

Note:

- (1) If any nomination committee member left the committee before the end of the fiscal year, specify the date that they left the committee in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of nomination committee meetings held and the number they attended in person during the period they were on the committee.
- (2) If any by-election for nomination committee members was held before the end of the fiscal year, the names of the new and old committee members should be filled in the table, with a note stating whether the member left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of nomination committee meetings held and the number attended in person during the period of each such person's actual time on the committee.

(5) Implementation status of promoting sustainable development and discrepancies with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
1. Does the Company have a governance structure that promotes sustainable development, establishes a special unit, or designates an existing unit and the Board of Directors of the Company authorizes the senior level management to handle relevant matters and the Board of Directors supervise relevant matters?	V		<p>Following the vision and mission of the Company's ESG policy, it is planned to establish the "Sustainable Development Committee" officially in 2023, which is the highest level sustainable development decision-making center of the internal company, it has been convened "cross-department communication" before established, and formulated sustainable development promotion team, the head of corporate governance is responsible for promoting corporate governance, and the chairman office is responsible for promoting the corporate social responsibility, the officer of the manufacturing is responsible for promoting environmental protection management, through all different fields senior level managers to review the core operating ability of the Company together, in order to formulate medium and long term sustainable development plan.</p> <p>The "Sustainable Development Committee" serves as a cross-departmental communication platform for upper-lower integration and horizontal connection. Through the irregular meetings and task groups set up according to the issues to identify the Company's operating and shareholder concerns the objects and sustainable development issues, to draft the response strategies and working guidelines, prepare the budgets for each organization and sustainable development, to plan and implement the annual plan also tracking the implement performance at the same time, ensure the sustainable development strategy is fully implemented in the Company's daily operations. Each sustainable development promotion group of "Sustainable Development Committee" report to the Board of Director about the implementation performance of sustainable development and future work plan at least once a year. Before "the sustainable development committee established it has been convened a "cross-department communication meeting". Until the end of March 2023, the proposal content included (1) Identifying the sustainable issue which needs to be focused on in order to plan the corresponding action plans (2) Amending the goal and policy of the related sustainable issue (3) Supervising the implementation of sustainable operating matter and evaluate the implementation status.</p> <p>After establishing the "Sustainable Development Committee" officially in 2023, it's planned to report to the Board of Directors at least once per year, it is expected to report to the Board of Directors about the Company's strategy of sustainable development promotion team, the Board of Directors has to judge the possibility of success of these strategies and has to review the progress of the strategies and also urge the sustainable development promotion group to make adjustment as needed.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
2. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with the materiality principle and established the corresponding risk management policies or strategies?	V		<p>1. According to the analysis based on the materiality principle and communication with internal and external stakeholders, and through reviewing in and out of the country research reports, and literature and integrating assessment data from each department and subsidiaries, so that to evaluate the importance of ESG issues, formulate the effective identification and evaluate the assessment, supervise, and control risk</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons												
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			<p>management policies and take specific action plans to reduce the impact of related risks.</p> <p>2. Based on the risk after assessing, formulate relevant risk management policies or strategies as follows:</p> <table border="1"> <thead> <tr> <th>Important issue</th> <th>Risk Assessment Project</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td>environment</td> <td>Environmental impact and management</td> <td> <p>1. The Company will through the implementation of production process safety management and systemized management cycle to reduces pollution emissions effectively and the impact on the environment.</p> <p>2. The Company's market covers the world, and its products must comply with environmental protection regulations and have passed the certifications of Germany TUV 9001 quality assurance, ISO14001 environment, and CCC in China.</p> </td> </tr> <tr> <td></td> <td>Give back to society / Environmental protection</td> <td> <p>The Company is aware of the corporate social responsibility of "Taking from the society and Using it for the society", it took action to care for the society and gradually expand care and participate in social non-profit organizations and other related activities. The Company held the beach cleaning activity on November 5, 2022, and invited all employees to participate, using the action to support and build a happiness city together.</p> <p>Through the way of cleaning the beach, bending down and moving our hands, rethinking our relationship with the environment, and learning how to be friendly to the land and ocean, doing tiny efforts for the earth together.</p> </td> </tr> <tr> <td>Society</td> <td>Occupational safety</td> <td> <p>The Company has set up a dedicated person for labor safety and health management and an emergency and hold health checking and safety and health education training for employee every year in order to maintain the health, and safety of the employee, and provide the employee with fire drill regularly of every year and routine the "Labor safety and health education series" training for employees.</p> </td> </tr> </tbody> </table>	Important issue	Risk Assessment Project	Explanation	environment	Environmental impact and management	<p>1. The Company will through the implementation of production process safety management and systemized management cycle to reduces pollution emissions effectively and the impact on the environment.</p> <p>2. The Company's market covers the world, and its products must comply with environmental protection regulations and have passed the certifications of Germany TUV 9001 quality assurance, ISO14001 environment, and CCC in China.</p>		Give back to society / Environmental protection	<p>The Company is aware of the corporate social responsibility of "Taking from the society and Using it for the society", it took action to care for the society and gradually expand care and participate in social non-profit organizations and other related activities. The Company held the beach cleaning activity on November 5, 2022, and invited all employees to participate, using the action to support and build a happiness city together.</p> <p>Through the way of cleaning the beach, bending down and moving our hands, rethinking our relationship with the environment, and learning how to be friendly to the land and ocean, doing tiny efforts for the earth together.</p>	Society	Occupational safety	<p>The Company has set up a dedicated person for labor safety and health management and an emergency and hold health checking and safety and health education training for employee every year in order to maintain the health, and safety of the employee, and provide the employee with fire drill regularly of every year and routine the "Labor safety and health education series" training for employees.</p>	
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			<p>Sustainable Development Quality Education Goals</p> <p>The Company considers UN SDGs' sustainable development of high-quality education as the goal and had the communication lecture with the education principal group "Ministry of Education's 2023 Year junior high and elementary School Principal Professional Learning Community" in March 2022, chairman and 14 Taipei city elementary schools principals have attended this lecture, sharing the entrepreneur's thinking and best practice experience in business management, and having in-depth exchanges and discussions with school principals on school affairs management. The Company has provided excellent-quality AIDC(Automatic Identification and Data Capture) software and hardware equipment for many years, in order to combine digitalization to enhance experience and create value and wish to further industry-university cooperation to optimize the growth environment and work together for the sustainable development of society.</p>	
			<p>Give back to society / Environmental protection</p> <p>The Company is aware of the corporate social responsibility of "Taking from the society and Using it for the society", it took action to care for the society and gradually expand care and participate in social non-profit organizations and other related activities. The Company held the beach cleaning activity on November 5, 2022, and invited all employees to participate, using the action to support and build a happiness city together.</p> <p>Through the way of cleaning the beach, bending down and moving our hands, rethinking our relationship with the environment, and learning how to be friendly to the land and ocean, doing tiny efforts for the earth together.</p>	
			<p>Product Safety</p> <p>1. The Company's current products are totally compliant with the EU's RoHS Directive on Restricting the Use of Hazardous Substances in Electrical and Electronic Equipment so the recycling and disposal of waste electrical and electronic equipment can meet environmental protection requirements.</p>	

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			<p>2. In order to ensure the quality of customer service at the same time, the Company has established a customer communication website, it can handle the customer's complaints through the Company website or e-mail and actively do customer service satisfaction surveys every year to strengthen the cooperative relationship between customers.</p> <p>3. In order to transfer the risk of commodity liability, reduce the loss of finances and improve product safety, the Company has purchased product liability insurance.</p> <p>Corporate Governance</p> <p>Socioeconomic Regulation Compliance</p> <p>Through the established governance organization and implemented internal control mechanism to ensure that all company's employees and operations truly comply with related regulations of law</p> <p>Strengthen the functions of directors</p> <p>1. Plan the related training issue for directors and provide the director with the newest regulations, system development, and policy every year.</p> <p>2. Help directors to insure the liability insurance to protect them from lawsuits or claims.</p> <p>The communication of stakeholder</p> <p>1. In order to avoid different positions from stakeholders and the Company, causing misunderstandings raising business risks, etc., the Company's website has set up stakeholder concerns topics and communication methods.</p> <p>2. The Company seeks to maintain good cooperative relationships with stakeholders, hoping to through perfect communication to achieve the protection of their rights, the Company's website has set up a communication channel for stakeholders.</p>	
<p>3. Environmental Issue</p> <p>(1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</p>	V		<p>According to the industrial characteristics, the Company establishes the appropriate environmental management system including collecting and evaluating that effective and timely information on the effect on the natural environment caused by operating activity, setting up the measurable goal of environmentally sustainable, and regularly reviewing the sustainability and relevance of its development, formulate the specific plan or action plan, etc. executing behavior, and regularly reviewing the effectiveness of its operation.</p>	<p>No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</p>

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			The Company should establish an environment management dedicated unit or person in order to formulate, promote and maintain the environmental management system and specific action plans, and have environmental education classes for management and employees. The Company in order to fulfill its social responsibility to protect the earth's environment develops relevant processes and technologies to reduce the use of harmful substances in electronic and electrical equipment and enhance to provide excellent products, reasonable prices, and satisfied service as the guideline of business operating and request all suppliers provide the raw material which meets environmental requirements. Currently, all products of the Company meet the EU RoHS directive on the restriction of hazardous substances in electronic and electrical equipment, Restriction of the use of Hazardous substances, so that the recycling and disposal of waste electronic and electrical equipment meet environmental protection requirements. They have passed the Germany TUV ISO 9001 quality assurance, ISO 14001 environment, and CCC certification in China. Relevant materials comply with RoHS regulations to reduce the load and environmental impact.	
(2) Is the Company committed to enhancing the utilization efficiency of resources and using renewable materials with low impact on the environment?	V		Considering the influence of eco-effective and natural environment impacts, the related Energy saving and carbon reduction are : 1.Reduce and control office paper usage, lunch break time energy saving, and reduce unnecessary lighting, electricity-saving, and environment friendly. 2.Reduce the discharge of pollutants, toxic substances, and waste, and regularly and properly dispose of waste through contracted manufacturers. 3.Increase the recyclability and reuse of raw materials or products. 4.Extend the durability of products and increase the performance of products and services. 5.Use energy-saving LED flat lights to replace old lighting equipment gradually.	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(3) Has the Company assessed the potential risks and opportunities for business operations now and the future regarding climate change and will it adopt response measures relating to climate issues?	V		The Company adopts common standards or guidelines in and out of the country to implement corporate greenhouse gas verification and disclose them. The scope should include: 1. Direct greenhouse gas emissions: The source of greenhouse gas emissions is owned or controlled by the Company. 2. Indirect greenhouse gas emissions: The producer which inputs electricity, heat, and steam to produce energy. 3. Other indirect emissions: The emissions from company activities are not energy indirect emissions, but come from emission sources owned or controlled by other companies. The Company should count greenhouse gas emissions, water consumption, and total waste weight, formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction, or other waste management, and put the acquisition of carbon rights into the Company's carbon reduction strategy plan, and promoted accordingly to reduce the impact of the Company's business operations on climate change.	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(4) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste in the past 2 years. It formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water	V		The environment management system of the Company includes establishing an " Environmental policy" in order to " follow the environment protection	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
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consumption, or other waste management?			<p>regulations, keep requesting industry waste reduction, saving product energy use, implement environmental pollution prevention ", states the Company's determination to continuously improve and improve quality and environment.</p> <ol style="list-style-type: none"> 1. Carbon emissions: 300,691 kg in 2021 / 317,629 kg in 2022. (The source of the data is from Taipower Electricity Bill) 2. Water consumption: The Company does not need to consume water due to its operating characteristics. 3. Waste: 0 kg of hazardous waste in 2021 ,210 kg of non-hazardous waste in total / 0 kg of hazardous waste in 2022 and 194 kg in total of non-hazardous waste. (The source of the data is that Foli Enterprise Co., Ltd. is a Class A company engaged in the removal of general waste, general industrial waste and hazardous industrial waste. It is a special manufacturer entrusted by the Company to deal with waste removal. The removal license is 2020 New Taipei City Waste A Qing Zi No. 0118). <p>Relevant energy saving, carbon reduction, and waste management measures include:</p> <ol style="list-style-type: none"> 1. Reduce and control the usage of paper at the office, saving power during lunchtime regularly and reduce unnecessary lighting features to save electricity and environment friendly 2. The material and parts of the current main production products of the Company have met the requirement of environmental protection, the supplier management department has notified the suppliers of the environmental protection specifications, established a green supply chain, regularly implemented audits, and appropriately replaced unsuitable suppliers and continuously improve the materials used in this product, reduce waste generation, and achieve the goal of reducing carbon emissions. 3. Strengthen waste recycling and resource recovery to achieve the purpose of waste reduction. 4. Reduce the emission of pollutants, toxic substances, and waste, and regularly and properly dispose of waste through contracted manufacturers. 	
<p>4. Social Issues</p> <p>(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p>	V		<p>The Company agrees and voluntarily follows "International human rights conventions", " The United Nations Global Compact ", "The International Labor Office Tripartite Declaration of Principle "and "The United Nations Guiding Principles on Business and Human Rights", formulated and passed " the Company's human rights policy" in November 2022 to prohibit any violations and violations of human rights, and also announced it on the Company's website. Based on this, it can fully protect employees' legal rights and enhance the human rights awareness of the employee and partner in order</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies

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			<p>to promote the positive development of society.</p> <p>The human rights management policy of the Company and specific plans and performance are as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Plan and Performance</th> </tr> </thead> <tbody> <tr> <td>Diversity inclusive and equal opportunity</td> <td> <ol style="list-style-type: none"> 1. By the local government labor law and international regulations and implement internal related regulations. 2. Provide employees with the agender equal and diverse working environment, keeping open, fair principles not because the personal gender, race, class, age, marriage, language, thought, religion, policy party, place of birth, outlook, facial features, physical and mental disabilities to have any language, attitude, and behavior of discriminatory, and work together to create a dignified, safe, equal and free from discrimination and harassment working environment. </td> </tr> <tr> <td>Prohibition of forced and compulsory labor</td> <td> <ol style="list-style-type: none"> 1. Respect employee's willingness, forbidden of force, and have set up the appeal channels 2. The working hours of employees are based on the agreement between the employer and staff as the principle, the Company arranges the attendance hours, shifts, schedule, and break time according to the laws and operating status. Due to the actual needs of working, after the employer and staff meeting approval, the normal working time can be extended, the extended working time will comply with the regulation of labor law and should provide the application for the overtime fee and compensatory leave. </td> </tr> <tr> <td>Child labor is forbidden</td> <td>In order to protect the physical and mental health of minors, the hiring standards comply with the minimum age limit of the local regulations.</td> </tr> <tr> <td>Reasonable salary and working conditions</td> <td> <ol style="list-style-type: none"> 1. Provide employees with a reasonable salary and related benefits according to the law and regulations 2. Under the premise of stabilizing the life of employees and improving work efficiency, provide all kinds of welfare measures. </td> </tr> <tr> <td>Health and Safety Workplace</td> <td> <ol style="list-style-type: none"> 1. Keep pushing for the improvement of the plan/project 2. Establish safety and healthy working environment, reduce the risk of workplace safety and health, promote the physical and </td> </tr> </tbody> </table>	Item	Plan and Performance	Diversity inclusive and equal opportunity	<ol style="list-style-type: none"> 1. By the local government labor law and international regulations and implement internal related regulations. 2. Provide employees with the agender equal and diverse working environment, keeping open, fair principles not because the personal gender, race, class, age, marriage, language, thought, religion, policy party, place of birth, outlook, facial features, physical and mental disabilities to have any language, attitude, and behavior of discriminatory, and work together to create a dignified, safe, equal and free from discrimination and harassment working environment. 	Prohibition of forced and compulsory labor	<ol style="list-style-type: none"> 1. Respect employee's willingness, forbidden of force, and have set up the appeal channels 2. The working hours of employees are based on the agreement between the employer and staff as the principle, the Company arranges the attendance hours, shifts, schedule, and break time according to the laws and operating status. Due to the actual needs of working, after the employer and staff meeting approval, the normal working time can be extended, the extended working time will comply with the regulation of labor law and should provide the application for the overtime fee and compensatory leave. 	Child labor is forbidden	In order to protect the physical and mental health of minors, the hiring standards comply with the minimum age limit of the local regulations.	Reasonable salary and working conditions	<ol style="list-style-type: none"> 1. Provide employees with a reasonable salary and related benefits according to the law and regulations 2. Under the premise of stabilizing the life of employees and improving work efficiency, provide all kinds of welfare measures. 	Health and Safety Workplace	<ol style="list-style-type: none"> 1. Keep pushing for the improvement of the plan/project 2. Establish safety and healthy working environment, reduce the risk of workplace safety and health, promote the physical and 	
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			<p>mental health of the employee, in order to reach the balance between work and life, and held safety and health, fire control, etc., and related education training irregularly, adopt necessary preventive measures to prevent occupational disasters happen, in order to reduce the dangerous factors of the working environment.</p> <p>Harmony Labor Relations</p> <ol style="list-style-type: none"> 1. Establish a gender-equal workplace, the Company implements the Unpaid Parental Leave for Raising Children system, at the same time, also provides colleagues with family care leave, menstrual leave, maternity leave, paternity leave, and breastfeeding rooms, etc. 2. Provide diverse and open communication channels, hold employer and staff meeting regularly, strive to promote harmony between employer and labor, create a good employer-staff relationship, and effectively mediate differences of opinion, if the Company operating activity and internal management changes have a significant impact on labor rights it should communicate through the labor -staff meeting to process the good two-way communication <p>Appeal system</p> <p>The Company in order to achieve the goal of colleagues' complaint cases with fair handling, has set up a smooth complaint channel so that the following situations can be fully conveyed. When employees have all kinds of problems within the Company, they can file complaints with all level's supervisors, and human resources units through the Company's complaint channels, and the Company has a mechanism for processing. In addition, in order to maintain gender equality in work and provide employees and job seekers with a working and service environment free from sexual harassment, a dedicated complaint telephone, fax and e-mail address for sexual harassment prevention are set up. During the investigation of the complaint, it is handled in a confidential, and the name of the complainant or other relevant information sufficient to identify the complainant is not disclosed to protect the complainant. Regarding the content of the resolution of the appeal investigation, the complainant and the respondent are also informed in</p>	

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			<p>writing. If the complainant or the respondent has any objection to the resolution of the appeal case, they can also re-submit a complaint to the Company.</p> <p>Privacy protection The Company in order to protect the human rights and privacy of customers, established a comprehensive information security management mechanism and followed strict control regulations and protection measures.</p>	
(2) Has the Company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits) and appropriately reflect the business performance or achievements in the employee remuneration?	V		<p>The Company has related the main point and implemented reasonable employee welfare measures</p> <p>1. Employee Remuneration: (1) The achievement bonus and year-end bonus are distributed after considering the current seniority and annual performance evaluation in order to motivate the colleagues to fight for the Company's goals (2) Employee remuneration is according to the Company's article of incorporation, it will be calculated by 0.5~10% of the Company's current year profit (3) Telephone allowance for managers level (4) Long-service bonuses (5) Talent recommendation rewards.</p> <p>2. Employee activities and benefits: The Company established an employee welfare committee to distribute allowance according to the law every year, plan, and provide good quality welfare for colleagues, the actual implementation is as below: The allowance for employee travel and employee social activities, and holding employee activities from irregularly, movie night activity, traveling activities, enriching the leisure life of employees, annual festival and birthday gift card or gifts, marriage allowance, funeral ceremony or wreath, maternity hospitalization condolences.</p> <p>The vacation system, it's based on a fixed 2 days of weekends giving the employee 10 days of annual leaves per year when the employee is serving over one year (the employee who not serving over one year will giving annual leave according to the ratio). The employee who needs a long time left due to baby care, major injuries, or major accidents can also apply for parental leave and leave without pay to balance personal and family care needs.</p> <p>3. Diversification and equality in the workplace: To achieve equal salary for equal work and equal promotion opportunities for different genders, and to maintain over 20% female manager positions to promote sustainable and inclusive economic growth. The female employee average takes 44% and the female manager average take 28.5% in 2022. The Company attach great importance to employee's right and benefits and share the profits earned with employees, maintain a good working environment, including all group's physical and mental care. (1) Hiring the disability employee to reach 100% target and customize the appropriate job and environment facility (2) Implementing the empowerment of women in a friendly workplace, so that colleagues of all genders can work with peace of mind.</p> <p>4. Employee care and health: Labor insurance/Health insurance/Group insurance/Business trip safety insurance, annual leave, 2 days weekend, health check, set up "Massage station" provide the massage service,</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
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			<p>compliance with Article 34 of Occupation Safety and Health Committee and its implementation regulations, formulate "Workplace Health and Safety Rules", labor retirement system.</p> <p>5. Employee's family and life: CipherLab child care center measure, nursing room.</p> <p>6. The education and development of employees: Training for new employees, training allowance, patent awards, computer allowance, humanistic reading weekly, newspaper and magazines.</p> <p>Business performance is reflected in employee remuneration</p> <ul style="list-style-type: none"> Article 20 of the Articles of Incorporation If the Company makes a profit in the current year, 0.5%~10% will be allocated as employee remuneration and no more than 3% of profit as director compensation. But if the Company still has accumulated losses, it should reserve them in advance to make up for the losses, and according to the aforementioned ratio allocate employee remuneration and director remuneration. The aforementioned employee remuneration can be paid in stock or cash, the recipients of remuneration included employees of affiliated companies who meet conditions. The aforementioned director's remuneration should be paid in cash only. The overall salary policy The Company participated in the market salary surveys every year, according to the standard of market salary, economic trends, and personal performance to adjust salary, in order to maintain overall salary competitiveness. In 2022, the Company Taiwan region included manager positions and non-manager positions, the average annual salary increase was 2%. 	
(3) Does the Company provide employees with a safe and healthy work environment and regularly provide safety and health education to employees?	V		<p>Occupational Safety and Health policy: The Company follows the Occupational Safety and Health Act, respects the safety and health requirements of relevant interest groups, and takes disaster prevention and disaster prevention as the core concept to build a healthy and safe workplace.</p> <p>The Company has set up a dedicated person to take care of Workplace Health and Safety Rules and first-aid and held employee health checks and health and safety training in order to keep employees healthy and safe, train the employee with the "Labor Safety and Health education series" for training and practice.</p> <p>The number of employee occupational accidents in 2022: 2 accidents, 2 people (Take 0.8% of total employee number in 2022)</p> <p>Related publicity or improvement regulations:</p> <ol style="list-style-type: none"> Formulate labor safety rules, prevent occupational accidents, and maintain the safety and health of the Company's workplace. Implement safety and health education and training, and strengthen publicity. Implement emergency response regulations and drills. Education and training on firefighting, fire prevention, and AED operation. Emergency person training. 	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

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			<p>6. Employee health check.</p> <p>7. Prevent hazards caused by radiation or noise.</p> <p>8. Implemented work environment monitoring twice every year to ensure the safety of employee's workplaces.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Occupational Safety Education and Training Hours</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>300.0 Hours</td> </tr> <tr> <td>2021</td> <td>133.5 Hours</td> </tr> </tbody> </table>	Year	Occupational Safety Education and Training Hours	2022	300.0 Hours	2021	133.5 Hours	
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2021	133.5 Hours									
(4) Does the Company establish effective training programs for employee's career development?	V		<p>The Company focuses on the quality of products improvement and the ability of R&D innovation from employees, in order to create a better environment for employee career development, formulate the employee training regulation, encourage employees to participate in all kinds of professional skill training in addition to cultivating employees' professional functions, and further expanding employees' international vision, understand the industry market trends and technical capabilities.</p> <p>Besides the training for new entering employees, through the internal lecturers and E-learning platform, assist the new employee to understand the Company's culture and fast integrate into the business operating. The Company also has a training subsidy, if the employee is assigned to attend an external training class by the supervisor, the training fee will be covered by the Company, and if the employee due to personal learning wishes and is approved by the responsible supervisor, the Company will subsidize part of the training costs. Let employees make full use of company resources to achieve the purpose of self-learning and growth.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect rights of the consumers and customers and for their appeal procedures?	V		<p>The Company upholds responsibility for products and treats "customer satisfaction" as the guild of business operations, implementing each consumer's right, and the whole product information has been provided, including the customer service and repair warranty after selling, there is no exaggeration and false advertising. All appeals for products and services can be processed by the Company's website or e-mail, using a "Positive active way" to deal with customer complaints and approach customer complaints, analyze and improve the content of customer complaints to prevent similar things from happening again.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
(6) Has the Company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental, occupational safety, and health or labor rights?	V		<p>The Company focuses on the quality of products improvement and the ability of R&D innovation from employees, in order to create a better environment for employee career development, formulate the employee training regulation, encourage employees to participate in all kinds of professional skill training in addition to cultivating employees' professional functions, and further expanding employees' international vision, understand the industry market trends and technical capabilities.</p> <p>The Company established the supplier counseling project, through supplier selection, audit counseling, etc., based on the cooperation to implement sustainability into the daily management of supply chain.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
5 Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Does the Company obtain the confirmation or affirmation opinion from a third party for the aforementioned reports?		V	<p>To prepare and declare the sustainability report as the corporate governance 3.0 sustainable development blueprint to promote the instruction specifically, but the paid-in capital of the Company is NT\$680,000,000, didn't meet the requirement to prepare a sustainability report so didn't have a sustainability report, it will be followed when the regulations of competent authority are</p>	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons and adopts related policy in the future: To prepare and declare the sustainability report as the corporate governance						

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			applicable in the future.	3.0 sustainable development blueprint to promote the instruction specifically, but the paid-in capital of the Company is NT\$680,000,000, didn't meet the requirement to prepare a sustainability report so didn't have a sustainability report, it will be followed when the regulations of competent authority are applicable in the future.
<p>6. If the Company has its own regulations established according to the “Sustainable Development Best Practice Principles for TWSE/GTSM ListedCompanies”, please describe the differences between its implementation and the established Principles: The Company's the Board of Directors has approved to formulated “Corporate Society Responsibility Best Practice Principle” on December of 2011, and have approved the amendment by the Board of Director in March 2023, in order to enhance the implement of CSR. The Company will follow this principle to review the implement status and making improvement, until now there is no deviation.</p>				
<p>7. Other important information that helps to understand the implementation of sustainable development:</p> <ol style="list-style-type: none"> 1. The Company has paid taxes in accordance with the law and fulfilled its obligations of the Company. In the meantime, all employees of the Company have spared no effort to donate money to give back to society, extending the tentacles of care all over the world. 2. To coordinate labor-management relations, regular labor-management meetings are held by the law to explain and respond to employees' doubts about related labor laws and regulations, to promote the development of employees' human rights, and will not discriminate to treat employees due to race, religion, nationality, and gender. 3. Provide equal employment Opportunities: when the Company hires employees will adopt the appropriate and applicable method regardless of race, gender, age, political orientation, or religious belief, and considers if the individual person has professional knowledge and skill to provide equal employment opportunities for the interview candidates and make sure all job is voluntary. 4. To fulfill social responsibility is the responsibility and obligation of the Company, the Company has approved the German TUV ISO 9001 quality assurance, ISO 14001 environmental certification, and CCC certification in China, use the material which meets the regulation of RoHs, the products have passed the 3rd party certified in order to meet international standards to maintain product output and safety, to reduce the loading and impact on the environment; in the meantime, keeping develop new technology to reduce the environmental pollution, through all kinds of the system to promote and establish completed written and procedural system so as to protect company assets and core technology. 				

Note 1: If “yes” is indicated for implementation, please describe the important policies, strategies, measures and implementation status; if “no” is indicated, please describe the deviation and causes of deviation in the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” column, as well as the planning for undertaking the relevant policies, strategies and measures in the future.

Note 2: The principle of materiality refers to those environmental, social and corporate governance-related issues having significant impacts on the Company's investors and other stakeholders.

Note 3: For the disclosure method, please refer to the Corporate Governance Center section of the Taipei Exchange website for sample template of best practice.

(6) Fulfilling ethical management and differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof: The Company has followed the Ethical Corporate Management to operating, comply with related regulations and internal control system honesty operating, and no deviation from “ Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies”.

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
1. Establishment of the ethical corporate management policy and programs (1) Does the Company establish an ethical corporate management policy that the Board of Directors approved and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	V		The Company has formulated "Ethical Management and Guidelines for Conduct " which are approved by the Board of Directors, it states clearly the coverage of ethical corporate policy, sets up preventing dishonest behavior plans, handling procedures, and reporting systems, and implements them accordingly. 1. The " Ethical Management and Guidelines for Conduct " has been disclosed on the Company's website publicly to express the policies and practices of integrity management. 2. The " purchased order sheet" that the Company provides to the supplier and the "Business Integrity Commitment Letter" signed by the supplier both express the policy and practice of integrity operation and commercial bribery and other improper commercial behavior gifts are prohibited. 3. The integrity management statement has been signed by the Company's directors and senior managers.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(2) Has the Company established a risk assessment mechanism against unethical conducts, analyzed and assessed business activities within their business scope on a regular basis that are at a higher risk of being involved in unethical conducts, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	V		Ethical Management and Guidelines for Conduct of the Company has listed all kinds of prevention plans and handling procedures for business activities with relatively high risks of dishonest behavior within the business scope, including forbidden provide or accept improper benefits, the handling procedures of accepting improper benefits, forbidden the facilitating payments and handling procedures, political donations handling procedures, charitable donations or sponsorships handling procedures, avoidance of interests, prohibition of engaging in unfair competition, prevention of products or services from harming interested parties, prohibition of insider trading, and confidentiality agreements, following and declaring the ethical management policy, and ethical management assessment before establishing business relationships explaining the integrity management policy to business partners, avoiding transactions with dishonest operators, the contract clearly stipulates ethical management, handling of company personnel involved in dishonesty. The handling of dishonest behavior by the Company has covered the preventive measures for the behaviors in Item 2 of Article 7 of the " Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies"	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
(3) Does the Company establish relevant policies that are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, the penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?	V		The Company's "Ethical Management and Guidelines for Conduct" have listed detailed behavior instructions, the violation of punishment, and the appeal system to implement.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
2. Implementation of ethical management (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		It is necessary to first evaluate the legitimacy of agents, suppliers, customers, or other business contacts, the ethical management policy, and whether they have ever been involved in dishonest behavior records before the Company establishes business relations with others, in order to ensure the fairness of their business operations, transparent and will not ask for, offer or accept bribes. The contract signed between the Company and the supplier of the transaction object clearly stated the terms of honest behavior: the "Purchase order" provided by the Company to the supplier of the transaction object and the "Business Integrity Commitment Letter" signed by the supplier all have clear terms of honest behavior forbidden commercial bribery, bribery, and other improper business gifts.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(2) Does the Company task a unit that reports directly to the Board of Directors and promotes ethical standards, making periodical updates (at least once a year) to the Board on business integrity management policy and the supervision of measures for prevention of unethical conduct?	V		The chairman's office of the Company as the dedicated unit, handling the amendment of Integrity Management Operational Procedures and Behavioral Guidelines, implementation, explanation, consulting service and notification content registration setting file, etc., related operating and supervising execution. It is responsible for assisting the Board of Directors and management level to formulate and supervise the implementation of Ethical operating policy and prevention plan to ensure Integrity Management Operational Procedures and Behavioral Guidelines implementation and report the implementation status to the Board of Directors at least once per year regularly. The implementation result of the Ethical operational policy has been reported to the Board of Directors on December 28, 2022, by the dedicated unit. Implementation status of Ethical management: 1. Education training: In 2022, the Company held internal education training in related ethical management (Corporate social responsibility and employee ethics, confidential information protection awareness training, business secret protection, etc.) the number of attendance is 86, the total is 43 person-hours. 2. Law compliance declaration: (1) On November 3, 2022, the Company sent an e-mail to the Company's chairman/president and all directors, and the Company's insiders to process the law compliance promotion of	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>the "Ethical Management and Guidelines for Conduct"</p> <p>(2) On July 4, 2022, and November 3, 2022, the Company sent an e-mail to all the Company's employees to process the law compliance promotion of " Ethical Management Procedures and Behavioral Guidelines"</p> <p>3. Reporting system: In 2022 and as of March 31, 2023, the Company's integrity complaint mailbox has not received any complaints and reports.</p> <p>4. Promise:</p> <p>(1) Directors and senior managers sign the integrity management statement.</p> <p>(2) The new employees have signed the business secrets and intellectual property rights confidentiality declaration statement, the total is 86pcs.</p> <p>5. The implementation status of the director's interest conflicts avoiding : There is no such thing</p> <p>6. In 2022, there is no violate the integrity of the operation by the Company's colleagues</p> <p>The Company's legal department is the dedicated unit to handling business secrets, responsible for formulating and implementing the Company's operating secrets, trademarks, patents, works, and intellectual property management, saving and confidentiality procedures and should review the implementation result regularly, making sure the operating procedures continue to be effective. The Company's dedicated unit should report to the Board of Directors on the matter of "Preventing products or services from harming stakeholders", the dealing way, and follow-up review and improvement measures.</p>	
(3) Does the Company have any policy that prevents conflict of interest and channels that facilitate the report of conflicting interests?	V		" Ethical Management and Guidelines for Conduct" of the Company have listed the policy of avoiding interest conflicts. When the Company's employees do business if they find out any conflicts of interest with themselves or the legal person they have represented or the situations that may allow them, their parents, children, or their interested parties to obtain improper benefits, they should report the related issue to their direct supervisor or the dedicated unit of the Company, the direct supervisor shall provide the appropriate guidelines.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(4) Has the Company implemented effective accounting and internal control systems to maintain business integrity? Do internal or external auditors review these systems on a regular basis?	V		The Company has a rigorous accounting system, dedicated accountants, financial units, and internal audit units, which execute daily internal control management and report to directors' meetings and the Board of Directors according to the law. The financial report	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			is certified by CPA to ensure the fairness of financial statements.	
(5) Does the Company conduct internal and external ethical training programs on a regular basis?	V		The Company held education training, and internal publicity for the employee regularly and arrange chairman, president, and senior management to convey the importance of integrity in order to implement the ethical management of the Company. In 2022, the Company held internal education training in related ethical management (Corporate social responsibility and employee ethics, confidential information protection awareness training, business secret protection, etc.) the number of attendance is 86, the total is 43 person-hours.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
3. Implementation of whistle-blowing system (1) Does the Company provide incentives and means for Employees to report malpractice? Does the Company dedicate personnel to investigate the reported malpractice?	V		The Company encourages internal or external employees to report dishonesty or improper behavior, according to the severity of the reported issue to give rewards, the internal employee who made false reports or malicious accusations, should have disciplinary action and with serious circumstances shall be dismissed. The Company has set up and announced the internal independently reported mailbox IA@cipherlab.com.tw on the internal website. Additionally, the "Purchase order" provided by the Company to the supplier of the transaction object and the "Business Integrity Commitment Letter" signed by the supplier all have clear terms of honest behavior forbidding commercial bribery, bribery, and other improper business gifts, it also has independently reported mailbox for internal or external employee of the Company to use. The Company has a dedicated unit to handle the reporting issue, if the reporting issue is involved by a general employee it should report to the head of the department, if the reporting issue is involved by directors and senior managers it should report to the independent directors. the dedicated unit and the manager who gets the report should investigate related truths immediately, and provide assistance from regulatory compliance or other relevant departments when necessary.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(2) Has the Company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?	V		The Company has set up standard operating procedures for the investigation of the reported issue : 1. The Company handle report issue and a related person should make a written statement to protect the identity of the whistleblower and content for confidentiality and promise to protect the whistleblower not being improperly dealt with due to the report situation. 2. If the person who is reported has violated the relevant laws or the Company's integrity management policies and regulations, it shall	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>immediately request the person being reported to stop the relevant behavior and deal with it appropriately, and if necessary, request damages compensation through legal procedures in order to keep reputation and rights of the Company.</p> <p>3. The taken report, the investigation process, and the investigation results should all be kept in written documents and kept for five years, and the preservation can be done electronically. Before the expiration of the storage, if any lawsuit related to the content of the report occurs, the relevant data shall be kept until the end of the lawsuit.</p> <p>4. For the reports that have been verified to be true, the relevant units of the Company shall be responsible for reviewing the relevant internal control systems and operating procedures and proposing improvement measures to prevent the same behavior from happening again.</p> <p>5. The responsible unit of the Company shall report to the Board of Directors about the whistleblower issue, its handling way, and follow-up review and improvement measures.</p>	
(3) Does the Company take measures to protect the reporter from improper treatment?	V		The Company handle whistleblower issue and promise to protect the whistleblower not being improperly dealt with due to the report situation.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
4. Enhanced Information Disclosure Has the Company published information relating to the Company's "Code of Business Conduct" on its website or MOPS?	V		The Company has disclosed the content and implement results of the Ethical Management and Guidelines for Conduct" on the Company website and MOPS and also announced the promotion result on the Company website and the annual report.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
5. The Company who have established corporate responsibility code of conduct in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe the current practice and any deviations from the code of conduct: The Company has formulated the "Ethical Management Procedures and Behavioral Guidelines" and is always paying attention to the development of corporate integrity management regulation, and reviewing and improving the Company's ethical management policy to enhance the effectiveness of the Company's ethical management.				
6. Other important information which can help to realize the Company's integrity management operation status (such as the Company's review and revision of its Ethical Corporate Management Best Practice Principles) The Company in order to show the attitude of Ethical Management Operation, the important customer and supplier will do business with the project team at the major management level, to confirm the fair and public spirit of the operation.				

(7) If the Company has formulated Corporate Governance Principles and related regulations it should disclose the method to inquire:

In the "Investor Relations" section of the Company's website, set up "Company Important Regulations" under "Corporate Governance" to place the Company's Articles of Incorporation, operating procedures for capital lending to others, operating procedures for endorsement guarantees, corporate governance practices principle, and sustainable development practices principle, Ethical Management Procedures and Behavioral Guidelines, insider trading prevention management policy, human rights policy, moral standards, etc. are available for investors to inquire about.

(8) Other important information sufficient to enhance the understanding of the operation of corporate governance: The Company will disclose important information and Investor Conference-related information immediately and post the related information on MOPS and the Company's website.

1. Rules and regulations related to corporate governance have been formulated:

Articles of Incorporation	Internal Major Information Processing Procedures	The Organizational Charter of the Nominating Committee	Intellectual property management plan
Procedures for Financial Derivatives Transactions	Rules Operating the Scope of Powers of Independent Directors	Corporate Governance Best-Practice Principles	Human right policy
Procedure for Lending Funds to Other Parties	Board of Directors Performance Evaluation Method	Sustainable Development Practices Principle	Moral standard
Operating Procedures of Endorsement / Guarantees	Audit Committee Charter	Ethical Management and Guidelines for Conduct	Purchasing and Supplier Evaluation Procedures
Procedures for Acquisition and Disposal of Assets	Remuneration committee Charter	Management Policy of the Prevention of Insider Trading	ISO 14001 2020.12.02-2023.12.01

2. Check the main relevant regulations and measures: The Company's website :http://www.ir-cloud.com/taiwan/6160/irwebsite_c/pages.php?id=12

(Investor relationship/ Corporate Governance / Corporate Important Regulations)

(9) Internal Control System Execution Status

1.Statement of Internal Control System: Please refer page 225.

2.Those who entrust an accountant to review the internal control system shall disclose the accountant's review report: The Company did not entrust an accountant to review the internal control system, so there is no accountant's review report.

(10) In the most recent fiscal year and up to the date of publication of the annual report, sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of the internal control system, main deficiencies and improvement Status: The Company has no internal personnel who have been punished in accordance with the law or have been punished for major violations of the internal control system. The deficiencies were mainly discovered by the auditors in accordance with the Company's internal control system and have been improved by tracking.

(11) The Current Fiscal Year and Up to the Date of Publication of the Annual Report, Major Resolutions of Shareholders' Meeting and Board Meeting:

The Board of Directors	Date	Major Resolutions
The Board of Directors	2022/3/30	<ol style="list-style-type: none"> 1. Approved the Company's 2021 Internal Control System Statement case 2. Approved the amendment of company's Internal Control System and Internal audit system case 3. Approved the Company's 2021 Individual financial statements and consolidated financial statements. 4. Approved the Company's 2021 business report 5. Approved the Company's 2021 Earning distribution case. 6. Approved the Company's 2021 employee remuneration and director distribution case 7. Approved 2022 the Company holds the shareholder's regular meeting schedule, location, and related matters. 8. Approved the related matter of shareholders general meeting accept shareholder nominate directors. 9. Approved the amendment of some articles of the Company's "Articles of Incorporation". 10. Approved the amendment of some articles of the Company's "Rules of Procedure for Shareholders' Meeting". 11. Approved the amendment of some articles of the Company's "Procedures for Acquisition and Disposal of Assets". 12. Approved the amendment of some articles of the Company's "Remuneration Committee Charter" 13. Approved the amendment of some articles of the Company's "Corporate social responsibility Best-Practice Principles" 14. Approved the 2022 remuneration proposal for directors, independent directors and remuneration committee. 15. Approved 2022 the remuneration and structure proposal for the Company's managers.
The Board of Directors	2022/5/11	<ol style="list-style-type: none"> 1. Approved the consolidated financial statements of the Company in the first quarter of 2022 2. Approved the Company appointed CPA and deciding their remuneration and assessing the independence of accountants. 3. Approved the overall company's re-election of directors 4. Approved the nomination and review of director (including independent director) candidates' case 5. Approved release of the prohibition on newly elected directors from participation in the competitive business case
The Board of Directors	2022/6/21	<ol style="list-style-type: none"> 1. Proposal to elect the chairman of the Company 2. Approved the appointment case of the 5th Salary and Remuneration Committee of the Company. 3. Approved the establishment of the first nomination committee of the Company. 4. Approved the formulation of the Company's "Nomination Committee Organization Regulations". 5. Approved setting up the 2021 cash dividend distribution base date of the Company. 6. Approved the drafting of the Company's "Greenhouse Gas Inventory and Verification Schedule Plan" 7. Approved the appointment case of the second audit committee of the Company.
Shareholder's meeting	2022/6/21	<ol style="list-style-type: none"> 1. Confirmed the 2021 annual business reports and financial statements. Implementation status: In 2021, the Company's consolidated operating income was NT\$1,418,876 thousand, net profit after tax was NT\$35,482 thousand, and earnings per share were NT\$0.52. After voting at the 2022 shareholders' general meeting, the number of shares in favor was 43,752,721, taking for 98.27% of the voting rights, and the resolution was passed. 2. Confirmed the 2021 annual earnings profit distribution case. Implementation status: The Company's net profit after tax in 2021 was NT\$35,483,323, plus NT\$1,280,993 of the rereasurement amount of the 2021, minus the loss income tax of the defined benefit plan of NT\$256,198 and allocated the legal reserve of NT\$3,650,812 according to the law and special earning reserve of NT\$8,446,398, the available distributable earnings in 2021 was NT\$24,410,908, it's estimated to be distributed to shareholders

The Board of Directors	Date	Major Resolutions
		with a cash dividend of NT\$0.35 per share, the total is NT\$23,971,192, and the remaining undistributed earnings at the end of the period are NT\$439,716. After the 2022 general shareholders' meeting voting, 43,584,725 shares were in favor, taking for 97.90% of the voting right and the resolution was passed.
The Board of Directors	2022/8/3	1. Approved the Company's consold financial statement for the second quarter of 2022
The Board of Directors	2022/11/9	1. Approved the Company's consold financial statement for the second quarter of 2022. 2. Approved the Company increased bank's short-term guaranteed loan credit case. 3. Approved the amendment of some articles of the Company's "Ethical Management Procedures and Behavioral Guidelines". 4. Approved adding the Company's "Human Right Policy" case. 5. Approved the amendment of some articles of the Company's "Internal Major Information Processing Procedures "case.
The Board of Directors	2022/12/28	1. Approved the Company's "2023 Consolidated Financial Report Forecast and Budget" report case 2. Approved the credit limit contract signed between the Company and the financial institution, due and renewed in the 2023 case. 3. Approved the Company's audit plan in 2023 4. Approved the establishment of the Company's "Corporate Governance Supervisor" case. 5. Approved the amendment of the Company's "Standard Operating Procedures for Handling Directors' Requests" case. 6. Approved the amendment of the Company's "Rules and Procedures of Board Meetings " case.
The Board of Directors	2023/3/29	1. Approved the Company's 2022 internal control system statement case. 2. Approved the Company's 2022 annual individual financial statements and consolidated financial statements. 3. Approved the Company's 2022 business report. 4. Approved the Company's 2021 earning distribution case 5. Approved the Company's 2022 employee remuneration and director remuneration distribution case. 6. Approved 2022 the Company holds the shareholder's regular meeting schedule, location, and related matters. 7. Approved the amendment of some articles of the Company's "Insider Trading Prevention Management Policy" case. 8. Approved the 2023 annual remuneration proposals for directors, independent directors, and remuneration committee members of the Company. 9. Approved the 2023 salary and structure proposal for the Company's managers. 10. Approved 2022 the Company increased the bank's short-term guaranteed loan credit case.

(12) In the most recent year and up of the publication date of the annual report, if a director or supervisor has expressed a different opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

(13) Summary of resignations and dismissals, During the last fiscal year and as of the printing date of the annual report, of the Company's related person (including chairman, president, accounting officer, financial officer, internal Audit officer, head of Corporate governance and R&D officer): None

3.4 Information of CPAs' Professional Service Fees

Amount : NT\$ thousand

Name of Accounting Firm	Name of CPA	Audit period by the CPAs	Fees for Audit	Non-audit fee	Total	Remark
Deloitte Taiwan	Ruske Ho	2022.01.01-2022.12.31	NT\$2,200 Thousands	NT\$261 Thousand	NT\$ 2,461 Thousand	-
	Alice Huang	2022.01.01-2022.12.31				

Note : Non-audit fees : NT\$ 79 thousand is typing and printing of financial reports fee ; NT\$2 thousand is CPAs auditing travel fees ; NT\$180 thousand is transfer pricing report fee.

- (1). If the accounting firm is changed and the audit fee paid in the replacement year is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: There is no such case.
- (2). If the audit fee has decreased by more than 10% compared with the previous year, the amount, proportion and reason of the audit public fee reduction shall be disclosed: There is no such case.

3.5 Information on Replacement of CPAs

1. Information regarding the former CPAs

Date of replacement			
Reason for replacement and explanation	Not applicable.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	The Company
	Terminated the engagement	Not applicable.	Not applicable.
	No longer accepted (discontinued) the engagement	Not applicable.	Not applicable.
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent year, specify the opinion and the reasons	Not applicable.		
Disagreement with the Company ?	Yes		Accounting Principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	v	
	Specify details: None		
Other disclosures (Any matter required to be disclosed under sub-item 1-4 to 1-7 of Article 10.6)	None		

2. Information Regarding the Successor CPAs

Name of accounting firm	Not Applicable
Name of CPAs	
Date of engagement	
Subjects discussed and results of any consultation with CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the Company's financial report.	
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	

3.The reply letter from the former CPA regarding the Company’s disclosures regarding the matters under Article 10.5, 1 and 1-3 of regulations: Not Applicable

4. Once a year to assess the independence of accountants regularly, after assessing there are no following matters:

Item	Assessment Content	Assessment result	Independence (Y/N)
1	If the CPA of the Company has been employed in the Company for two years before the start of certification or within one year of resignation.		√
2	If the CPA of the Company holds shares of the Company.		√
3	If the CPA of the Company has borrowed money from the Company.		√
4	If the CPA of the Company has a relationship of joint investment or benefit sharing with the Company.		√
5	If the CPA of the Company is served as a director, supervisor, manager, or significant influence position of the Company and the conflict of interest at present or in the last two years.		√
6	If the CPA of the Company is responsible for the management functions involved in the Company's decision-making.		√
7	If the CPA of the Company has a relationship as the spouse, lineal blood relative, lineal relationship by marriage, or collateral blood relative within the four-degree kinships of the manager of the Company.		√
8	If the CPA of the Company imply directly or indirectly a certain relationship or solicit business by way of inducement.		√
9	If the CPA of the Company charge any commissions related to the business of the Company.		√
10	If the CPA of the Company has a lawsuit or the competent authority corrects case.		√
11	If the CPA of the Company has certified continuous service for seven years.		√
12	If the CPA of the Company promotes or intermediary the stocks or other securities issued by the Company.		√
13	If the CPA has complied with the Accountants Professional Ethics Bulletin No. 10 on independence regulations and has obtained the "Independence Statement" issued by the certified accountant.	√	

5. It regularly evaluated the suitability of accountants once a year, and the evaluation items are as follows:

Ethical Behavior of Accountants	
Item	Evaluation Result
Whether to be punished by the competent authority	No
Financial report quality	
Item	Evaluation Result
1. Whether the issued financial report is prepared in accordance with the accounting principles prescribed by the competent authority.	Yes
2. Whether the content of the financial report needs to be corrected due to errors.	No
3. Whether the financial reporting has been corrected by the competent authority.	No
Timeliness of Financial Reporting	
Item	Evaluation Result
1. Whether the annual financial report is completed within three months after the end of the year.	Yes
2. Whether the semi-annual financial report is completed within 45 days after the end of the semi-annual year.	Yes
3. Whether the financial reports for the first quarter and the third quarter are completed within 45 days after the end of the first quarter and the third quarter.	Yes
Auditors' professionalism	
Item	Evaluation Result
1. whether the auditors have the accountant license.	Yes
2. Whether the auditors are aware of the changes in laws and regulations.	Yes
3. Whether the Company's problems can be clarified immediately.	Yes

3.6 The Company's Chairman, President, Officers in charge of Financial or Accounting Affairs has served in Its Certified Public Accountant Firm or Its Alleviated Enterprise for the Most Recent Fiscal Year, shall Disclose their Name, Title and the position They Worked in the Certified Public Accountant's firm Period of its Affiliated: None.

3.7 Change in shares held and pledged by Directors, Managers, and Major Shareholders holding over 10% of outstanding shares in the Most Recent Year and up to the Publication of the Annual Report

(1) Changes in Shareholdings of Directors, Supervisors, Managers and Major Shareholders:

Title	Name	2022		Until April 28, 2023	
		Pledged shares Increased (decreased)	Number of shares held Increased (decreased)	Pledged shares Increased (decreased)	Number of shares held Increased (decreased)
Chairman	ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	-	-	-	-
Director	Lin, Yung-Fa	-	-	-	-
Director and Senior Vice President	Tan, Chen-Huan	-	-	-	-
Director	Yen, Wei-Chun	-	-	-	-
Director	Yang, Kuo-Liang	-	-	-	-
Independent Director	Chen, Wen-Yu	-	-	-	-
Independent Director	Hu, Chiu-Chiang	-	-	-	-
Independent Director	Yu, Ming-Chang	-	-	-	-
Independent Director	Tsai, Yu-Ping	-	-	-	-
Associate	Li, Kan-Yang	-	-	-	-
Associate	Lai, Chin-Yi	-	-	-	-
Financial Accounting Senior Manager	Chang, Chia-Jung	-	-	-	-
Chief Technology Officer	Chen, To	-	-	-	-

(2) The equity transfer information: The Company's directors, managers and major shareholder have not transferred their equity to related parties

(3) Equity Pledge Information : There are no such things.

3.8 The Information of the Relationship among the Top Ten Shareholders who are Interested or Spouse, relatives within Second-Degree of Kinships

April 28, 2023

Unit : Share ; %

Name	Shares hold by one's self		Shares held by spouse and children of minor age		Shares held by assuming the name of others		Names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second degree kinship.		Remark
	Shares	% of shareholdings	Shares	% of shareholdings	Shares	% of shareholdings	Name	Relationship	
ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	6,706,934	9.79	8,266	0.01	0	0.00	None	None	None
Lin, Yung-Fa	6,613,376	9.66	0	0.00	0	0.00	None	None	None
Lin, Rung-Yuan	4,638,000	6.77	0	0.00	0	0.00	None	None	None
Jinqun Investment Co., Ltd. Repetitive : Li, Tian-Tsan	3,089,995	4.51	0	0.00	0	0.00	None	None	None
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted to keep the investment account of Morgan Stanley International Co., Ltd.	1,421,000	2.07	0	0.00	0	0.00	None	None	None
Tan, Chen-Huan	1,386,215	2.02	825,209	1.20	0	0.00	Yang, Yu-Jen	Spouse	None
Chiu, I-Chih	1,336,000	1.95	0	0.00	0	0.00	None	None	None
Hung, Mao-Chen	1,000,000	1.46	0	0.00	0	0.00	None	None	None
Chiu, Jung-Lang	1,000,000	1.46	0	0.00	0	0.00	None	None	None
Yang, Yu-Jen	825,209	1.20	1,386,215	2.02	0	0.00	Tan, Chen-Huan	Spouse	None

3.9 The Number of Shares of the Company held by the Company, the Company's Directors and Managers, and the Company Directly and Indirectly Controlled by the Company in the same business, and Combine to calculate total Shareholding Percentage

December 31, 2022

Unit : Share ; %

Re-investment Business	Investment of the Company		Investments of directors, supervisors, managers, and directly or indirectly controlled enterprises		Comprehensive investment	
	Shares	% of shareholdings	Shares	% of shareholdings	Shares	% of shareholdings
Welcome Design K.K.	40	4	-	-	40	4
JRC International Pty Limited	760	19	-	-	760	19
CipherLab USA, INC.	5,000,000	100	-	-	5,000,000	100
CipherLab Limited (SAMOA)	4,150,000	100	-	-	4,150,000	100
Saifulai Electron Trade (Shanghai) Limited Company	-	-	4,150,000	100	4,150,000	100
mPlus Technology Co., Ltd	3,000,000	94	-	-	3,000,000	94

IV. Capital Overview

4.1 Capital and Share

(1) Source of Share Capital : Types of shares issued in the most recent year and up to the publication date of the annual report

April 29, 2023

Month/Year	Issuance Price	Approved share capital		Paid-in share capital		Remark		
		Share	Amount	Share	Amount	Source of share capital	Shares paid with properties other than cash	Others
1988.10	10	500,000	5,000,000	500,000	5,000,000	Establishment	-	-
1994.09	10	1,750,000	17,500,000	1,750,000	17,500,000	Increased in cash NT\$12,500 thousand	-	-
1996.09	10	3,000,000	30,000,000	3,000,000	30,000,000	Increased in cash NT\$12,500 thousand	-	-
1997.09	10	8,000,000	80,000,000	8,000,000	80,000,000	Increased in cash NT\$50,000 thousand	-	-
1998.07	10	19,500,000	195,000,000	19,500,000	195,000,000	Increased in cash NT\$99,000 thousand Capitalization by earnings NT\$16,000 thousand	-	-
1999.09	10	30,000,000	300,000,000	22,230,000	222,300,000	Capitalization by earnings NT\$7,800 thousands, Capitalization NT\$19,500 thousands	-	Note 1
2000.09	10	30,000,000	300,000,000	26,676,000	266,760,000	Capitalization by earnings NT\$28,899 thousand, Capitalization NT\$15,561 thousand	-	Note 2
2001.08	10	30,000,000	300,000,000	28,352,400	283,524,000	Capitalization by employee bonus NT\$3,426 thousand, Capitalization NT\$13,338 thousand	-	Note 3
2002.09	10	40,000,000	400,000,000	32,067,940	320,679,400	Capitalization by employee bonus NT\$ 8,803 thousand , Capitalization by earnings NT\$28,352,400	-	Note 4
2003.08	10	60,000,000	600,000,000	39,839,228	398,392,280	Capitalization by employee bonus NT\$ 13,577 thousand, Capitalization by earnings NT\$64,135,880	-	Note 5
2004.09	10	60,000,000	600,000,000	50,003,858	500,038,580	Capitalization by employee bonus NT\$14,000 thousand, Capitalization by earnings NT\$ 87,646,300	-	Note 6
2005.08	10	90,000,000	900,000,000	62,184,968	621,849,680	Capitalization by employee bonus NT\$16,803 thousand, Capitalization by earnings NT\$105,008,100	-	Note 7
2006.06	10	90,000,000	900,000,000	70,981,120	709,811,200	Capitalization by employee bonus NT\$13,339,560, Capitalization by earnings NT\$74,621,960	-	Note 8
2014.03	10	90,000,000	900,000,000	69,299,120	692,991,200	Treasury Stock Retired 1,682,000 share	-	Note 9
2015.03	10	90,000,000	900,000,000	68,489,120	684,891,200	Treasury Stock Retired 810,000 share	-	Note 10

Note 1 : Through 1999.07.17 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (88)Tai-Cai-Certificate(1) No.63273

Note 2 : Through 2000.07.13 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (89)Tai-Cai-Certificate(1) No.60469

Note 3 : Through 2001.06.12 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (90)Tai-Cai-Certificate(1) No.136295.

Note 4 : Through 2002.07.15 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (91)Tai-Cai-Certificate(1) No. 139134.

Note 5 : Through 2003.06.27 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (92)Tai-Cai-Certificate(1) No. 128648.

Note 6 : Through 2004.07.07 the Executive Yuan Financial Supervisory Commission Securities and Approved-certified No.: Jin-Guan-Certificate-1 No. 0930128920.

Note 7 : Through 2005.06.09 the Executive Yuan Financial Supervisory Commission Securities and Approved-certified No.: Jin-Guan-Certificate-1 No.0940123043.

Note 8 : Through 2006.05.10 the Executive Yuan Financial Supervisory Commission Securities and Approved-certified No.: Jin-Guan-Certificate-6 No.0950116119.

Note 9 : Through 2014.03.21 the Ministry of Economic Affairs Jing-So-Zi Order No.10301043810 approved.

Note 10 : Through 2015.03.10 the Ministry of Economic Affairs Jing-So-Zi Order No. 10401042140 approved.

April 28, 2023 Unit : Share

Type of shares	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Common stock	68,489,120	21,510,880	90,000,000	TPEX-listed company stock

(2) Shareholder Structure

April 28, 2023 Unit : Share

Shareholder structure	Governmental agencies	Financial institutions	Other institutions	Individual	Foreign institutions or foreigners	Total
Quantity						
Number of shareholders	0	0	224	24,168	33	24,425
Shares held	0	0	10,643,091	54,868,796	2,977,233	68,489,120
Shareholding percentage	0.00%	0.00%	15.54%	80.11%	4.35%	100.00%

Note: The Company has no shareholders from China.

(3) Status of Ownership Dispersion

April 28, 2023

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio (%)
1 to 999	18,315	171,086	0.25
1,000 to 5,000	4,843	9,710,645	14.18
5,001 to 10,000	648	5,268,291	7.69
10,001 to 15,000	181	2,387,908	3.49
15,001 to 20,000	133	2,537,045	3.70
20,001 to 30,000	107	2,857,534	4.17
30,001 to 40,000	50	1,858,896	2.71
40,001 to 50,000	29	1,359,823	1.99
50,001 to 100,000	67	4,948,975	7.23
100,001 to 200,000	25	3,530,281	5.15
200,001 to 400,000	12	3,345,242	4.88
400,001 to 600,000	5	2,496,665	3.65
600,001 to 800,000	0	0	0.00
800,001 to 1,000,000	3	2,825,209	4.13
Over 1,000,001	7	25,191,520	36.78
Total	24,425	68,489,120	100.00

Note 1: The Company does not have preferred stock shares issued.

(4) List of Major Shareholders

April 28, 2023

Share	Shares held(share)	Shareholding percentage (%)
Name of major shareholder		
ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	6,706,934	9.79%
Lin, Yung-Fa	6,613,376	9.66%
Lin, Jiun-Yau	4,638,000	6.77%
Jinqun Investment Co., Ltd. Repetitive : Li, Tian-Tsan	3,089,995	4.51%
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted to keep the investment account of Morgan Stanley International Co., Ltd.	1,421,000	2.07%
Tan, Chen-Huan	1,386,215	2.02%
Chiu, I-Chih	1,336,000	1.95%
Hung, Mao-Chen	1,000,000	1.46%
Chiu, Jung-Lang	1,000,000	1.46%
Yang, Yu-Jen	825,209	1.20%

(5) Share Prices for the Past 2 Fiscal Years, together with the Company's Net Worth Per Share, Earnings Per Share, Dividends Per Share, and Related Information

Item	Year		2021	2022	Current year as of March 31, 2023
	Market price per share (Note 1)	Highest		26.90	20.50
	Lowest		12.55	13.00	16.70
	Average		18.99	16.05	20.10
Net worth per share	Before distribution (Note 2)		11.46	11.76	12.25
	After distribution (Note 2)		11.11	11.16	12.25
Earnings per Share	Weighted average amount of shares (Thousand Share) (Note 2)		68,489,120	68,489,120	68,489,120
	Earnings per share (Note 2)		0.52	0.47	0.50
Dividends per share	Cash dividends (Note 3)		0.35	0.60	Not applicable
	Bonus share	-	-	-	
		-	-	-	
Accumulated unpaid dividends		-	-		
Analysis of ROI	Price earnings ratios (Note 4)		36.52	34.15	
	Price to dividend ratio (Note 5)		54.26	26.75	
	Dividend Yield (Note 6)		1.84%	3.74%	

Note 1 : Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2 : The financial information for the year ended March 31, 2023 has been audited by accountants.

Note 3 : The Company's 2022 cash dividend has been approved by the Board of Directors but not resolved by the shareholders' meeting.

Note 4 : Price earnings ratios= Average closing price per share of the year/ EPS

Note 5 : Price dividend ratios= Average closing price per share of the year/ cash dividend per share

Note 6 : Cash dividend yield= Cash dividend per share/average closing price per share of the year

(6) Dividend Policy and Execution Status:

1. Dividend Policy :

The dividend policy distribution stipulated in the Articles of Incorporation of the Company, the Company has cooperated with the amendment to Article 235 of the Company law, on Aug 24, 2021, the Board of Directors approved the amendment of Article of Incorporation " If the Company make profit in the current year, it should allocate 0.5% ~10% as the employee remuneration and no more than 3% for director remuneration." But if the Company has accumulated loss, it should reserve them to make up for the loss in advance, after that allocate employee and director remuneration according to the aforementioned ratio. The aforementioned employee remuneration can be paid in stock or cash, and the payment recipients include employees of affiliated companies who meet conditions. The directors' remuneration referred to in the preceding paragraph shall be paid in cash only. The first two items shall be implemented by a Board of Directors resolution and reported to the shareholders' meeting. If the Company has an earning after annual final accounts, it should pay taxes according to the law, to make up the accumulated losses and then allocate 10% as the legal reserve; but when the legal reserve has reached a paid-in capital of the Company, it should no longer be designated. The rest will be designated or reversed to the special reserve in accordance with law and regulations; if there is still balance, combined with the accumulated unappropriated earnings, the Board of Directors will prepare earning distribution meeting and submit to the shareholders' meeting for resolution on shareholder dividends distributions. The Company's dividend policy will consider the Company's environment, future capital demand, and long-term financial planning and meet shareholders' needs for cash inflows. The actual distribution of the current year's earnings should not be less than 50% of the distributable earnings as standard. The current industry of the Company belongs to the growth stage, the profit is keeping grow up and the financial structure is completed with a stable profit per share, the cash dividend shouldn't be lower than 10% of the total dividend".

2. Dividend Distribution to be Proposed to the Shareholders' Meeting:

The Company's earnings distribution was approved by the Board of Directors on March 29, 2023. It is estimated to distribute a cash dividend of NT\$0.60 per share, the total amount is NT\$41,093,472, the Board of Directors is authorized to set another dividend distribution base date for the distribution.

3. If a material change in dividend policy is expected, it should be explained: There is no major change in the Company's dividend policy

(7) The impact of the free rationed shares that proposed at this shareholders' meeting on the company's operating performance and earnings per share: Not applicable

(8) The remuneration of employee, directors and superiors:

1. The ratio or range of remuneration for employees, directors and supervisors as stated in the Company's articles of Incorporation:

According to the Articles of Incorporation of the Company, if the Company make profit in the current year, it should allocate 0.5% ~10% as the employee remuneration and no more than 3% for director remuneration. But if the Company has accumulated loss, it should reserve them to make up for the loss in advance, after that allocate employee remuneration and director remuneration according to the aforementioned ratio. The aforementioned employee remuneration can be paid in stock or cash, and the payment recipients include employees of affiliated companies who meet conditions. The directors' remuneration referred to in the preceding paragraph shall be paid in cash only.

The first two items shall be implemented by a Board of Directors resolution and reported to the shareholders' meeting.

The Company established an audit committee to replace the supervisor on 2019/6/25.

2. The basis for estimating the amount of employees, directors, and supervisors' compensation, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated Figure, for the current period:

(1) The Company's 2022 employee remuneration and director and supervisor remuneration are allocated according to Article 20 of the Company's article of incorporation, the 2022 profit of the Company is NT\$42,085,989 (It is net profit before income tax deducting distribution of employee remuneration and directors' and supervisors' remuneration and then deducting accumulated profit and loss), allocated 10% for employee remuneration total is NT\$4,208,598 and 3% for directors and supervisor remuneration total is NT\$1,262,579 and it is all allocated in cash.

(2) Accounting process when the actual distribution amount has a difference from the estimated amount : The Board of Directors has approved the actual distribution amount have different from the estimated amount, it should treat as changes in accounting estimated and listed as an expense in the next year.

(3) The Company established an audit committee to replace the supervisor on 2019/6/25.

3. The Board of Directors approved the distribution of remuneration:

The Board of Directors of the Company has resolved 2022 the distribution of employee remuneration and director and supervisor remuneration on March 29, 2023, the situation as follows:

(1) Proposed Distribution of Employee Remuneration :NT\$4,208,598

(2) Proposed Distribution of Director Remuneration: NT\$1,262,579

The above distributions approved by the Board of Directors are all distributed in cash, which is different from the amount recognized in 2022. It is an estimated difference, and it is handled by accounting estimated changes as profit and loss in 2023.

(3) The amount of any employee profit-sharing 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 remuneration. The Board of Directors did not intend to distribute the amount of employee remuneration by stock at this time, so it is not applicable.

4. The actual distribution of the remuneration of employees, directors, and supervisors in the previous year (2021)

Unit : NT\$ Thousand/Share

	Resolution of shareholders' meeting Actual distribution amount	The original Board of Directors passed Proposed distribution amount	Difference number	Reason for difference
1. Distribution status: :				
1.Employee Remuneration				
(1)Number of shares	-	-	-	-
Stock Amount	-	-	-	-
Percentage of outstanding shares at the end of 2021	0.00 %	0.00 %	-	-
(2)Cash Amount	4,826,858	4,826,858	-	-
2.Directors and Supervisor Remuneration	1,448,057	1,448,057	-	-
2. The related information of Earnings per share				
1.Original Earning per share	NT\$ 0.52	NT\$ 0.52	-	-
2.Estimated Earnings per share	NT\$ 0.52	NT\$ 0.52	-	-

(9) The Company's repurchase of the Company's shares : None

4.2 Issuance of Corporate Bonds: None

4.3 Preferred Shares: None

4.4 Issuance of Global Depository Receipts: None

4.5 Status of Employee Stock Option Plan: None

4.6 Status of Employee Restricted Stock New Share: None

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

4.8 Financing Plans and Implementation:

(1) The content of plan: As of the quarter before the publication date of the annual report, the content and implementation status of the previous plans for the issuance or private placement of securities that have not been completed or not been in the last three years and whose benefits have not yet appeared: None

(2) Implement status: None

V. Operational Highlight

5.1. Business Content

(1) The Coverage of Business

1. The main content of the Company's business

The Company specializes in the R&D, manufacturing, marketing, and trading of products related to "Mobile Computing Systems & Automatic Data Collection". According to the classification of industrial products by the Statistics Department of the Ministry of Economic Affairs, the Company's industry is the "Data I/O Peripheral Equipment Industry". In addition, according to the classification of the China Credit Information Service, the Company belongs to the electronic and electrical industry of manufacturing industry. The business items listed in the Business registration certificate of the Company are as follows:

Electronic products include computers, computer peripherals, electronic cash registers, barcode readers and their applications, magnetic card readers and their applications, electronic testing instruments, electronic measuring instruments and computer software programs, etc. manufacturing, and trading business.

- The maintenance products trading and maintenance business of the aforementioned paragraph
- The import and export trading business of the aforementioned paragraph
- As the agent for domestic and foreign manufacturers to quote and bid for distribution business of the aforementioned paragraph
- Restrained Telecom Radio Frequency Equipment and Materials Importing
- Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- Besides licensed businesses, it can operate businesses that are not prohibited or restricted by laws and regulations

2. Proportion of business

The Company's business revenue and product ratios for the last two years are as follows:

Unit : NT\$ Thousand

year	2021		2022	
	Sales Amount	%	Sales Amount	%
Pocket-Sized Mobile Computer	947,020	66.75	894,124	71.08
Hand-held Auto ID Scanner	182,531	12.86	132,076	10.50
Other	289,325	20.39	231,762	18.42
Total	1,418,876	100.00	1,257,962	100.00

Note: Other items include sales of spare parts

3. The current major products of the Company:

The major products of the Company included the Android platform, Windows platform, CipherLab OS platform, and other pocket-sized industrial computers and handheld barcode scanners. Currently, the major selling products are as follows:

Product Category	Major Product
Pocket-Sized Industrial Mobile Computer (Mobile Computer)	CipherLab OS products: 8000 series 、 8200 series 、 8300 series 、 8400 series 、 8600 series. Windows OS products: 9700 series Anti-bacterial protection series products: 8001H series Android OS products : RK25 series 、 RS35 series 、 RS51 series 、 RK95 series 、 Hera51 Mobile Ordering POS series
Handheld Barcode Scanner includes wired and wireless Bluetooth (Hand-held Scanner)	CCD barcode scanner Laser barcode scanner 2D barcode scanner Anti-bacterial protection series barcode scanner Hand-held RFID reader Omnidirectional Presentation Scanner

4. New products planned to be developed

(1) Remo Cloud/Ende Cloud enterprise device management and Agility Intelligence data system development plan

- I. Remo Cloud/Ende Cloud enterprise device management system: Remo Cloud/Ende Cloud enterprise device management system can bring registered devices into the enterprise management scope so that IT and department managers can easily grasp the activity status of company devices, reduce the lot of deployments and the time required for settings, and limit the use of company devices only for work purposes; Combined with the multi-factor authentication (MFA) authentication mechanism to enhance information security, IT can set and manage it in any location, without being restricted by location to improve work efficiency.
 - a) The new remote-control function is under allowance situation to improve the visibility of remote devices, so as IT can provide assistance immediately for devices that are scattered everywhere, it is greatly reducing work stagnation and improving work efficiency.
 - b) The whole new device tracking function allows enterprises to manage the geographical location of everywhere devices effectively, limit the work area, and record moving track in order to adjust the moving line and improve the working efficiency.
 - c) The machine learning function provides a platform for customers to train their own neural artificial intelligence, so that reach edge computing to improve the evolution ability of artificial intelligence Internet and make the machine process repeated working applications more efficiently.
 - d) Introduced the ISO/IEC 27001:2022 BSI standard to reduce the risk of information leakage and stakeholders, and build brand trust.
 - e) Introduced the GDPR EU general data protection regulations to protect worldwide human rights and privacy rights.
- II. Agility Intelligence data system: Agility Intelligence data system can through big data analysis gain insight into the customer's mission goals, work needs, operational capabilities, and future trends and provide visual statistical analysis reports and management dashboards to help to improve the management efficiency of IT and department managers and find the key reason of improve the sales ability.
- III. EagleEyes remote device control system: It provides and through remote operation, device tracking, ambient sound, and remote video functions to achieve more real-time and complete device control, and further achieve the purpose of remote collaborative work.
- IV. Contactless payment: It provides a third-party payment tool integration platform, and complies with the PCI international standard agreement, to achieve the transaction function of contactless payment, in order to meet the needs of the last mile gold flow consumer market

(2) The core technology development team continues to do research and develop on 5G, WiFi 6E, and sensing technology:

- I. 5G: 5G: The demand of the global industry for data and data transmission is increasing day by day, and the requirements for experience are also constantly improving. Therefore, CipherLab must aid in the solutions that can provide higher data transmission rates, reduce delays, save energy, and reduce costs. The program continues to grow. 5G is the technology that CipherLab focuses on implanting to meet the new demands and challenges of the Artificial Intelligence Internet of Things (A-IoT).
- II. WiFi 6E(IEEE 802.11ax): It means the WiFi 6 extends to the 6 GHz frequency band, and the limit spectrum method is different from the current channel used, 6GHz didn't have overlap and inference. the current 2.4 GHz and 5 GHz frequency bands have become overcrowded, and cannot satisfy the growing flow demand and the overlap and inference of frequency brand channels will even cause the network connection to be blacked seriously and reduce the user experience deeply. Therefore, it needs high-performance WiFi6 and a wide frequency band to solve the problem of high-intensity usage, more devices, and increased data traffic. The goal is to support indoor and outdoor use environments, compared with 802.11ac, its performance has increased the transmission rate by 37%, the delay has been reduced by 75%, and the battery life of WiFi devices has been significantly extended. It is suitable for advanced applications such as fully wireless offices and the Internet of Things (IoT). ,providing an experience better than the current ones.
- III. The temperature sensing recording module completed the proof-of-concept POC in the second half of last year (2022). This year, the Company will work with key partners to launch the Minimum Viable Product; MVP quickly into the actual market, to check the actual usage scenarios of the logistics industry and through the feedback from actual use to modify the temperature sensing record module, and expect the temperature sensing record can be the product which has market demand and profitable.

IV. AI part:

- a) Automatic license plate recognition: According to customer requirements, focus on customized models for usage scenarios, and introduce a new generation of AER product Camera Sensor to develop a real-time license plate number recognition system, emphasizing automation, accurate recognition, fast efficiency, and high convenience, reducing Human error caused by operators manually entering license plates.
 - b) Bottle Cap manufacturing date recognition: For retail customers, integrate the image of the new generation of AER product Scan Engine for date object recognition, quickly determine if the item is expired or not, emphasize immediacy and convenience, and reduce errors or backstage caused by human judgment Interpreting data and resulting delays.
- (3) Scanner Development Plan:
Release both hands and let operators use both hands for picking, handling, and producing operations, which can increase operating efficiency by about 30%. This type of equipment is mostly used in warehousing, manufacturing, retailing, etc. CipherLab will develop the first Ring scanner product to meet the high expectations of today's workers in wearable devices (They expect an intuitive device with a stylish design, small outlook, superior comfort, easy use without any training, and the simple concept of the barcode alignment and scanning immediately
- (4) The COVID-19 pandemic forced retailers to speed up the digital transformation trend and adopt RFID more widely. According to data from global data centers, the market of RFID market is expected to grow at a compound annual growth rate of 12.6% in the next five years, especially in retail, logistics, and warehousing are the most. In addition to quickly grasping the location and quantity of assets and commodities, the application of collecting environmental parameters (such as temperature) has also increased. CipherLab will develop the next generation of RFID gun products with ergonomic grip design, long-term use, and easy use without training.
 - (5) Mobile POS and unmanned Self-service system: In the post-COVID-19 era, there is a huge demand for mobile payment and unmanned self-service systems which can reduce people's crowd gathering. CipherLab focus on the development and optimization of new contactless operation mode and further integrates various payment mechanism in order to improve the integrated service of software and hardware.
 - (6) Established an information security team: In response to the increasing threat of the information market to the Company's operations and customer data, a team was established to promote information security enhancements to provide continuous operations environments.

(2)Industry Overview

1.Industry current status and development

The major product of the Company is Mobile Compute and Handheld Barcode Scanner, both of them are AIDC: Automatic Identification and Data Capture products.

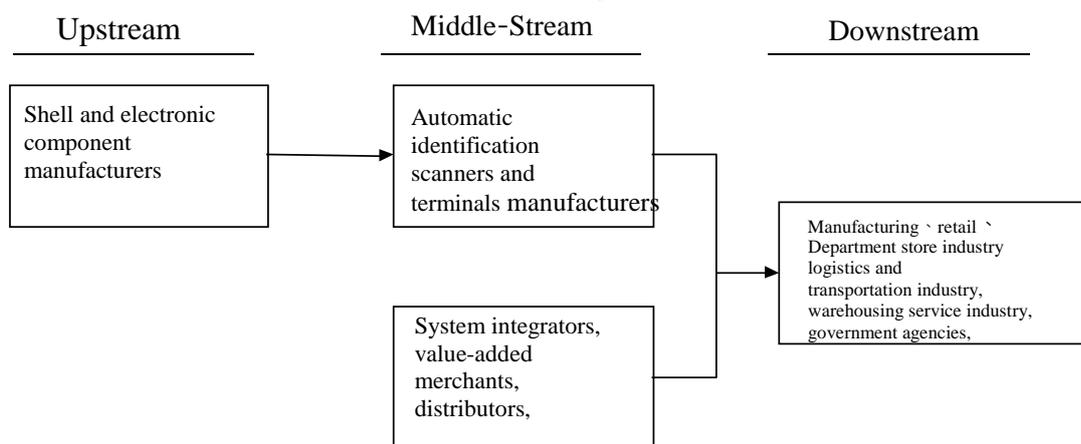
The automatic identification system has some features with fast data input speed, reducing people input errors, real-time process management, and programmability, it can satisfy the requirement of enterprises and government for improving efficiency and reducing costs. In recent years, each kind of data collecting and wireless communication technology has been ever-changing, for example, handwriting input, video data, RFID reading, and wide-area wireless transmission are all integrated into mobile computer products.

The coverage application of automatic identification products has been used widely in every kind of industry, including retail warehouse management analysis operation, logistic industry object management, manufacturing inventory management, vehicle entry, and exit access control, etc., to the medical system, administrative agency document flow management. The current application level has extended gradually to animal husbandry, market survey, police system, etc.

2. The relationship between upstream, midstream and downstream of the industry

The upstream of the industry is mainly domestic and foreign shell and electronic component manufacturers, through the midstream manufacturers of automatic identification scanners and terminals, system integrators, value-added merchants, distributors, etc., to provide downstream manufacturing, retail, department stores industry, logistics and transportation industry, warehousing service industry, government agencies, and other users need products.

The relationship between the Upstream, middle-stream, and downstream of the industry is shown in the figure below:



3. Various development trends of products

Looking forward to the future, automatic identification product development generally includes the following directions:

- (1) Android operating platform has become mainstream of the market;
- (2) Wireless immediate information transmission technology;
- (3) RFID (HF, UHF, NFC) Introduction and application of radio frequency identification system;
- (4) 2D barcode and image identification system development;
- (5) Integrated solutions replace single-model sales
- (6) Cloud long distance device management system

4. Products Competitive situation

The main competitors of the Company's products are mainly from Europe, American, Japan and other self-owned brand manufacturers:

- (1) The main competitors of pocket-sized industrial computers are :Zebra(USA), Honeywell (USA), Datalogic(Italy), DENSO (Japan) etc.
- (2) The main competitors of handheld barcode scanners are: Zebra(USA),Honeywell (USA) Datalogic(Italy), DENSO (Japan) etc.

(3) Technology and R&D Overview

1. R&D expenses invested in the most recent years

Unit : NT\$ Thousand

Year	2021	2022
R&D Expenses	157,857	147,333
Operating revenue	1,418,876	1,257,962
% of net revenue	11.13%	11.71%

2. Successfully developed technologies or products in the most recent year

Year	R&D outcomes
2012	8200H Antimicrobial Protection Series Pocket-Sized Industrial Mobile Computer (cops, CipherLab Operating System)
	1664H Antimicrobial Protection Series Handheld 2D imager Barcode Scanner
	1662/1664 Pocket-Sized Bluetooth Barcode Scanner
	8700 Pocket-Sized Industrial Mobile Computer (cops, CipherLab Operating System)
	1861 Handheld HF RFID Reader
	CP50 Industrial Mobile Computer(Windows Embedded Handheld Operating System, 3.8G Wireless Transmission, Multiple read-head options)
2013	CP60 Pocket-Sized Industrial Mobile Computer(Windows Embedded Handheld Operating System, Windows CE, 3.8G Wireless Transmission, Cisco CCX certified, WiFi Wireless Transmission)
	9200 Pocket-sized Industrial Mobile Computer (Windows Embedded Handheld Operating System , 3.5G Wireless Transmission , Cisco CCX certified, WiFi Wireless Transmission)
	1663: Pocket-sized Bluetooth Linear Imager Scanner
2014	9700 Handheld Industrial Mobile Computer (Windows Embedded Handheld operating system , Windows CE operating system , Cisco CCX certified, WiFi Wireless Transmission, Multiple read-head and keypad options)
	CP55 Handheld Industrial Mobile Computer (Windows Embedded Handheld Operating System, Windows Embedded Compact 7 Operating System , HSDPA/HSUPA Wireless Transmission, With RFID HF function)
	3G Cradle Transmission and charging stand for use with 8001 mobile computer
2015	RS30 : Handheld Industrial Mobile Computer work with Android 4.4, passed Google GMS certification
	CP60UHF: Adding can read RFID tag read-head to the current product CP60.
	1500P/1560P/1504A/1564A : Improve the reading and data processing performance of 1500 series
2016	1504B : Equipped with self-developed 2D scanning engine, the existing product 1500 series, adding 2D products with high price performance ratio.
	SM2B:2D Read the module and obtain a patent, the research and development results can be implemented into the Handheld Industrial Computer
	Web-based ScanMaster: Provide users with the convenience of setting up for scanner more easily, there is no any software needs to be installed, only check the setting on the browser, and it can be used immediately
	SM1:1D Read the module, optimize the decoding algorithm, and obtain a patent, among which the USB SKU is suitable for decoding read-heads of kiosks, scanners, or handheld industrial computers.
	MDS: The software products are developed for CE/WEH/Android platforms specially and can help customers they Android handheld mobile terminals on hand, through the MDS system to set up from backstage and install the software, to achieve the purpose of centralized management.
	Application software products specially developed for the Android platform: 1. Button assignment: The application software that the users can set up a hotkey to execute specified according to their needs. 2.WIFI setting tuning: It can solve the problems that customers meet in WIFI settings, shorten the time for mobile terminal deployment due to the complexity of WIFI settings, and let products be quickly deployed in the field of use. XAMARIN-ENABLED SDK: This development tool can let the original software developed by Windows quickly port to the Android platform, which is helpful for Android products selling.
2017	2500 Series: A new generation of industrial Scanner, integrated 1D/2D reading module and the core technology of Bluetooth transmission encryption, and obtained a patent.
	RS31: Continuing the RS30 mid-level Android 6 & 7 handheld industrial mobile computer, and obtained Google's GMS certification, upgraded new software and hardware platforms, and improved product cost performance.
	RS50: Handheld industrial mobile computer (Equipped with Android 6 operating system, with

Year	R&D outcomes
	<p>1D/2D, WiFi wireless transmission, and LTE functions), that meets the AIDC high specifications of the industry flagship model.</p> <p>9700A: Special machines designed for the logistics and warehousing industry, especially the keyboard design of VT and TN3200/5250, can provide agile solutions for enterprise ERP.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1. Terminal emulation : Specifically for industry-specific applications, the Android device has architecture a virtual terminal, the purpose is to achieve the connection between the Android device and its users and the large-scale computer and provide enterprise solutions. 2. Signature : Provides a simple and fast handwritten electronic signature way, and can be stored in different file formats, such as JPEG, PNG, BMP, PDF, etc., providing a digital solution for enterprise data. 3. HF RFID Configuration : Through this software to read the data content of the card and converted into an input format available for Android. In addition, the NFC label analysis function can provide detailed content of the label, which helps customers improve work efficiency and data digitization.
2018	<p>RK25 Series : Rugged Mobile Computer It is suitable for retail, medium and small warehouses, and field service industries that need to collect and input a large data environment. RK25 is equipped with 2 types of numeric keypads to meet different user behaviors, especially the user who is used to touch typing, working in harsh outdoor conditions, and the user who needs to have a customized keypad function. RS25 extends the smartphone design, equipped with 4" display and multiple point touch panel, obtained GMS certification, equipped with the newest 4 core 1.4GHz processor and IEEE 802.11 a/b/g/n/ac dual-band communication and other latest functions, can let users simple the complex work process. The most important is to meet the durability of industry standards and provide comprehensive accessories and software and let users exert productivity during their daily work.</p> <p>2200 Series : Omnidirectional Presentation Scanner It is designed for retail, hospitality Industry, and transportation industry, multi-angle and high-speed scanning capabilities enhance effective data collection under various work demands. Equipped with an Ultra high-frequency RFID reader and EAS label degaussing functions, let you can easily and effectively finish the checkout operation. and also have other convenient functions, including additional software tools, automatic interface detection, and fixed-mount accessories, it is the best choice that for users to simplify the checkout process.</p> <p>5300 Series: Remo Factory Smart Manufacturing Solutions This solution has also crossed-border and integrated with software and hardware platforms such as PLC, MES, and dispatching systems in the manufacturing site. Equipped with the "AG" development software, managers only click on the function in the menu and it can quickly set up the production line script to meet the needs, not because of the changes in the production line schedule and need to reset writing new software, so that it can meet highly customized requirements of the production line. In the cloud aspect, there are Nemo Server and MDM management programs, Nemo Server can be connected with MES and SFC to generate reports automatically, for small and medium-sized enterprises with limited work content and limited resources, Nemo Server can already meet the needs of this MES and assist Manufacturers to stand firm in the new generation market and strengthen their competitiveness.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1. AppLock It is an application program that software to self-develop, equipped with a special desktop model, can let administrators and users use different operating interfaces. Administrators can manage all kinds of application programs and system setting on the mobile device, and allow them to decide different levels of function for operators to use. It's convenient for administrators to provide different operating modes for the different on-site workers. For example, various message reminders, operations, network connections, download of applications., etc. can all be controlled by the administrator. 2. Reader service/ Reader config The related development and application of Reader is a main project of the Company, the latest innovative research and development of Reader besides related barcode settings and switches,

Year	R&D outcomes
	<p>also input the concept of profile. Let every user design a profile for the operation scenario, and can save multiple profiles, in order to reach that different situation can choose and match the different profiles arbitrarily. And each profile can be set up for different content, and the corresponding applications program to be opened are also different. It can be set by the user to automatically bring the scanned barcode into the application program developed by the customer to achieve a more convenient effect.</p>
2019	<p>RS51 : It provides logistic transportation, store point direct delivery, and on-site workers with a rugged touch mobile computer that is faster and can flexibly respond to market upgrades and changes. Passed Google Android Enterprise Recommended (AER) certification, and will support the Android version updates in the future. Equipped with the Android 8.0 operating system, it has upwardly compatible so that the device can flexibly respond to market upgrades and changes, keep pace with the times, and maximize the benefits of device investment.</p> <p>Hera51 : Extending the design of RS51 and integrating the module of in-time payment, has become a new force for CipherLab's existing channels, and at the same time, it has given energy to the development of new channels. Since Hera51 is equipped with 4G/LTE, the application scene extends from indoor to outdoor, and the application field is more flexible than traditional POS equipment.</p> <p>RK25 : It focuses on the main feature is the completed function, lightweight, and high-cost performance of the RK25 series entry-level model, combining the strengths of touch and keypad and providing the completed accessory. In 2019, RK25 joined the AER model series and improved the operating system to Android 9.0, and improve the safety protection of the operating system.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1. ReMoCloud Based on the Android Enterprise architecture, it provides the cloud management device function, and the detailed functions are as follows: <ol style="list-style-type: none"> a. The system setting of the management device. b. The application deploying of the management device. c. Device group management. d. Monitor health status of device battery. e. System records of cloud collection devices. f. Combined with CipherLab's own software ADC to support more comprehensive system setting. 2. UHF RFID management software Develop a complete application management software for CipherLab UHF RFID Reader on Android, the detailed functions are as follows: <ol style="list-style-type: none"> a. Device information (ex: Serial Number, region, frequency and firmware version) b. Power information and charge management (e.g. battery level and reader temperature) c. Scan management (ex : Reader Power Level and read mode) d. Advanced label filtering function e. Reminder management (ex: low battery notification, overheating notification and reading reminder) f. Support importing and exporting settings to configuration files
2020	<p>RK95 Standard version and cold chain version: RK95 standard version is the new generation product of the 9700 series, it focuses on the usage scenarios related to the warehousing industry, logistics center, and manufacturing industry, introducing WiFi MIMO technology and its coverage and excellent speed are more suitable for handling large volumes of data transmission without interruption or missing data situation. RK95 The cold chain version is suitable for use in harsh environments, when the working environment temperature is lower as -30°C, the screen, and the read-head window will not condense, and it can keep operating for 5 hours, the customer group is also locked in the cold chain industry (low-temperature storage and low-temperature logistics industry) during the post-epidemic era, which is becoming important gradually, it is hoping to provide reliable</p>

Year	R&D outcomes
	<p>products for operators in the post-epidemic era.</p> <p>RS35: The goal of RS35 is to assist mobile workers can finish more work in a shorter time, and increase work efficiency. In addition to using integrated scanning, powerful CPU processability, intuitive touchscreen, and stable connection ability, also equipped with the battery Hot Swapping function which can be used without leaving the current application or switching to pause mode to replace the dying battery with a fully charged battery. RS35 is equipped with the Android 10 operating system, passed Google Mobile Service (GMS) and Android Enterprise Recommendation (AER) certificated, and assists enterprise users to use the Google application program without barriers and with a consistent user experience.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1. OEMConfig OEMConfig is based on the Android Enterprise architecture to develop, equipped with cloud device management software, it can provide the administrators to set each CipherLab Android Mobile Computer setting quickly, the main function is as below: <ol style="list-style-type: none"> a. Each device system settings, such as WiFi, language, time zone, etc. b. Device software version update. c. Various CipherLab device-specific application settings, such as Reader settings, physical button settings, and UHF RFID settings. d. The device log is uploaded to the server, which can be used for device debugging. e. Install application software on the device in the cloud or transfer files to the device. f. Transfer intent to the device in the cloud 2. CipherHome <ol style="list-style-type: none"> a. CipherLab Home is developed based on the Android Enterprise architecture and used with cloud device management software. It is a Kiosk Home on the device. The main functions are as follows: b. CipherLab Home Application setting c. CipherLab Home Background image setting. d. CipherLab Home Application clears cache settings e. CipherLab Home Administrator password setting.
2021	<p>When the scanner products (ex: 1504A/1564A, 1664, etc.) implement the new generation Scan Engine, it is equipped with a megapixel sensor and advanced algorithms, adding the ultra-wide viewing angle suitable for quickly capturing larger barcodes, it can quickly success to capture various barcodes at once almost under any situation, even damaged, dirty or the poor quality 1D and 2D barcodes can be easily scanned, it brings faster productivity and efficiency to the retail industry, healthcare, and postal services.</p> <p>The Q21 is a simply designed all-in-one PC with a 21.5-inch touchscreen display, camera, LED indicators light, barcode reader, and thermal printer. Through the customized payment module bracket option it can install different credit card readers. In addition, external modules can be integrated for different services - such as cash recycling systems or card issuer systems. Moreover, the shop owner can install the Q21 in any place that meets the VESA installation standard, providing a better user experience and more possibilities for software layout design.</p> <p>ReMoCloud New added background management function VPN connection, external space connection, located setting, device list, QR code registration, validity period mechanism, CipherLab Home details setting, no Wi-Fi connection detection warning, setting file version-related editing display functions, etc. Enhancement of device software function: RK95 4750SR Read-head can recognize text (OCR). A variety of modes Android 11 related compatibility adjustments of application . AI OCR Optical character recognition function.</p>
2022	<ol style="list-style-type: none"> 1. 2564 3000mAH version and the Extended Range 2D image version, the purpose is providing more rich user experiences and also in the price competitive scanner market to provide high-cost performance ratio products. 2. Complete the proof-of-concept (POC) of the temperature sensing and recording module, and plan to promote it to the minimum viable product (MVP) with customers in 2022 to

Year	R&D outcomes
	<p>optimize the customer's field process.</p> <p>3. Android product-related software development:</p> <p>4. The cloud mobile device management system the new using interface and new function, new input interface of simulated terminal software, and support for new functions of AS/400, private cloud mobile device management system, etc. which enterprise application tools, and Agility Intelligence data system, keeping to ensure the promise of cyber security from CipherLab made to customer products.</p> <p>5. AI parts : Automatic license plate identification: use deep learning technology to develop license plate detection and character identification functions, and develop the first prototype with the existing AER products.</p>

(4) Long-term and short-term business development plans

1. Overview of short-term plans

(1) Marketing strategy

Claim for industry-specific models, with cloud remote device management systems (ReMoCloud and EnDeCloud), through continuous strengthening of cooperation with global leading brand software vendors and system integrators/value-added resellers, keep recruiting strategic partners and large enterprises in specific vertical markets, especially focusing on the sales of value-added system integrators equipped with Android operating systems, and strengthening project development in logistics and transportation, warehousing, retail, manufacturing, etc.

(2) Production strategy

A. Through the standardized operation process, strict order tracking, and regular sales forecast review, the production lead time is greatly shortened and enhances the management of raw materials.

B. Use the automatic program to test product function, enhance the quality control of production lines, and win customer recognition with excellent quality.

(3) Product development direction

A. Maintain the niche market of CiperLab's own operating system Pocket-sized industrial computer and grasp the energy of the mainstream pocket-sized industrial computer with Android operating system and keep extending the completed pocket-sized industrial computer production line.

B. Strengthen the research and development of industrial-grade and senior-level barcode scanners, as well as a new product that extends the application of optical technology.

C. Implement the invest main point Implement investigation and research on main points markets and strengthen the understanding of end-user application needs as an important basis for new product development.

2. Overview of long-term plans

(1) Marketing

A. Promote cloud long-distance device management systems (RoMoCloud and EnDeCloud), going deep into vertical markets such as logistics and transportation, warehousing, retail, and manufacturing, and increase the Company's market share in the application market by launching new products that can meet the application needs of specific vertical markets.

B. Cooperate with strategic partners in the industry to expand the reach and width of projects and the power of market promotion by providing overall solutions.

C. Enhance strategy of regional market operation, establish a global management network, and increase global competitiveness.

(2) Production strategy

A. Continue to cooperate with first-tier manufacturers, in addition to improving the

overall quality of products, and reduce costs by taking advantage of their large-scale procurement advantages.

- B. Strengthen the management ability of inside factory production and outsourced production.

(3) Product development direction

- A. Cooperate with the world's first-tier system integrators to provide enterprise process solutions with a complete product line.
- B. Develop out-of-box products and solutions to accelerate product development and application.
- C. Upgrade and improve the cloud remote device management system continuously (RoMoCloud and EnDeCloud).

(4) Operation scale and financial coordination

- A. Adhering to the concept of sustainable operation, under the combination of marketing and production strategies, in order to meet the needs of domestic and foreign customers to continue to expand the scale of operation.
- B. With a stable financial structure, fully support the funds required for future expansion of the scale of operations.
- C. Considering production efficiency and overall human resources, establish a global production center and distribution network to enhance global competitiveness.

5.2 Market and Sales Overview

(1) Market Analysis

1. The sales (supply) area of main products (services)

Unit : NT\$ Thousand

Region \ Year	2021		2022	
	Amount	Ratio(%)	Amount	Ratio(%)
Domestic	77,578	5.47	81,584	6.49
Europe	496,303	34.98	307,009	24.40
American	289,959	20.43	278,683	22.15
Asia	452,917	31.92	336,858	26.78
Other	102,119	7.20	253,828	20.18
Total	1,418,876	100.00	1,257,962	100.00

2. Market Share

According to the market research data of a professional industry research institution in the United States VDC (Venture Development Corporation), the current AIDC industry that has the highest global market share is Zebra in the US, the following are European, American, Japanese, and other brand manufacturers, the Company takes around 2% global market share.

3. The future supply and demand situation and growth of the market

Due to automatic identification products having a variety of wide range of application methods and occasions, the technology has evolved with time, providing the enterprise user and each government agency with more convenient and efficient, and the best solution to reducing cost, the whole automatic identification industry market demand will follow the application method and occasion to extend and increase grandly year by year.

4. Competitive niche

- (1) A variety of product combinations for each product, have flexible production capacity.
- (2) Sufficient professional R&D manpower, with rich R&D experience and product design strength.
- (3) Respond to market needs quickly and provide customized solutions.
- (4) Establish a global marketing channel with its own brand.
- (5) Self-developed cloud remote device management systems (ReMoCloud and EnDeCloud).

5. Advantageous, disadvantageous factors, and countermeasures of development vision

(1) Advantageous factors

- A. The industry grows steadily and the product life cycle is long
- B. Have competitive research and development technologies, such as: power saving technology, self-developed software and application program development tools.
- C. Provide the management concept of full service, and establish a global sales and repair service network.

(2) Disadvantageous factors and countermeasures

A. Fierce price competition

Countermeasures:

- a. Adopt the same parts for different products, and develop module design to achieve economies of scale and reduce inventory costs.
- b. Actively research and develop new products that meet market trends and application needs, in order to get rid of the price competition of low-priced products.

B. Difficult to recruit experienced R&D talents people

Countermeasures:

- a. Looking for R&D talents or teams from domestic and international markets actively.
- b. Using completed expatriate and on-the-job training, actively cultivate R&D management trainee.

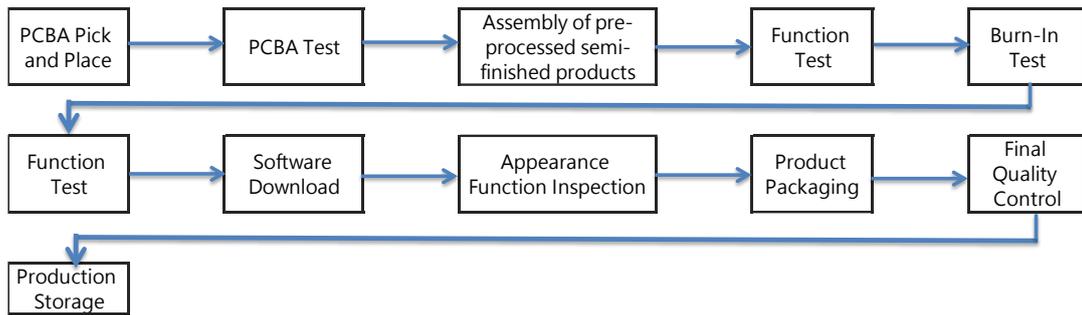
(2) Purpose and manufacturing process of main products

1. Purpose of main products

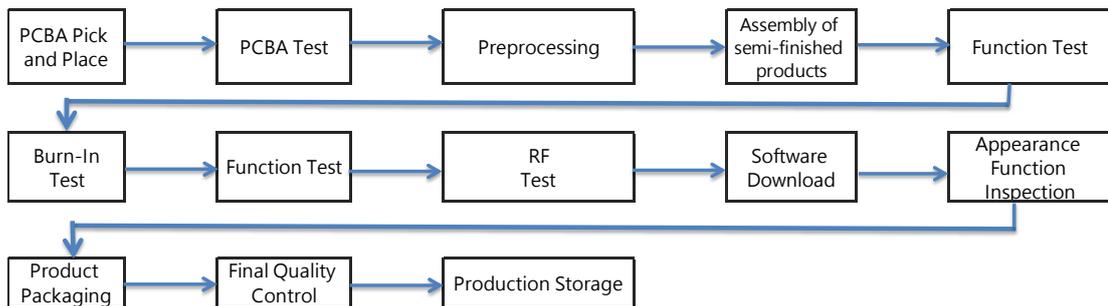
Product Category	Purpose
Pocket-sized Industrial Mobile computer (Mobile Computer)	It is the senior-level product of an automatic identification scanner, not only reading barcode information collection, and RFID function but also includes the main function of a smartphone. Mainly used in the mobile environment such as retail warehouse management and analysis, animal husbandry, market survey, policy systems, manufacturing inventory management, factory automation management, logistic object management, and vehicle dynamic management, etc.
Handheld Barcode Scanner included wired and wireless Bluetooth (Handheld Scanner)	It is the basic industry of Automatic identification and data collection. A wired handheld scanner is suitable for fixed position use, such as the checkout operation at retail and document management at government agencies, etc. the application of Bluetooth handheld scanners is more widely, such as logistics and warehousing management of receipt and delivery, semi-finished goods tracking in manufacturing and patient bedside care in the medical industry.

2. Production Process

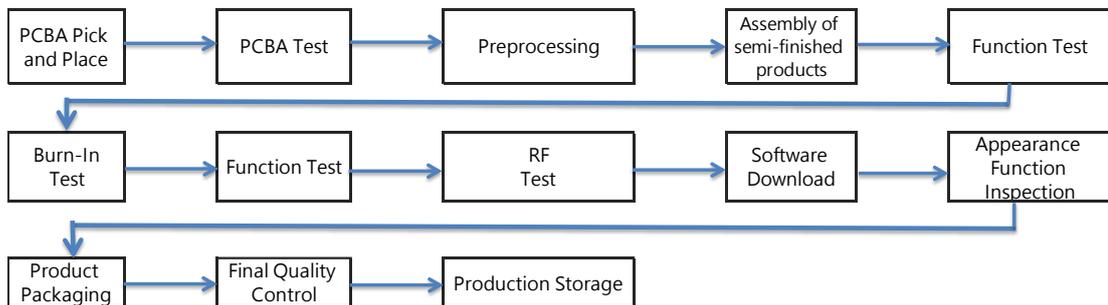
Handheld Barcode Scanner



Pocket-sized industrial computer with its own operating system(cOS Mobile Computer)



Pocket-sized Industrial Mobile Computer with Windows OS / Android OS



(3) The supply status of main raw material

The company purchases the main raw material is coming from the major supplier, the same type of raw materials generally maintains more than two suppliers, ensures the source and unit price is stable, and disperses the risk of purchase concentration; in addition, the material of product need is standards electronic component from the market, there are many suppliers, so no shortage issue. And it has established a good long relationship with the major suppliers and tries to avoid supply shortages, interruptions or delays that affect production operations.

(4) Names of suppliers contributing to at least 10% of the total purchase (sales) in any of the years within the past two years, and the amount and proportion of the purchase (sales)

(i) The information of main supplies in the last two years

Unit: NT\$ Thousand ; %

Item	2021				2022				Up to 2023 Q1			
	Name	Amount	Percentage of the annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases in the current year up to the previous quarter (%)	Relationship with the issuer
1	ZEBRA	161,614	16.80	None	ZEBRA	117,486	16.47	None	ZEBRA	48,789	16.42	None
2	Arima Photovoltaic &optical Corp.	101,332	10.54	None	Arima Photovoltaic &optical Corp.	106,454	14.93	None	Arima Photovoltaic &optical Corp.	96,039	32.33	None
3	Other	698,858	72.66	None	Other	489,223	68.60	None	Other	152,224	51.25	None
	Net Purchases	961,804	100.00		Net Purchases	713,163	100.00		Net Purchases	297,052	100.00	

Note: On stating the name of the supplier whose total purchase amount is at least 10% in the last two years, and the purchase amount and proportion. However, if the supplier's name cannot be disclosed due to a contractual agreement or the transaction partner is an individual and not a related party, a code can be used to represent it.

(ii) The information of main customer in the last two years

Unit : NT\$ Thousand ; %

Item	2021				2022				Up to 2023 Q1			
	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer
1	BlueStar USA	157,529	11.10	None	BlueStar USA	146,847	11.67	None	DANGOT-CODE	117,150	25.10	None
2	Delmon	118,897	8.38	None	DANGOT-S.C	110,803	8.81	None	DANGOT-S.C	73,455	15.74	None
3	Other	1,142,450	80.52	None	Other	1,000,312	79.52	None	Others	276,067	59.16	None
	Net sales amount	1,418,876	100.00		Net sales amount	1,257,962	100.00		Net sales amount	466,672	100.00	

Note: On stating the name of the customer whose total sales amount is at least 10% in the last two years, and the sales amount and proportion. However, if the customer's name cannot be disclosed due to a contractual agreement or the transaction partner is an individual and not a related party, a code can be used to represent it.

(5)The production volume and value in the last two years

Unit : Pcs ; NT\$ Thousand

Production Volume and Value Main Products(or Department)	Year	2021			2022		
		Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Pocket-Size Industrial Computer		91,692	91,692	695,084	101,332	73,392	605,973
Handheld Automatic identification scanner		69,792	69,792	138,285	61,750	49,491	94,110
Others		66,577	66,577	75,393	65,253	59,209	63,285
Total		228,061	228,061	908,762	228,335	182,092	763,368

Note 1: Capacity refers to the quantity that the Company can produce under normal operation using existing production equipment after weighing necessary shutdowns, holidays, and other factors.

Note 2: If the production of each product is substitutable, the production capacity can be calculated together and annotated.

(6) The sales volume and value in the last two years

Unit : NT\$ Thousand

Sales Volume and value Main Products (or Department)	Year	2021				2022			
		Domestic sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Pocket-Sized Industrial Computer		3,387	40,170	83,653	906,850	3,892	46,321	67,413	847,803
Handheld Automatic identification scanner		7,987	22,943	60,985	159,588	7,114	22,116	42,363	109,960
Other		49,002	14,465	278,509	274,860	24,107	13,148	268,065	218,614
Total		60,376	77,578	423,147	1,341,298	35,113	81,585	377,841	1,176,377

5.3 Information of employees in the last two years and as of the annual report publication date

April, 12, 2023

Year		2021	2022	Up to the current year April 12 2023 (Note)
Number of employees (persons)	Direct employees	14	13	12
	Indirect employees	202	213	223
	Total	216	226	235
Average age		41.9	42.61	42.67
Average years of service		8.15	7.9	7.86
Percentage distribution of education background	Ph.D.	0.00%	0.00%	0.00%
	Master's	24.07%	23.45%	23.83%
	College and University	57.87%	60.18%	60.00%
	Senior High School	13.43%	11.95%	11.91%
	Senior High School and below	4.63%	4.42%	4.26%

Note: The information for the current year as of the publication date of the annual report should be filled in.

5.4 Information on environmental protection expenditures

Losses incurred as a result of environmental pollution in the most recent year and as of the annual report publication date, (including compensations and environmental regulations violations based upon the findings of environmental protection audits, these matters should be listed with punishment date, reference number, articles of regulations violated, article contents and punishment details) and disclose estimation of expenditure as occurred up to present and future possible occurrences and countermeasures.

Currently, the production process of the main products of the Company is mostly assembled, so there is no environmental pollution issue.

- (1) In the most recent year and up to the date of publication of the annual report, the total amount of losses and penalties due to environmental pollution: None.
- (2) Future countermeasures and possible expenditures
 1. Continue to strengthen environmental management operations to meet the requirements of environmental protection laws and regulations.
 2. Strengthen waste recycling and resource recovery to achieve the purpose of waste

reduction

3. The Company has passed the ISO-14001 environmental management system certification since 2005
4. There is no major environmental protection capital expenditures in the next two years.

(3) The status of the response to the EU Restriction of Hazardous Substances Directive(RoHS)

The Company's management measures and achievements in response to RoHS:

1. In June 2005, the Company completed the operating procedures for environment-restricted substance control and environment consideration identification, and implemented and revised them accordingly in order to meet the laws and regulations of environmental protection.
2. All products of our company comply with the RoHS Directive, and all existing business trading manufacturers comply with the RoHS Directive.

(4) Environmental policy: Obaid with environmental protection laws and regulations, require waste reduction continuously, develop low consumption products, and implement environmental pollution prevention and control.

The Goal of environment :

- Reduce carbon emission of 2200 series products / pcs by 5% in 2018;
 - Reduce carbon emission of RD51 series products / pcs by 5% in 2019;
 - Reduce carbon emission of RK95 series products / pcs by 5% in 2020 ;
 - Reduce carbon emission of RS35 series products / pcs by 5% in 2021;
 - Reduce carbon emission of RK95 28Key / pcs by 5% in 2021;
 - Reduce carbon emission of RS35 series products / pcs by 5% in 2022 ;
- (Packing material changes.)

Relevant energy saving, carbon reduction and waste management measures include:

1. Reduce and control the usage of paper in the office, save electricity during the lunch breaks regularly, and reduce the unnecessary lighting fixtures, saving electricity and environmentally friendly.
2. The material and components of the primary product used by the Company have met environmentally friendly requirements, the supplier's management department have informed the suppliers of the environment-friendly specification, established the green supply chain, and regularly implemented auditing, appropriate replacement unsuitable suppliers, and keep improving the material that the products used, reduce the waste to be produced, so that to achieve the goal of reducing carbon emissions.
3. Enhance the waste of recycling and resource recycling in order to achieve the purpose of waste reduction.
4. Reduce the emission of pollutants, toxic, and waste and appropriately handle the waste through the contract manufacturer regularly.

(5) Annual carbon dioxide emissions, water consumption, and total weight of waste in the past four years

- 1) Carbon emission: 354,367 kgs in 2019
331,655 kgs in 2020
300,691kgs in 2021
317,629 kgs in 2022

- 2) Water consumption : Due to the Company's operating characteristics there is no

water consumption.

- 3) Total weight of waste: 1,221 Kgs in 2019

Hazardous waste 0 kg, Non-hazardous waste total weight 2,328kgs in 2020

Hazardous 0 kgs, None-hazardous waste total weight 210 kgs in 2021.

Hazardous 0 kgs, Non-hazardous waste total weight 194kgs in 2022.

(The source of data is from Buddha Power Enterprise Co., Ltd which has a Class A clearance business of general waste, general industrial waste and hazardous industrial waste, it is a special contracted manufacturer entrusted by the Company to deal with waste removal, the clearance authorization license 2020 New Taipei City Fei-Chia-Ching-Zi No.0118.)

5.5 Labor relations

- (1). The Company's various employee welfare measures, continuing education, training, retirement systems, and their implementation, as also the agreement between labor and management and the maintenance implementation status of a variety of employee right.

A. Employee welfare measures

a. Employee Welfare Committee

In order to make perfect and complete employee welfare operations, the Company has established the " CipherLab Co., Ltd Employee Welfare Committee"(89) Taipei County Lao-Fu-Zi letter No. 405194 on October 21, 2000, due to relocation to Taipei city, it was approved by the competent authority on April 11, 2007, Taipei City Chih-Fu-Zi No.0892100240), responsible for the planning and implementation of various employee welfare.

Comprehensive the Company and welfare committee's employee welfare measures and actual implementation as below:

- (a). Employee remuneration/Performance Achievement Bonus/Year-end bonus(According to the Company operation and employee performance);
- (b). Subsidies for employee travel and employee social activities;
- (c). Organize employee activities, movie night activities, and travel activities irregularly to enrich the leisure life of employees;
- (d). The annual festival and birthday cash gift and gifts;
- (e). Wedding allowance, funeral subsidies, and wreath;
- (f). Birth subsidies and hospitalization subsidies.
- (g). Manager-level telephone allowance;

b. Labor insurance/Health insurance/Group insurance(Family member need to pay their own fee)/Business trip safety insurance)

c. Annual leave

d. Two-day weekend

e. Regularly health checkups

The employee's health is the asset of the Company, in order to let an employee pay attention to the importance of health and focus on daily health, the Company held free health checks every year and a health consultation service, which is applicable to all official employees.

f. Massage service

In response to the government's encouragement of enterprises to hire people with disabilities, and at the same time to promote the visually impaired massage promotion and increase the job opportunities for disabilities, the Company hire professional visually impaired massage therapists and set up a " Massage station" to provide the massage service so that the employee can release stress and fatigue to improve the employee welfare.

g. Occupational Safety and Health

Employees are the most important resource for our sustainable operation, it is our most important duty to prevent accidents and physical damage to employees. Based on the above concepts and in compliance with Article 34 of the Occupational Safety and Health Act and its implementation rules, the Company has formulated the "Workplace Health and Safety Rules", which apply to all workplaces and all colleagues of the Company, and has the responsibility and obligations to abide by and implement it, are implemented through internal lecturers during orientation training.

h. Long seniority rewards

In response to the contribution and hard work of senior colleagues to the Company, in order to improve the belief of all the employees in the Company's long-term operation to set up "Long seniority rewards operating key point" for rewarding, and present medals, and bonuses for the long seniority reward during the year-end party every year or company general meeting are applicable to all official colleagues, and the base of the award is based on the service years every five years.

i. Talent recommendation reward

We regard talent as the most important asset of the Company, in order to encourage employees to actively recommend outstanding talents and help companies find good talents, the Company promotes the "Employee Recommended Talent Reward Program" to effectively build talent assets and optimize the team. Referral rewards will be available for recommended talents passing the trial period.

j. CipherLab child care measures

According to Article 23 of the Gender Equality in Work Act, childcare measures are taken. Considering the fact that the Company is currently separated from the two places and the age range of the children is very different, the "entrustment contract" is adopted with registered child care service institutions (including child care services) Baby centers, kindergartens, and after-school childcare centers) provide childcare services.

k. Breastfeeding Room

In order to create a friendly workplace environment, the Company has provided breastfeeding (collection) rooms for employees to support employees in balancing work and family care responsibilities.

l. Special Contracted Sports Center

In order to encourage employees to have diverse exercise regularly, the Company has contracted with sport center at a special price, holding their employee identification card with a photo can have a special price to purchase venues, tickets, equipment, projects, course, and other operations items which listed on the attachment.

B. Employee advance study and training

a. New employee orientation

Through the internal lecturers and e-learning platform, to enhance the full understanding of the Company's internal processes, regulations, and required professional skills, and strengthen the Company's culture and environmental recognition and solidarity, in order to improve the stability of employees.

b. Employee advance study and training subsidies

Employee advance study and training are implemented by following the "Education and Training Operation Main Points", allowing employees to receive appropriate training according to their duties and functions, in order to enhance their professional knowledge and work productivity. The main training content of the current year is as follows:

Course category	Total hours
Corporate Governance	29.5
Administrative Management	8.5
Technical Courses	76.0
Quality Management	225.0
Financial Management	25.5
Product Technologies	27.5
Sales Marketing	27.0
Occupational Safety and Health	300.0

Due to work needs and assigned by the supervisor to those who participate in external training courses, the training fee can be fully subsidized, if the individual is willing to learn and is approved by the responsible supervisor, the Company can subsidize part of the training fee. Let employees fully use company resources to achieve the purpose of self-learning and growth.

c. Patent Award

In order to encourage employees' spirit to innovate, research, and invent, actively invest in product or technology research and development and apply for patent rights to improve the value of the Company's products, establish a complete internal patent acquisition process, and create company profits. Substantive/formal examination and regulations, those who have obtained a patent certificate, will be issued patent awards in accordance with the three categories of invention, model, and design in the current patent law.

d. Computer Allowance

In order to encourage employees who purchase laptops to meet the needs of the Company's business promotion and improve their work efficiency, they can apply for allowance only after they are qualified and approved by their supervisors. Every three years, if the aforementioned incentive reasons still exist, can apply again.

e. Humanities reading

The Company subscribes to Business Weekly, Business Times, and Economic Daily for colleagues to increase their market dynamics and new knowledge of related industries through static state reading.

C. Employee retirement system

According to the Labor Standards Acts and the Labor Pension Regulations to handle, the employee who uses the old system and has seniority, the Company will allocate an appropriate ratio "Retirement Reserve" of the total salary to the Bank of Taiwan every month in accordance with the Labor Standards Acts; CipherLab Co., Ltd has established " The Labor Retirement Reserve Supervision Committee " which is responsible for the promotion of the old retirement system and pension funds management and holds regular meetings every three months to report on the ratio and status of pension allocations.

An employee who meets any of the following circumstances may retire voluntarily:

- a. Those who served the Company for over 15 years, and over 55 years old.
- b. Those who served the Company for over 25 years
- c. Those who served the Company for over 10 years, and over 60 years old.

Applying for retirement, the employee should fill in the "Retirement Application Form" one month before the retirement and provide the official transcript of household registration, after approval from the Company's supervisor, complete the work handover procedures according to the key points of the operations, and after submitting it to the Labor Retirement Reserve

Fund Supervision Committee meeting for approval, can handle related work of pension application immediately.

For those employees who choose or are appropriate to the new system, the Company allocates 6% of the salaries and wages as retirement pensions for depositing into the employee's individual account with the Labor Bureau according to the Labor Pension Act.

- (2). The agreement between labor and management and various measures to protect the rights and interests of employees

Harmonious labor-management relations have been valued by the Company, so the Company has formulated various management measures related to employees in accordance with the related of the provision of the Labor Standards Act, in order to protect the rights of employees, at the same time the Company also values employees' opinions and provides various response channels to push sound communication between labor and management and maintain a good relationship between labor and management together.

- (3). Protection measures for working environment and personal safety of employees

Item	Content
Access control security	<ol style="list-style-type: none"> 1.The factory access control. 2.Signed a contract with the security company, 24-hour immediate connection and set up the surveillance system to ensure the safety of the office.
Maintenance and inspection of various equipment	<ol style="list-style-type: none"> 1. According to the building public safety inspection certification and declaration regulation, the management committee and the housing rental to entrust the professional agency for public safety inspection every two years. 2.According to the Fire Service Act, the management committee and the housing rental to entrust the professional agency to do the fire protection inspection every year. 3.Has formulated "Workplace Health and Safety Rules" and inspects used equipment by custodian unit regularly.
Disaster Prevention and Contingency measures	<ol style="list-style-type: none"> 1. Has formulated "Emergency contingency plans" "Workplace Health and Safety Rules" and other precautions for disaster prevention and rescue, as well as annual practical drills, and clearly states the Company's responsibility and tasks in response to major emergencies. 2. Unify through the management committee or the housing rental company to hire the fire department to conduct lectures and drills on fire prevention and disaster prevention every year. 3.To maintain the safety and health of employees, the Company has set up a class-1 labor safety and health manager and a labor safety and health manager and registered at the labor inspection office.
Physical and Mental health	<ol style="list-style-type: none"> 1. All employees will have regular health checkups for every year. 2. Education training: Through the internal or external training models irregularly, strengthen a variety of functions and physical and mental health. 3. Opinion expression: The Company has set up the senior managers' opinion mailbox and employee e-mail for colleagues to express their opinion at any time, the communication channels are smooth and without obstacles. 4. Internal the Company has a special area that can download the Company's rules and regulations, provide the current rules and regulations of the Company to allow colleagues to understand, and adjust at any time, under the taking care of labor and management right and benefit to reflect the aspirations of colleagues. 5 The workplace is totally non-smoking and the working environment is cleaned and disinfected regularly. 6. Sexual Harassment Prevention: Set up the main points and punishment regulations for sexual harassment prevention, and publicize and prevent them when new employees arrive.
Notification of hazardous factors in the contractor's work	<p>If there is a major project, please follow the "Notification of Environmental Protection and Hazardous Factors in Contracting Work" issued by the management committee or the housing rental company, and require the contractor to follow it, and assist immediately in the announcement.</p>
Insurance and Medical Consolation	<ol style="list-style-type: none"> 1.To insure employees with labor insurance (including occupational accident insurance), health insurance, labor retirement, and employer liability insurance in accordance with the law to protect the rights and interests of employees. 2. Every employee also enjoys the protection of regular life insurance, accidental injury insurance, injury medical insurance, hospitalization health insurance, cancer health insurance, occupational accident insurance, etc., to provide colleagues with relief due to illness or external emergencies. 3.The employee welfare committee of the Company will provide immediate hospitalization condolences and related subsidies according to colleagues' weddings, funerals, celebrations, or temporary emergencies.

- (4). State the losses incurred as a result of labor disputes in the most recent year and as of the annual report publication date, (including matters of violations of the labor act from the labor inspection results. These matters should be listed with punishment date, reference number, articles of regulations violated, article contents, and punishment details)and disclose estimation of expenditure as occurred to future possible occurrences and countermeasures:
None

5.6 Cyber Security Management

- (1) Specifying the cyber security risk management structure, cyber security policy, specific management plans and resources invested in cyber security management:

A. Cyber security risk management structure

The responsible unit of the Company's cyber security is an information security office and the operating system department of the application development division, the information security office is responsible for coordinating information security policy, promoting information security messages, raising the cyber awareness of employees, collecting and improving organization information security management system performance and effectiveness of technology, products, and procedures, etc., The operating system division is responsible to implementing information security policy, implementing information security management control mechanisms, and repairing weaknesses, etc. The audit office conducts information security checks on the internal control system-computerized information system cycle every year and evaluates the effectiveness of the internal control of the Company's information operations. The latest checkup is in November 2022; in addition to processing external information cycle regular auditing every year to ensure cyber security and effectiveness.

B. Cyber security policy

In order to implement cyber security management, the Company has established an internal control system - computerized information system cycle and network resource management and internal information protection operation points, cyber security incident crisis notification operation points, through the efforts of all colleagues together to achieve the following:

- Ensure the confidentiality and integrity of information assets.
- Ensure that each department regulates data access according to its functions.
- Ensure the continuous operation of the information system.
- Prevent unauthorized modification or use of information and systems.
- Ensure that system loopholes are blocked on time
- Regularly perform information security audit operations to ensure the implementation of information security.

C. Specific management plans

<p>Internet information security management and control</p> <ul style="list-style-type: none"> •Set up a firewall (Firewall) to control the entry and exit of internal/external information. •Regularly scan computer systems and data storage media for viruses •The use of various network services should be implemented in accordance with the information security policy •Review the system logs or traffic of various network service items regularly, and track abnormal situations •Focus on the newest computer virus's epidemic situation, loopholes, weaknesses, and other information regularly, warning early and blocking
<p>Data accessing</p> <ul style="list-style-type: none"> •Computer equipment should be kept by a dedicated person and set up account and password control •According to different occupational functions to give different system/data accessing right. •Cancel the related authority for transferred/ resigned employees •Confidentiality, sensitive information, and copyright software should be removed or overwritten before the equipment is scrapped

•The remote log into the management system should be released after approving
Contingency Recovery Mechanism
•Review the emergency contingency plan regularly •Regularly exercises system recovery every year •Establish a system backup mechanism and implement off-site backup •Regularly review computer network security control measure
Promotion and reviewing
•Promote the importance of information security at any time, to improve the employee's cyber awareness •Regularly implement the cyber security checking every year

D. The Company has regularly invested funds related to information security every year to establish a basic protection structure to ensure that the Company's operations are within a safe range. Therefore, the risk of information security has not had a significant impact on the Company's financial business.

(2) List in the most recent year and as of the annual report publication date, the losses incurred due to major cyber security events, its possible impacts, and countermeasures. If unable to make reasonable estimation, explain the facts for not being able to make the estimation:

- The Company has no major information security incidents currently that have caused business damage.
- Continue to implement information security management policy goals, and regularly implement recovery plan drills to protect the Company's important systems and data security.
- If there is a major cyber security incident, it will be implemented in accordance with the key points of the cyber security incident crisis notification operation to implement emergency contingency handling related measures.

5.7 Important Contacts

As of the annual report publication date, the supply contract, technology cooperative contract, engineering contract, long-term loan contract, and other important contracts that are validly existing and are due to expire in the most recent year, might affect the shareholders' rights and interests.

Contract type	Parties	The commencement dates and expiration dates of contracts	Major Content	Restriction
Insurance	Tokyo Marine Nawa Insurance Co., Ltd	2022/09/01~2023/09/01	Product liability insurance	None
Insurance	Fubon Insurance Co., Ltd.	2022/11/08~2023/11/08	Directors and Officers Liability Insurance (D&O)	None
Outsourcing	NingboMaidu Zhilian Technology Co., Ltd.	2022/09/01~2023/08/31	Certification Development	None
Insurance	Fubon Insurance Co., Ltd.	2022/11/26~2023/11/26	Employer accident liability insurance	None
Insurance	Shinkong Insurance Co., Ltd.	2022/12/31-2023/12/31	Commercial Fire Insurance Policy	None
Outsourcing	Taiwan Investor Relations Institute	2023/1/1~2023/12/31	Letter of Appointment for Board Performance Evaluation Services	None

IV. Financial Overview

6.1. Five Year Condensed Balance Sheet and Income Statement :

(1) Consolidated condensed balance sheet – adopting IFRS

Unit: NT\$ Thousand

Item		Year	Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial information as of March 31, 2023 of the current fiscal year
		2018	2019	2020	2021	2022		
Current assets			1,144,574	894,712	831,879	1,059,219	1,112,923	1,110,357
Property, Plant and Equipment			129,872	138,645	135,093	121,901	110,016	110,296
Intangible assets			7,073	13,863	11,404	15,420	9,804	9,248
Other assets			60,904	111,854	149,212	121,178	139,952	130,608
Total assets			1,342,423	1,159,074	1,127,588	1,317,718	1,372,695	1,360,509
Current Liabilities	Before distribution		431,951	291,420	314,926	472,269	473,082	428,964
	After distribution		481,948	291,420	314,926	496,240	-	-
Non-current liabilities			32,921	52,344	61,375	59,629	94,287	92,550
Total liabilities	Before distribution		464,872	343,764	376,301	531,898	567,369	521,514
	After distribution		514,869	343,764	376,301	555,869	-	-
Equity attributable to owners of the patent company			877,334	814,940	751,045	785,039	805,605	839,011
Share capital			684,891	684,891	684,891	684,891	684,891	684,891
Capital surplus			1,131	1,135	1,144	1,151	1,151	1,151
Retained earnings	Before distribution		194,374	136,115	73,998	110,505	120,647	154,574
	After distribution		144,377	136,115	73,998	86,534	-	-
Other equity			(3,062)	(7,201)	(8,988)	(11,508)	(1,084)	(1,605)
Treasury shares			-	-	-	-	-	-
Non-controlling interests			217	370	242	781	(279)	(16)
Total equity	Before distribution		877,551	815,310	751,287	785,820	805,326	838,995
	After distribution		827,554	815,310	751,287	761,849	-	-

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA.

Note 2: For the after-distribution figures above, shall be filled in according to the resolution of the shareholders' meeting in the next year.

Note 3: For the after distribution, should filled in according to the resolutions of the Board of Directors or the next year's shareholders' meeting. The 2022 distribution situation has not yet been resolved at the shareholders' meeting, the figure after distribution has not been disclosed.

(2)Standalone condensed balance sheet – adopting IFRS

Unit: NT\$ Thousand

Year	Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial information as of March 31, 2023 of the current fiscal year	
	2018	2019	2020	2021	2022		
Item							
Current assets	968,957	741,587	699,169	898,922	976,632		
Property, Plant and Equipment	129,246	138,033	134,296	121,280	109,273		
Intangible assets	7,010	13,833	11,389	7,443	6,088		
Other assets	221,073	223,609	234,465	235,778	212,985		
Total assets	1,326,286	1,117,062	1,079,319	1,263,423	1,304,978		
Current Liabilities	Before distribution	416,031	277,273	293,327	442,506	438,567	Not Applicable
	After distribution (Note 2,3)	466,028	277,273	293,327	466,477	-	
Non-current liabilities		32,921	24,849	34,947	35,878	60,806	
Total liabilities	Before distribution	448,952	302,122	328,274	478,384	499,373	
	After distribution (Note 2,3)	498,949	302,122	328,274	502,355	-	
Equity attributable to owners of the patent company		877,334	814,940	751,045	785,039	805,605	
Share capital		684,891	684,891	684,891	684,891	684,891	
Capital surplus		1,131	1,135	1,144	1,151	1,151	
Retained earnings	Before distribution	194,374	136,115	73,998	110,505	120,647	
	After distribution (Note 2,3)	144,377	136,115	73,998	86,534	-	
Other equity		(3,062)	(7,201)	(8,988)	(11,508)	(1,084)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	877,334	814,940	751,045	785,039	805,605	
	After distribution (Note 2,3)	827,337	814,940	751,045	761,068	-	

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA.

Note 2: For the after-distribution figures above, shall be filled in according to the resolution of the shareholders' meeting in the next year.

Note 3: For the after distribution, should filled in according to the resolutions of the Board of Directors or the next year's shareholders' meeting. The 2022 distribution situation has not yet been resolved at the shareholders' meeting, the figure after distribution has not been disclosed.

(3) Consolidated condensed statement of comprehensive income – adopting IFRS

Unit: NT\$ Thousand

Item \ Year	Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial information as of March 31, 2023 of the current fiscal year
	2018	2019	2020	2021	2022	
Operating Revenue	1,568,120	1,285,662	1,030,778	1,418,876	1,257,962	466,672
Gross Profit	579,757	514,488	387,641	499,005	472,077	161,395
Operating Income	58,521	(14,059)	(102,616)	42,471	26,524	43,228
Non-Operating income and express	5,682	(3,880)	18,450	68	10,446	(606)
Profit Before Income Tax	64,203	(17,939)	(84,166)	42,539	36,970	42,622
Net income for the period from continuing operations	56,036	(9,857)	(62,103)	36,021	31,194	34,190
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the period	56,036	(9,857)	(62,103)	36,021	31,194	34,190
Other comprehensive income (loss) for the period (net of income tax)	2,087	(2,661)	(1,929)	(1,495)	12,283	(521)
Total comprehensive income for the period	58,123	(12,248)	(64,032)	34,526	43,477	33,669
Net income attributable to owners of parent	56,556	(9,183)	(61,975)	35,482	32,254	34,259
Net income attributable to non-controlling interests	(520)	(404)	(128)	539	(1,060)	(69)
Total comprehensive income attributable to owners of parent	58,643	(11,844)	(63,904)	33,987	44,537	33,738
Total comprehensive income attributable to non-controlling interests	(520)	(404)	(128)	539	(1,060)	(69)
Earnings per share (NTD)	0.83	(0.13)	(0.9)	0.52	0.47	0.50

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA.

(4)Standalone condensed statement of comprehensive income – adopting IFRS

Unit : NT\$ Thousand

Item	Year	Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial information as of March 31, 2023 of the current fiscal year
		2018	2019	2020	2021	2022	
Operating Revenue		1,446,629	1,204,234	948,411	1,285,240	1,194,271	
Gross Profit		471,601	435,332	314,730	373,453	421,817	
Operating Income		46,149	(178)	(86,688)	13,100	69,831	
Non-Operating income and express		18,486	(15,740)	1,189	28,955	(33,216)	Not Applicable
Profit Before Income Tax		64,635	(15,918)	(85,499)	42,055	36,615	
Net income for the period from continuing operations		56,556	(9,183)	(61,975)	35,482	32,254	
Loss from discontinued operations		0	0	0	0	0	
Net income(loss) for the period		56,556	(9,183)	(61,975)	35,482	32,254	
Other comprehensive income (loss) for the period (net of income tax)		2,087	(2,661)	(1,929)	(1,495)	12,283	
Total comprehensive income for the period		58,643	(11,844)	(63,904)	33,987	44,537	
Net income attributable to owners of parent		-	-	-	-	-	
Net income (loss) attributable to non-controlling interests		-	-	-	-	-	
Total comprehensive income attributable to owners of parent		-	-	-	-	-	
Total comprehensive income attributable to owners of parent		-	-	-	-	-	
Earnings per share (NTD)		0.83	(0.13)	(0.90)	0.52	0.47	

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA

(5)Name of CPAs and Auditors' Opinions for the last five years

Year	CPA Firm	Name of CPA	Audit opinions
2018	Deloitte & Touche	Yu, Cheng- Chuan, Chen, Chung Cheng	Standard unqualified opinion
2019	Deloitte & Touche	Ruske Ho, Yu, Cheng -Chuan (Note 1)	Standard unqualified opinion
2020	Deloitte & Touche	Ruske Ho, Yu, Cheng -Chuan	Standard unqualified opinion
2021	Deloitte & Touche	Ruske Ho, Alice Huang (Note2)	Standard unqualified opinion
2022	Deloitte & Touche	Ruske Ho, Alice Huang	Standard unqualified opinion

Note 1: In 2019, the Company cooperated with Deloitte & Touche to replace accountants in accordance with the accountant rotation regulation, accountant Yu, Cheng- Chuan, and accountant Chen, Chung -Cheng changed to accountant Ruske Ho and accountant Yu, Cheng- Chuan.

Note 2: In 2021, the Company cooperated with Deloitte & Touche to replace accountants in accordance with the accountant rotation regulation, accountant Ruske Ho, and accountant Yu, Cheng -Chuan changed to accountant Ruske Ho and accountant Alice Huang.

6.2 Financial analysis for the most recent five years

(1) Parent company only financial statement – adopting IFRS

Analytical items		Year (Note1)	Financial analysis for the past five years (Note 1)					As of March 31, 2023 of the current fiscal year
		2018	2019	2020	2021	2022		
Financial structure (%)	Ratio of Liabilities to Assets	33.85	27.05	30.41	37.86	38.27		
	Ratio of long-term fund to property, plant and equipment	704.28	608.40	585.27	676.88	792.89		
Solvency%	Current ratio (%)	232.90	267.46	238.36	203.14	222.69		
	quick ratio (%)	119.84	124.79	103.99	81.90	98.12		
	Times interest earned ratio	4,811.01	-1,013.93	-4,719.56	2,057.87	1,154.88		
Operating ability	Average collection turnover (times)	6.12	5.23	5.62	7.29	6.13	Not Applicable	
	Average days of collection	59.64	69.78	64.94	50.06	59.54		
	Average inventory turnover (times)	2.39	1.92	1.74	2.06	1.51		
	Average payables turnover (times)	7.77	6.98	7.02	8.09	6.51		
	Average days of sales	152.72	190.10	209.77	177.18	241.72		
	Property, plant, and equipment turnover (times)	11.22	9.01	6.97	10.06	10.36		
	Total assets turnover (times)	1.16	0.99	0.86	1.10	0.93		
Profitability	Return on assets (%)	4.63	-0.66	-5.51	3.18	2.73		
	Return on equity (%)	6.67	-1.09	-7.92	4.62	4.06		
	Pre-tax income to paid-in capital ratio (%)	9.44	-2.32	-12.48	6.14	5.35		
	Net margin (%)	3.91	-0.76	-6.53	2.76	2.70		
	Earnings per share (NTD)	0.83	-0.13	-0.90	0.52	0.47		
Cash Flow	Cash flow ratio (%)	-5.42	48.53	-3.80	-3.37	26.59		
	Cash flow adequacy ratio (%)	78.02	88.31	67.27	3.51	51.59		
	Cash flow reinvestment ratio (%)	-2.20	8.72	-1.30	-1.64	9.25		
Leverage	Operating leverage	1.00	-50.51	1.01	0.92	1.16		
	Financial leverage	1.03	0.11	0.98	1.20	1.05		

Please provide the reasons for changes in financial ratios in the most recent two years. (Analysis not required if the change is less than 20%)

(1) Solvency:

Interest coverage ratio: In 2021, it benefitted from the subsidiary mPlus Technology successively shipped mobile POS for American customers and self-service POS machine projects for Japanese customers, so the sales revenue dropped compared with 2022, resulting in a decrease in the interest coverage ratio.

(2) Operating ability

Inventory turnover rate (times): In 2021, it benefitted from the subsidiary mPlus Technology successively shipped mobile POS for American customers, and self-service POS machine projects for Japanese customers increased in succession, the revenue increased and the cost of goods sold was relatively high. In 2022, the material shortage factor decreased and the production cost was reduced, so the inventory turnover rate decreased.

Average sales days: The average sales days increase due to the decline in inventory turnover (times).

(3) Cash Flow:

Three analysis items of cash flow: The main impact is the cash flow of operating activities. In 2021, there were serious doubts about the materials shortage such as electronic components, so the Company purchased materials following policy, besides, in 2021, the share of profits and losses of subsidiaries using the equity method was a positive number causing the net cash flow of activities is negative in 2021, and the cash flow of operating activities in the past five years was negative in 2017. In 2022, the share of profits and losses of subsidiaries using the equity method was a positive number, inventory was reduced and cash dividends were distributed in 2022, resulting in large changes in cash flow.

(4) Leverage

Operating leverage: Although the operating revenue in 2022 was less than in 2021, due to the serious material shortage issue in 2021, some materials were purchased at spot prices, and the gross profit margin of sales was low, which also affected the decrease in operating profit, resulting in an increase in operating leverage.

Note 1: The above-mentioned financial information for the most recent 5 fiscal years is calculated after being audited by CPA

(2)Consolidated financial analysis – adopting IFRS

Analytical items		Financial analysis for the past five years (Note 1)					As of March 31, 2023 of the current fiscal year
		2018	2019	2020	2021	2022	
Financial structure (%)	Ratio of Liabilities to Assets	34.63	29.66	33.37	40.37	41.33	38.33
	Ratio of long-term fund to property, plant and equipment	701.05	625.81	601.56	693.55	817.71	844.60
Solvency%	Current ratio (%)	264.98	307.02	264.15	224.28	235.25	258.85
	quick ratio (%)	143.21	153.84	122.45	97.48	107.56	135.61
	Times interest earned ratio	4,779.52	-874.95	-2,432.07	1,286.25	856.03	3,681.68
Operatingability	Average collection turnover (times)	5.06	4.48	4.64	6.15	5.22	7.16
	Average days of collection	72.12	81.47	78.58	59.32	69.92	50.97
	Average inventory turnover (times)	2.15	1.72	1.57	1.86	1.39	2.21
	Average payables turnover (times)	7.75	6.90	6.98	7.93	6.51	16.97
	Average days of sales	169.77	212.21	232.48	196.24	262.58	165.23
	Property, plant, and equipment turnover (times)	12.10	9.58	7.53	11.04	10.85	16.39
Profitability	Total assets turnover (times)	1.24	1.03	0.90	1.16	0.94	1.42
	Return on assets (%)	4.58	-0.62	-5.19	3.14	2.69	2.68
	Return on equity (%)	6.67	-1.08	-7.91	4.62	4.05	4.19
	Pre-tax income to paid-in capital ratio (%)	9.37	-2.62	-12.29	6.21	5.40	6.31
	Net margin (%)	3.61	-0.71	-6.01	2.50	2.56	7.33
Cash Flow	Earnings per share (NTD)	0.83	-0.13	-0.90	0.52	0.47	0.50
	Cash flow ratio (%)	2.64	34.98	-9.19	-0.62	24.80	-0.12
	Cash flow adequacy ratio(%)	79.93	64.30	55.14	3.41	84.88	-0.99
Leverage	Cash flow reinvestmentratio (%)	0.96	4.66	-2.97	-0.28	8.42	-4.28
	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.00
	Financial leverage	1.02	0.88	0.97	1.09	1.23	1.03

Please provide the reasons for changes in financial ratios in the most recent two years. (Analysis not required if the change is less than 20%)

(1) Solvency:

Interest coverage ratio: In 2021, it benefitted from the subsidiary mPlus Technology successively shipped mobile POS for American customers and self-service POS machine projects for Japanese customers, so the sales revenue dropped compared with 2022, resulting in a decrease in the interest coverage ratio.

(2) Operatingability

Inventory turnover rate (times): In 2021, it benefitted from the subsidiary mPlus Technology successively shipped mobile POS for American customers, and self-service POS machine projects for Japanese customers increased in succession, the revenue increased and the cost of goods sold was relatively high. In 2022, the material shortage factor decreased and the production cost was reduced, so the inventory turnover rate decreased.

Average sales days: The average sales days increase due to the decline in inventory turnover (times).

(3) Cash Flow:

Three analysis items of cash flow: The main impact is the cash flow of operating activities. In 2021, there were serious doubts about the materials shortage such as electronic components, so the Company purchased materials following policy, besides, in 2021, the share of profits and losses of subsidiaries using the equity method was a positive number causing the net cash flow of activities is negative in 2021, and the cash flow of operating activities in the past five years was negative in 2017. In 2022, the share of profits and losses of subsidiaries using the equity method was a positive number, inventory was reduced and cash dividends were distributed in 2022, resulting in large changes in cash flow.

Note 1: The above-mentioned financial information for the most recent 5 fiscal years is calculated after being audited by CPA

Note 2: The calculation formula of the analysis items is as follows:

1. Financial structure
 - (1) Debt ratio = total liabilities / total assets.
 - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.
3. Operating capacity
 - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business).
 - (2) Average cash recovery date = 365 / receivables turnover rate
 - (3) Inventory turnover rate = sales cost / average inventory.
 - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business).
 - (5) Average days in sales = 365 / inventory turnover rate.
 - (6) Property, plant and equipment turnover rate = net sales/net average property, plant and equipment value.
 - (7) Total asset turnover rate = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on stockholders' equity = after tax profit and loss / total average equity.
 - (3) Net profit margin = after tax profit and loss / net sales.
 - (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares.
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 in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital). (Note 5)
6. Leverage
 - (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating profit / (operating profit - interest expense).

6.3 Audit Committee's Report in the Most Recent Year

Audit committee's review report

The Board has submitted the annual operating report, financial statements (including consolidated financial statements), and profit distribution proposal for the year ended December 31, 2022. The financial statements (including consolidated financial statements) have been audited by Deloitte & Touche, including auditors Ruske Ho and Alice Huang, who issued an audit report. The abovementioned operating report, financial statements (including consolidated financial statements), and profit distribution proposal have been reviewed by our Audit Committee and deemed compliant. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby report the above. Please review accordingly.

To the Shareholders' Meeting of CIPHERLAB CO., LTD. in the Year 2023

Independent Director: Mr. HU, CHIU-CHIANG

Independent Director: Ms. CHEN, WEN-YU

Independent Director: Mr. YU, MING-CHANG

Independent Director: Mr. TSAI, YU-PING

2023 March 29th

6.4 Financial Statement in The Most Recent which Includes CPA Audit Report, two-year Comparative Balance Sheet, Comprehensive Income Statement, Statement of Equity Changes, Cash Flow Statement, and Notes or Tables.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of CiphertLab Co., Inc. and its subsidiaries, as of December 31, 2022 and 2021; the related consolidated statement of comprehensive income, the consolidated statement of changes in equities, and the consolidated statement of cash flows for the period of January 1 to December 31, 2022 and 2021; and notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the consolidated financial status of the CiphertLab Co., Inc. and its subsidiaries as of December 31, 2022 and 2021 and its consolidated financial performance and cash flows from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and auditing standards. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of I and its subsidiaries, and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions.

Key Audit Matters

The key audit matter refers to the most important content in our audit of CiphertLab Co., Inc. and its subsidiaries' consolidated financial statements for the year 2022 based on our professional judgment. These matters have been addressed in the process of our audit of the consolidated financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for CiphertLab Co., Inc. and its subsidiaries' consolidated financial statements for the year 2022:

Key audit matter: veracity of sales revenue recognition

The revenue of CiphertLab Co., Inc. and its subsidiaries from the sales of 2 products, RS 35 and RK 95, for the year 2022 was NT\$470,439 thousand, accounting for 38% of the consolidated sales revenue, which had a significant impact on the consolidated financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sale revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the consolidated financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 2 products of RS35 and RK 95 to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

Other Matters

We have also audited CiphertLab Co., Inc.'s individual financial statements for the year ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries 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 CiphertLab Co., Inc. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and maintain 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 CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries 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 and appropriate audit evidence regarding the financial information of entities or business activities within CiphertLab Co., Inc. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of CiphertLab Co., Inc. and its subsidiaries' audit. We remain solely responsible for our audit opinion.

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

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0930128050

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0920131587

March 29, 2023

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 216,779	16	\$ 189,779	14
1150	Notes receivable (Note 7)	803	-	1,483	-
1170	Accounts receivable (Note 4 & 7)	233,122	17	237,640	18
1200	Other receivables (Note 7)	56,633	4	29,988	2
130X	Inventories (Note 4, 5 & 8)	559,518	41	572,869	44
1476	Other financial assets – current (Note 28)	1,500	-	1,500	-
1479	Other current assets – (Note 13)	44,568	3	25,960	2
11XX	Total current assets	<u>1,112,923</u>	<u>81</u>	<u>1,059,219</u>	<u>80</u>
	Non-current assets				
1600	Property, plant and equipment (Note 4, 10 & 28)	110,016	8	121,901	9
1755	Right-of-use assets (Notes 4 & 11)	51,375	4	32,866	3
1780	Other intangible assets (Note 4 & 12)	9,804	1	15,420	1
1840	Deferred tax assets (Notes 4, 5 & 21)	78,342	5	77,750	6
1990	Other non-current assets (Note 7 & 13)	10,235	1	10,562	1
15XX	Total non-current assets	<u>259,772</u>	<u>19</u>	<u>258,499</u>	<u>20</u>
1XXX	Total assets	<u>\$ 1,372,695</u>	<u>100</u>	<u>\$ 1,317,718</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 160,000	12	\$ 182,341	14
2150	Notes payable (Note 15)	-	-	125	-
2170	Accounts payable (Note 15 & 27)	107,944	8	133,417	10
2219	Other payables (Note 16)	125,650	9	114,332	9
2230	Current tax liabilities (Note 21)	6,051	-	2,438	-
2280	Lease liabilities-current (Note 4 & 11)	24,901	2	10,374	1
2320	Long-term borrowing with maturity under 1 year (Note 14)	724	-	7,505	-
2399	Other current liabilities (Note 16 & 19)	47,812	3	21,737	2
21XX	Total current liabilities	<u>473,082</u>	<u>34</u>	<u>472,269</u>	<u>36</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	3,276	-	4,785	-
2570	Deferred tax liabilities (Note 4 & 21)	3,906	-	2,575	-
2580	Lease liabilities-noncurrent (Note 4 & 11)	29,185	2	24,537	2
2640	Net Defined benefit liability - non-current (Note 4 & 17)	8,764	1	11,597	1
2670	Other non-current liabilities (Note 4, 16 & 19)	49,156	4	16,135	1
25XX	Total non-current liabilities	<u>94,287</u>	<u>7</u>	<u>59,629</u>	<u>4</u>
2XXX	Total liabilities	<u>567,369</u>	<u>41</u>	<u>531,898</u>	<u>40</u>
	Equity attributable to owners of parent company (Note 18)				
3110	Ordinary share capital	684,891	50	684,891	52
3210	Capital surplus	1,151	-	1,151	-
	Retained earnings				
3310	Legal reserve	74,587	5	70,936	6
3320	Special reserve	11,508	1	3,062	-
3350	Unappropriated retained earnings	34,552	3	36,507	3
3300	Total retained earnings	<u>120,647</u>	<u>9</u>	<u>110,505</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,096	-	(9,328)	(1)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(1,084)	-	(11,508)	(1)
31XX	Total equity interest attributable to owners of parent company	805,605	59	785,039	60
36XX	Non-controlling interest	(279)	-	781	-
3XXX	Total equity interest	<u>805,326</u>	<u>59</u>	<u>785,820</u>	<u>60</u>
	Total liabilities and equity	<u>\$ 1,372,695</u>	<u>100</u>	<u>\$ 1,317,718</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars
Except Earnings per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenues (Note 4 & 19)				
4100	Sales revenue	\$ 1,228,010	98	\$ 1,382,701	97
4600	Service revenue	<u>29,952</u>	<u>2</u>	<u>36,175</u>	<u>3</u>
4000	Total operating revenue	<u>1,257,962</u>	<u>100</u>	<u>1,418,876</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(783,697)	(63)	(916,372)	(65)
5600	Cost of services	(<u>2,188</u>)	=	(<u>3,499</u>)	=
5000	Total operating costs	(<u>785,885</u>)	(63)	(<u>919,871</u>)	(65)
5900	Operating profit margin	<u>472,077</u>	<u>37</u>	<u>499,005</u>	<u>35</u>
	Operating expenses (Note 17&20)				
6100	Selling expenses	(226,654)	(18)	(226,335)	(16)
6200	Administrative expenses	(69,739)	(5)	(69,017)	(5)
6300	Research and development expenses	(147,333)	(12)	(157,857)	(11)
6450	Expected credit impairment losses (Note 7)	(<u>1,827</u>)	=	(<u>3,325</u>)	=
6000	Total operating expenses	(<u>445,553</u>)	(35)	(<u>456,534</u>)	(32)
6900	Net operating profit	<u>26,524</u>	<u>2</u>	<u>42,471</u>	<u>3</u>
	Non-operating income and expenditures (Note 20)				
7100	Interest income	1,089	-	363	-
7010	Other income (Note 23)	2,205	-	5,178	-
7020	Other gains and losses	12,042	1	(1,887)	-
7050	Financial costs	(<u>4,890</u>)	=	(<u>3,586</u>)	=
7000	Total non-operating income and expenditures	<u>10,446</u>	<u>1</u>	<u>68</u>	=

(Continue)

(Previous)		2022		2021	
Code		Amount	%	Amount	%
7900	Profit from continuing operations before tax	\$ 36,970	3	\$ 42,539	3
7950	Tax expense (Note 4 & 21)	(5,776)	(1)	(6,518)	(1)
8200	Net profit	<u>31,194</u>	<u>2</u>	<u>36,021</u>	<u>2</u>
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss				
8311	remeasurements of defined benefit plans	2,324	-	1,281	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(465)	-	(256)	-
8360	Items might be reclassified subsequently into profit or loss:				
8361	Exchange differences in conversion of the financial statements of operations	13,030	1	(3,150)	-
8399	Income taxes related to items that may be reclassified to profit or loss	(2,606)	-	630	-
8300	Total other comprehensive income (after tax)	<u>12,283</u>	<u>1</u>	(1,495)	-
8500	Total comprehensive income	<u>\$ 43,477</u>	<u>3</u>	<u>\$ 34,526</u>	<u>2</u>
	Profit attributable to:				
8610	Owners of parent company	\$ 32,254	2	\$ 35,482	3
8620	Non-controlling interests	(1,060)	-	539	-
8600		<u>\$ 31,194</u>	<u>2</u>	<u>\$ 36,021</u>	<u>3</u>
	Comprehensive income attributable to:				
8710	Owners of parent company	\$ 44,537	3	\$ 33,987	2
8720	Non-controlling interests	(1,060)	-	539	-
8700		<u>\$ 43,477</u>	<u>3</u>	<u>\$ 34,526</u>	<u>2</u>
	Earnings per share (Note 22)				
9710	Basic	<u>\$ 0.47</u>		<u>\$ 0.52</u>	
9810	Diluted	<u>\$ 0.47</u>		<u>\$ 0.52</u>	

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

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang,

Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code		Equities attributable to owners of parent company						Other Equity		Non-controlling interests	Total equity
		Ordinary share capital	Capital Surplus	Retained Earnings			Exchange differences in conversion the financial statements of foreign operation	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total		
				Legal Reserve	Special reserve	Undistributed Earnings (to be made up for losses)					
A1	Balance at Jan 1, 2021	\$ 684,891	\$ 1,144	\$ 133,053	\$ 3,062	(\$62,117)	(\$6,808)	(\$2,180)	\$ 751,045	\$ 242	\$ 751,287
B13	Offsetting for losses in 2020 (Note 18) Legal reserve used to cover accumulated deficits "	-	-	(62,117)	-	62,117	-	-	-	-	-
C17	Change in other capital surplus: Unclaimed dividends	-	7	-	-	-	-	-	7	-	7
D1	Net Profit of 2021	-	-	-	-	35,482	-	-	35,482	539	36,021
D3	Other profit and loss of 2021	=	=	=	=	1,025	(2,520)	=	(1,495)	=	(1,495)
D5	Total profit and loss of 2021	=	=	=	=	36,507	(2,520)	=	33,987	539	34,526
Z1	Balance at Dec 31, 2021	684,891	1,151	70,936	3,062	36,507	(9,328)	(2,180)	785,039	781	785,820
	Appropriation and distribution of 2021 earnings (Note 18)										
B1	Legal reserve	-	-	3,651	-	(3,651)	-	-	-	-	-
B3	Special reserve	-	-	-	8,446	(8,446)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)	-	(23,971)
D1	Net Profit of 2022	-	-	-	-	32,254	-	-	32,254	(1,060)	31,194
D3	Other profit and loss of 2022	=	=	=	=	1,859	10,424	=	12,283	=	12,283
D5	Total profit and loss of 2022	=	=	=	=	34,113	10,424	=	44,537	(1,060)	43,477
Z1	Balance at Dec 31, 2022	\$ 684,891	\$ 1,151	\$ 74,587	\$ 11,508	\$ 34,552	\$ 1,096	(\$2,180)	\$ 805,605	(\$279)	\$ 805,326

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code	2022	2021
Cash flows from operating activities		
A10000	\$ 36,970	\$ 42,539
A20010	Profit before tax	
Adjustments to reconcile profit (loss)		
A20100	48,706	53,940
A20200	5,265	5,242
A20300	1,827	3,325
A20900	4,890	3,586
A21200	(1,089)	(363)
A22500	Losses on disposal of property, plant, and equipment (gains)	
	86	(369)
A23700	Losses on Impairment for inventory value and obsolescence	
	6,800	11,853
A23500	Impairment losses on intangible assets	
	2,610	-
A24100	Unrealized foreign exchange gains- net	
	(3,235)	(4,133)
A29900	Gains on lease modification	
	(5)	-
A30000	Changes in operating assets and liabilities - net	
A31130	680	(1,481)
A31150	6,887	(28,776)
A31180	(26,529)	(22,571)
A31200	12,866	(169,169)
A31240	(18,385)	2,797
A32130	(125)	79
A32150	(24,099)	35,388
A32180	7,897	42,213
A32220	26,226	5,912
A32240	(509)	(557)
A32990	<u>32,870</u>	<u>9,677</u>
A33000	Cash flows from business operation (outflow)	
	120,604	(10,868)
A33100	973	376
A33500	(<u>4,245</u>)	<u>7,565</u>
AAAA	Net cash flows from operating activities (outflow)	
	<u>117,332</u>	(<u>2,927</u>)
Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	
	(4,868)	(9,450)
B02800	Disposal of property, plant and equipment	
	-	726

(Continue)

(Previous)

<u>Code</u>		<u>2022</u>	<u>2021</u>
B04500	Acquisition of intangible assets	(\$1,955)	(\$9,258)
B06500	Increase in other financial assets	-	(913)
B06700	Increase in other non-current assets	(1,637)	(1,948)
BBBB	Net cash outflows used in investing activities	(8,460)	(20,843)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	-	81,419
C00200	Decrease in short-term borrowings	(22,341)	-
C01600	Long-term borrowings	-	4,000
C01700	Repayment for long-term borrowings	(8,290)	(2,710)
C04020	Repayment of the principal portion of lease liabilities	(26,677)	(25,848)
C04500	Appropriation of cash dividends	(23,971)	-
C05600	Interest paid	(4,912)	(3,563)
CCCC	Net cash flows from financing activities (in and out)	(86,191)	53,298
DDDD	Effect of changes in exchange rate on cash and cash equivalents	4,319	3,431
EEEE	Increase in cash and cash equivalents	27,000	32,959
E00100	Cash and cash equivalents at beginning of the year	189,779	156,820
E00200	Cash and cash equivalents at end of the year	\$ 216,779	\$ 189,779

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen
Chia-Rong

Manager : Liao, Yi-Yen

Accounting : Chang,

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
January 1 to December 31, 2022 and 2021
(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. HISTORY AND ORGANISATION

- (1) CIPHERLAB CO., LTD. (hereinafter referred to as "the company," the Company and entities controlled by the Company, hereinafter referred to as the "consolidated company") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide services for skincare products, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.
- (2) The Company's stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.
- (3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion
- (4) The consolidated financial statements are expressed in New Taiwan dollars, the company's functional currency.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 29, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The adoption of the amendments to IFRSs approved and issued by the FSC will not significantly affect the consolidated company's accounting policies:

- (2) IFRSs applicable for the year 2023 and endorsed by the Financial Supervisory Commission

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IAS 1 "Disclosure of Accounting Policies"	Jan. 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	Jan. 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	Jan. 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the approval date of the consolidated financial statements, the consolidated company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

(3) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</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 IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	Jan. 1, 2024 (Note 2)
Amendments to IFRS 17 “Insurance Contract”	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	Jan. 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Jan. 1, 2024
Amendments to IAS 1, “Classification of Debt with Covenants as Non-current”	Jan. 1, 2024

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the approval date of the consolidated financial statements, the consolidated company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

- A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.
- B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.
- C. Level 3 inputs: unobservable inputs for the assets or liabilities.

(3) Standard for Classification of Current and Non-current Assets and Liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the date of balance sheet; and
- C. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability exceed 12 months after the date of balance sheet).

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the date of the balance sheet; and
- C. Liabilities with settlement dates that cannot be deferred unconditionally to at least 12 months after the balance sheet date.

Assets and liabilities that cannot be classified as listed above should be classified as non-current.

(4) Basis of Consolidation

The consolidated financial statements include the financial statements of the consolidated company and the individual entities (the subsidiaries) in control of the consolidated company. The financial statements of the subsidiaries have been adjusted so that its accounting policy is in accordance with the consolidated company. All intra-entity transactions, account balance, profit, and loss are eliminated in full when preparing the consolidated financial statements. The total consolidated comprehensive income of the subsidiaries is attributed to the owners of the consolidated company and non-controlling interests even if it causes the deficit balance.

When the change of the consolidated company's and its subsidiaries' ownership interest of the subsidiaries does not cause loss of control, it is treated as an equity transaction. The carrying amounts of the consolidated company and its subsidiaries and non-controlling interests have been adjusted to reflect the related change in interests of the subsidiaries. The difference between the adjusted amount of the non-controlling interests and the fair values of the paid or received considerations are directly recognized as equity and attributed to the consolidated company owner.

When the consolidated company loses control of a subsidiary, disposal of profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost, and (ii) the total of the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The consolidated company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as required if the consolidated company had directly disposed of the related assets or liabilities.

For the detailed information about subsidiaries, including the percentage of ownership and main business, please refer to note 9, chart 4 and chart 5 as attached.

(5) Foreign Currencies

In preparing the financial statements of the consolidated company, transactions in currencies other than the consolidated company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the closing rates prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in the profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In preparing the financial report, the assets and liabilities of the foreign operating (Including the Company's subsidiaries that operate in countries with different functional currencies) are converted to NTD at the exchange rate on the date of the balance sheet. The income and expense items are converted at the average exchange rate of the period, and the resulting exchange differences are included in other comprehensive income (and attributable respectively to the Company's owners and non-controlling interest).

If the consolidated company disposes of all equities of the foreign operation, all of the exchange differences accumulated in equity in respect of foreign operation attributable to the owners of the consolidated company are reclassified to profit or loss.

(6) Inventory

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost.

(7) Property, Plant, and Equipment

Property, plant, and equipment are measured at cost, less recognized accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible Assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

B. Derecognition

When derecognizing an intangible asset, the difference between the net disposal proceeds and the asset's book value is recognized in the profit or loss for the year.

(9) Impairment of the Property, Plant and Equipment and Intangible Assets

At the end of each reporting period, the consolidated company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount (less amortization and depreciation), but only to the extent of the carrying amount that would have been determined with no impairment loss having been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(10) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the consolidated company becomes a party to the contractual provisions of the instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial Assets

The regular way purchases or sales of financial assets is recognized and derecognized on a trade date

(I) Measurement category

Categories of financial assets held by the consolidated company are financial assets measured at amortized cost and equity instrument investments measured at fair value through other comprehensive income.

a. Financial assets measured at amortized cost

Financial assets of the consolidated company, in compliance with the following two conditions simultaneously, are to be classified as financial assets measured by amortized cost:

- i. The financial asset is held under a business model for which the objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized costs after initial recognition are measured at amortized cost and equal the total of the carrying amount determined by the effective interest method less any impairment loss. Any difference in foreign currency exchange is recognized in profit or loss.

Except for the following two cases, the interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets:

- i. Interest income of purchase or originated credit-impaired financial assets is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets;
- ii. Interest income of the financial assets that are not classified as purchased or originated credit-impaired, but subsequently become credit-impaired, should be calculated from the next reporting

period after the credit impairment as the effective interest rate multiplied by the financial asset at amortized cost.

A financial asset is credit-impaired when the issuer or the borrower has significant financial difficulties and breach contract; it becomes probable that the borrower might enter bankruptcy or other financial reorganization, or have the active market for that financial asset disappeared due to financial difficulties.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, can be converted into a known amount of cash at any time, with only an insignificant risk of value changes, and are held for meeting short-term cash commitments.

- b. Investments in equity instruments measured at fair value through other comprehensive income

The consolidated company can make an irrevocable election at initial recognition to designate the non-held for trading and not recognized as business mergers or investments in equity instruments be measured at fair value through other comprehensive income.

Investments in equity instruments carried at fair value through other comprehensive income are measured at fair value. Subsequent changes in fair value are recognized in other comprehensive income and accumulated in other equity. Accumulated profit or loss will directly transfer to retained earnings but not reclassified to profit or loss when disposing of the investment.

The dividends of the investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the consolidated company has confirmed its right of receivables, unless the dividends are clearly a recoverable amount of the investment cost.

(II) Impairment of financial assets

The consolidated company shall evaluate, with the expected credit loss, the impairment loss of the financial assets measured at amortized cost, including accounts receivable, on each balance sheet date

Accounts receivable are recorded as loss allowance by expected credit losses in the duration. For other financial assets, it shall evaluate whether the credit risk has increased significantly since the initial recognition. If the credit risk hasn't increased significantly, the financial assets shall be recognized as loss allowance based on a 12-month expected credit loss. However, if the credit risk has increased significantly, the financial assets will be recognized as loss allowance by the expected credit loss in the duration.

Expected credit loss takes the risk of default as the weighted average credit loss. 12-month expected credit loss is the expected credit loss of possible violation of the financial instrument within 12 months after the reporting date. Expected credit loss in the duration is the expected credit loss of possible violation of the financial instrument in the duration

For the purpose of internal credit risk management, the consolidated company, without considering the collateral held, determines that the following conditions represent a default in financial assets:

- a. There is internal or external information indicating that it is unlikely that the borrower will pay off the debt.
- b. An overdue payment of more than 90 days; unless there is reasonable and corroborated information showing that the delayed default is more appropriate

The carrying amount of all financial assets with impairment loss are adjusted and reduced through the use of an allowance account.

(III) Derecognition of financial assets

The consolidated company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to other enterprise.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Financial Liabilities

(I) Subsequent measurement

All financial liabilities are measured at amortized cost by the effective interest method.

(II) Derecognition of financial liabilities

When derecognizing the financial liabilities, the difference between the carrying amount derecognized and the consideration paid, (including any non-cash asset transferred or liabilities assumed), is recognized in profit or loss

(11) Revenue Recognition

Upon confirming with the customers in regards to the contractual obligations, the consolidated company allocates the transaction price to the performance obligations and recognizes the revenue when the performance obligations are satisfied.

A. Sale of Goods

Revenue from sales of goods comes from the sales of handheld industrial computer and handheld barcode scanner. As the customers will have the full discretion over the right to pricing and the usage of the products upon shipment of goods, the customers should take primary responsibility for the resale of the products and the obsolescence risk onwards. The revenue will be recognized as accounts receivable concurrently.

The Company does not recognize revenue on outward processing because it does not involve a transfer of control over the processed products.

B. Rendering of Service

Revenue from the rendering of service comes from product maintenance service. As the Company provides the service, customers simultaneously receive and consume the benefits provided by the Company's performance. The income generated by the provision of the services under the contract is recognized, according to the degree of completion of the contract.

(12) Lease

The consolidated company evaluates whether the contract is (or contains) a lease on the date of the establishment of the contract.

The consolidated company as lessee

Except for the exempted low-value asset leases and short-term leases, the lease payments are recognized as expenses during the lease term on a straight-line basis. For other leases, the right-of-use assets and lease liabilities are recognized on the lease start date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date less the lease incentive received, the original direct cost, and the estimated cost of recovering the underlying asset). Subsequently, the right-of-use asset is measured with a deduction of accumulated depreciation and the amount after the accumulated impairment loss is determined, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately on the balance sheet.

Depreciation of right-of-use asset is recognized on a straight-line basis from the beginning of the lease over the shorter of the useful life of the asset and the lease term.

Lease liabilities are initially measured at the present value (including fixed payments, actual fixed payments, variable lease payments which depend on an index or a rate, expected payables by the consolidated company under residual value guarantees, and the exercise price of a purchase option if the consolidated company is reasonably certain to exercise that option, the exercise price for an option to purchase reasonably believed will be exercised, and the lease termination penalties reflected in the lease terms, less any lease incentives) of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the consolidated company uses the lessee's incremental borrowing rate.

Subsequently, lease liability is measured at the amortized cost using the effective interest method, and the interest expense is allocated over the lease term. If the lease term, expected payables under residual value guarantees, assessment of an option to purchase an underlying asset, or the change in the index or rate used to determine the lease payments results in a change in the future lease payments, the Company will remeasure the lease liability and adjust the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately on the balance sheet.

(13) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to revenue intended to compensate for the costs incurred by the consolidated company over the period are recognized in other income.

When the consolidated company receives government grants as compensation for expenses or losses that have already been incurred or to provide immediate financial support with no future related costs, these grants are recognized as the profit or loss during the period in which the grants can be collected.

(14) Employee Benefits

A. Short-term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

B. Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit liability (assets), are recognized as employee benefits expenses in the period they occur. Rereasurement, (comprising actuarial gains and losses and the return on plan assets less interest), is recognized in the period in which they occur in other comprehensive income which is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the consolidated company's actual defined benefit plan deficit.

(15) Income Tax

Income tax expense represents the sum of the current income tax and the deferred tax.

A. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for

all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the consolidated company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGEMENT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

In the application of the consolidated company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Main sources of uncertainty in estimates and assumptions

(1) Write down of inventories

The net realizable value of inventories 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. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

(2) Income tax

The possibility of realizing deferred income tax assets is primarily determined by whether there will be sufficient profits or taxable temporary differences in the future. Suppose the actual profit falls short of expectations. In that case, there may be significant reversals of deferred income tax assets, which are recorded as profit or loss during the period they occur.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand & revolving fund	\$ 104	\$ 259
Checking accounts	28,531	28,505
Demand deposits	132,866	161,015
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>55,278</u>	<u>-</u>
	<u>\$ 216,779</u>	<u>\$ 189,779</u>

Cash equivalent market interest rate for the above interest-bearing financial assets at the date of the balance sheet is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposit(including time deposits classified as cash equivalent)	0.005%~4.20%	0.001%~0.05%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 803	\$ 1,483
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 803</u>	<u>\$ 1,483</u>
Due to business operation	<u>\$ 803</u>	<u>\$ 1,483</u>

(Continue)

(Previous)

	December 31, 2022	December 31, 2021
<u>Accounts receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 236,574	\$ 243,554
Less: loss allowance	(<u>3,452</u>)	(<u>5,914</u>)
	<u>\$ 233,122</u>	<u>\$ 237,640</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other receivables</u>		
Receivables for Outward processing	\$ 49,405	\$ 23,086
Tax refund receivable	7,082	6,893
Others	<u>146</u>	<u>9</u>
	<u>\$ 56,633</u>	<u>\$ 29,988</u>
<u>Overdue receivables (set aside as other non-current assets)</u>		
Measurement at amortized costs		
Total carrying amount	\$ -	\$ 660
Less: loss allowance	<u>-</u>	(<u>660</u>)
	<u>\$ -</u>	<u>\$ -</u>

(1) Notes receivable

The consolidated company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of December 31, 2022, there are no outstanding notes receivable. According to the assessment by the consolidated company, it is not necessary to set aside notes receivable for expected credit losses.

(2) Accounts receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the consolidated company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the consolidated company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and also considering the GPD forecast. According to the consolidated company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the consolidated company cannot reasonably estimate the recoverable amount, the consolidated company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The consolidated company's loss allowance for the receivables and overdue receivables is estimated using a provision matrix as follows:

December 31, 2022

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~0.20%	0.00%~0.74%	0.17%~3.77%	16.41%~100%	100%	100%	
Total carrying amount	\$ 194,233	\$ 32,536	\$ 6,676	\$ 2,160	\$ 679	\$ 290	\$ 236,574
Loss allowance (Lifetime ECL)	(41)	(78)	(247)	(2,117)	(679)	(290)	(3,452)
Amortized cost	<u>\$ 194,192</u>	<u>\$ 32,458</u>	<u>\$ 6,429</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,122</u>

December 31, 2021

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~0.12%	0.00%~0.34%	0.00%~12.72%	100%	100%	100%	
Total carrying amount	\$ 216,215	\$ 18,856	\$ 3,017	\$ 228	\$ 946	\$ 4,952	\$ 244,214
Loss allowance (Lifetime ECL)	(77)	(52)	(319)	(228)	(946)	(4,952)	(6,574)
Amortized cost	<u>\$ 216,138</u>	<u>\$ 18,804</u>	<u>\$ 2,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,640</u>

Changes in loss allowance for accounts receivable and overdue receivables are as follows:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 6,574	\$ 3,566
Add: impairment losses recognized in current year	1,827	3,325
Less: amount written off	(5,149)	(255)
Exchange difference in foreign currencies	200	(62)
Balance at the end of the year	<u>\$ 3,452</u>	<u>\$ 6,574</u>

8. INVENTORY

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 26,181	\$ 24,842
Work in process	16,647	8,280
Raw materials	474,410	489,552
Merchandise	<u>42,280</u>	<u>50,195</u>
	<u>\$ 559,518</u>	<u>\$ 572,869</u>

The costs of goods sold related to inventories in 2022 and 2021 were NT\$783,697 thousand and NT\$916,372 thousand, respectively.

The costs of goods sold in 2022 and 2021, including inventory depreciation and obsolescence losses, were NT\$6,800 thousand and NT\$11,853 thousand, respectively.

9. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements:

The consolidated entities of the consolidated financial report were as follows:

Investor company	Subsidiaries	Main business	Percentage of ownership		Note
			Dec. 31, 2022	Dec. 31, 2021	
The Company	CIPHERLAB USA, INC.	Electronics sales	100	100	The main business risk is foreign currency risk
"	CIPHERLAB LIMITED (SAMOA)	Investment holding	100	100	The main business risk is foreign currency risk
"	MPLUS TECHNOLOGY CO., LTD	Development and sales of electronic products	94	94	The main business risk is foreign currency risk
CIPHERLAB LIMITED (SAMOA)	Saifulai Electron Trade (Shanghai) Limited Company	Electronics sales	100	100	The main business risks are political risks and foreign currency risks due to government orders and cross-strait relations

- A. CIPHERLAB LIMITED (SAMOA) was established on May 29, 2006 by the relevant laws and regulations of Samoa.
- B. Saifulai Electron Trade (Shanghai) Limited Company (hereinafter referred to as Saifulai (Shanghai)) was approved and established in Shanghai on November 15, 2006, with an effective operation term from November 15, 2006, to November 14, 2036.
- C. CIPHERLAB USA, INC. was approved and established in the USA on January 11, 2007.
- D. MPLUS TECHNOLOGY CO., LTD. (hereinafter referred to as MPLUS Technology) was approved and established in ROC on May 19, 2016.

(2) Subsidiaries included in the consolidated financial statements: None

10. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generati ng equipment	Other equipment	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 57,996	\$ 55,493	\$ 16,406	\$ 220,869	\$ 1,190	\$ 97,321	\$ 457	\$ 449,732
Addition	-	-	-	2,157	-	6,067	39	8,263
Disposals	-	-	-	(360)	-	(970)	(200)	(1,530)
Reclassification (Note)	-	-	-	912	-	792	-	1,704
Net exchange difference	-	-	-	-	130	139	12	281
Balance at December 31, 2022	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 16,406</u>	<u>\$ 223,578</u>	<u>\$ 1,320</u>	<u>\$ 103,349</u>	<u>\$ 308</u>	<u>\$ 458,450</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 23,462	\$ 15,578	\$ 197,415	\$ 1,190	\$ 89,770	\$ 416	\$ 327,831
Depreciation	-	991	111	16,153	-	4,544	6	21,805
Disposals	-	-	-	(360)	-	(904)	(180)	(1,444)
Net exchange difference	-	-	-	-	130	101	11	242
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 24,453</u>	<u>\$ 15,689</u>	<u>\$ 213,208</u>	<u>\$ 1,320</u>	<u>\$ 93,511</u>	<u>\$ 253</u>	<u>\$ 348,434</u>
Net balance at December 31,								
2022	<u>\$ 57,996</u>	<u>\$ 31,040</u>	<u>\$ 717</u>	<u>\$ 10,370</u>	<u>\$ -</u>	<u>\$ 9,838</u>	<u>\$ 55</u>	<u>\$ 110,016</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 57,996	\$ 55,336	\$ 16,818	\$ 209,184	\$ 1,225	\$ 100,949	\$ 461	\$ 441,969
Addition	-	157	-	6,426	-	1,959	-	8,542
Disposals	-	-	(412)	(697)	-	(5,552)	-	(6,661)
Reclassification (Note)	-	-	-	5,956	-	-	-	5,956
Net exchange difference	-	-	-	-	(35)	(35)	(4)	(74)
Balance at December 31, 2021	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 16,406</u>	<u>\$ 220,869</u>	<u>\$ 1,190</u>	<u>\$ 97,321</u>	<u>\$ 457</u>	<u>\$ 449,732</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 22,473	\$ 15,875	\$ 176,147	\$ 1,225	\$ 90,747	\$ 409	\$ 306,876
Depreciation	-	989	115	21,608	-	4,600	11	27,323
Disposals	-	-	(412)	(340)	-	(5,552)	-	(6,304)
Net exchange difference	-	-	-	-	(35)	(25)	(4)	(64)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 23,462</u>	<u>\$ 15,578</u>	<u>\$ 197,415</u>	<u>\$ 1,190</u>	<u>\$ 89,770</u>	<u>\$ 416</u>	<u>\$ 327,831</u>
Net balance at December 31,								
2021	<u>\$ 57,996</u>	<u>\$ 32,031</u>	<u>\$ 828</u>	<u>\$ 23,454</u>	<u>\$ -</u>	<u>\$ 7,551</u>	<u>\$ 41</u>	<u>\$ 121,901</u>

Note: Reclassified from other non-current assets-prepayments for business facilities, to property, plant, and equipment.

Related depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	50 years
Mechanical equipment	2~10 years
Molding equipment	2~5 years
Transportation equipment	5 years
Income-generating equipment	2~6 years
Other equipment	3~5 years

Property, plant, and equipment pledged as collateral for bank borrowings are set out in Note 28

11. LEASE ARRANGEMENT

(1) Right-of-use assets

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 73,503	\$ 4,782	\$ 78,285
Addition	42,719	1,577	44,296
Less	(43,667)	(1,308)	(44,975)
Net exchange difference	<u>3,021</u>	<u>(37)</u>	<u>2,984</u>
Balance at December 31, 2022	<u>\$ 75,576</u>	<u>\$ 5,014</u>	<u>\$ 80,590</u>
	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 43,768	\$ 1,651	\$ 45,419
Depreciation	25,691	1,210	26,901
Less	(43,630)	(167)	(43,797)
Net exchange difference	<u>696</u>	<u>(4)</u>	<u>692</u>
Balance at December 31, 2022	<u>\$ 26,525</u>	<u>\$ 2,690</u>	<u>\$ 29,215</u>
Net Balance at December 31, 2022	<u>\$ 49,051</u>	<u>\$ 2,324</u>	<u>\$ 51,375</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 73,809	\$ 3,797	\$ 77,606
Addition	2,679	3,159	5,838
Less	(2,136)	(2,099)	(4,235)
Net exchange difference	<u>(849)</u>	<u>(75)</u>	<u>(924)</u>
Balance at December 31, 2021	<u>\$ 73,503</u>	<u>\$ 4,782</u>	<u>\$ 78,285</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ 20,881	\$ 2,316	\$ 23,197
Depreciation	25,160	1,457	26,617
Less	(2,136)	(2,099)	(4,235)
Net exchange difference	<u>(137)</u>	<u>(23)</u>	<u>(160)</u>
Balance at December 31, 2021	<u>\$ 43,768</u>	<u>\$ 1,651</u>	<u>\$ 45,419</u>
Net Balance at December 31, 2021	<u>\$ 29,735</u>	<u>\$ 3,131</u>	<u>\$ 32,866</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 24,901</u>	<u>\$ 10,374</u>
Non-current	<u>\$ 29,185</u>	<u>\$ 24,537</u>

The range of the discount rates for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	1.111% ~ 5.5%	1.167% ~ 5.5%
Transportation equipment	1.111% ~ 1.167%	1.167% ~ 1.3%

(3) Lease-in activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 2 to 12 years. The consolidated company does not have bargain purchase options to acquire the leasehold buildings and transportation equipment at the end of the lease terms.

(4) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	(<u>\$ 189</u>)	(<u>\$ 173</u>)
Expenses relating to short-term leases	(<u>\$ 155</u>)	(<u>\$ 165</u>)
Total cash outflow for leases	(<u>\$ 28,741</u>)	(<u>\$ 27,845</u>)

All lease commitments for which the lease period begins after the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease commitments	<u>\$ -</u>	<u>\$ 2,110</u>

12. OTHER INTANGIBLE ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Computer software	<u>\$ 9,804</u>	<u>\$ 15,420</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at the beginning of the year	\$ 61,609	\$ 52,351
acquired separately	1,955	9,258
Reclassification (Note)	304	-
Net exchange difference	<u>2</u>	<u>-</u>
Balance at the end of year	<u>\$ 63,870</u>	<u>\$ 61,609</u>
<u>Accumulated amortization</u>		
Balance at the beginning of the year	\$ 46,189	\$ 40,947
Amortization expenses	5,265	5,242
Recognition of impairment losses	2,610	-

The consolidated company followed the "Directions for Business Financial Relief and Interest Supplement by the Ministry and Economic Affairs for Businesses with Operational Difficulties Due to COVID-19," and entered into a borrowing contract with the Land Bank of Taiwan.

- A. As of December 31, 2022, the total amount of the loan was NT\$ 4,000 thousand. The interest rate was calculated based on the Central Bank's guaranteed lending rate plus 0.9%, with an interest subsidy applied. The maximum period for subsidized interest is one year, with an upper limit of NT\$ 220 thousand. The loan is paid back in installments, with a due date of March 8, 2027. The repayment method entails paying monthly interest before April 8, 2023, with the principal and interest amortized every month from April 8, 2023.
- B. As of December 31, 2021, a loan of NT\$10,000 thousand was borrowed with interest calculated based on the two-year fixed deposit mobile interest rate of Chunghwa Post Co., LTD plus 0.705%. The maturity date was set for August 17, 2023, and the repayment method involved monthly interest payments for the first year. Starting from August 17, 2020, the principal was amortized monthly, and the loan was repaid in full in January 2022, earlier than the agreed-upon date.
- C. As of December 31, 2021, the total loan amount was NT\$ 5,000 thousand. The interest rate was calculated based on the two-year fixed deposit rate of Chunghwa Post Company plus 0.705%, and an interest subsidy was applied. The subsidy rate was determined by the two-year fixed deposit rate of Chunghwa Post Company. The interest is calculated using a flexible rate, and the subsidy period is up to one year, with a maximum of NT\$ 220 thousand. The loan is paid back in installments and is due on July 21, 2023. Interest payments are due every month before August 21, 2021, with the principal being amortized on average starting from August 21, 2021. The loan has already been repaid in full in October 2022.

15. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes payable</u>		
Due to business operation	\$ <u> -</u>	\$ <u> 125</u>
<u>Accounts payable</u>		
Due to business operation	\$ <u>107,944</u>	\$ <u>133,417</u>

16. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Processing fee payable	\$ 55,237	\$ 33,621
Salaries and bonus payable	40,199	46,707
Employee and directors' compensations payable	5,471	6,213
Payables on machinery and equipment	5,110	1,715
Insurance expenses payable	3,433	3,281
Business tax payable	162	236
Export expense payable	151	5,433
Others	15,887	17,126
	<u>\$ 125,650</u>	<u>\$ 114,332</u>

Other liabilities		
Contractual liabilities (Note 19)	\$ 43,575	\$ 18,670
Others	<u>4,237</u>	<u>3,067</u>
	<u>\$ 47,812</u>	<u>\$ 21,737</u>

<u>Non-current</u>		
Other liabilities		
Contractual liabilities (Note 19)	\$ 42,698	\$ 9,677
Guarantee deposits paid	<u>6,458</u>	<u>6,458</u>
	<u>\$ 49,156</u>	<u>\$ 16,135</u>

17. RETIREMENT CONTRIBUTION PLAN

(1) Defined contribution plan

The Company and MPLUS Technology Co., LTD adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company and MPLUS Technology Co., LTD make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Saifulai Electron Trade (Shanghai) Limited Company distributes pensions to pension management companies by a specific percentage of the local employees' monthly salary.

(2) Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standard Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the name of the committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor, and the Company has no right to influence the investment policy and strategy.

The amount of the defined benefit plans presented in the consolidated balance sheet is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 25,482	\$ 26,454
Fair value of planned assets	(<u>16,718</u>)	(<u>14,857</u>)
Deficit contribution	<u>8,764</u>	<u>11,597</u>
Net defined benefit liability	<u>\$ 8,764</u>	<u>\$ 11,597</u>

Changes on net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1, 2022	<u>\$ 26,454</u>	(<u>\$ 14,857</u>)	<u>\$ 11,597</u>
Interest expense (income)	<u>198</u>	(<u>113</u>)	<u>85</u>
Recognized in profit or loss	<u>198</u>	(<u>113</u>)	<u>85</u>
Remeasurement			

Return on planned assets (excluding the amount included in the net interest)	-	(1,154)	(1,154)
Actuarial gain - changes in financial assumption	(1,594)	-	(1,594)
Actuarial loss - experience adjustment	<u>424</u>	<u>-</u>	<u>424</u>
Recognized in other comprehensive income	(<u>1,170</u>)	(<u>1,154</u>)	(<u>2,324</u>)
Contribution from the employer	<u>-</u>	(<u>594</u>)	(<u>594</u>)
Balance at December 31, 2022	<u>\$ 25,482</u>	(<u>\$ 16,718</u>)	<u>\$ 8,764</u>
Balance at January 1, 2021	<u>\$ 28,617</u>	(<u>\$ 15,182</u>)	<u>\$ 13,435</u>
Interest expense (income)	<u>100</u>	(<u>54</u>)	<u>46</u>
Recognized in profit or loss	<u>100</u>	(<u>54</u>)	<u>46</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(224)	(224)
Actuarial gain - changes in financial assumptions	(1,125)	-	(1,125)
Actuarial loss - Changes in demographic assumptions	1,233	-	1,233
Actuarial gain - experience adjustments	(<u>1,165</u>)	<u>-</u>	(<u>1,165</u>)
Recognized in other comprehensive income	(<u>1,057</u>)	(<u>224</u>)	(<u>1,281</u>)
Contribution from the employer	<u>-</u>	(<u>603</u>)	(<u>603</u>)
Employer-paid fees	(<u>1,206</u>)	<u>1,206</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 26,454</u>	(<u>\$ 14,857</u>)	<u>\$ 11,597</u>

The amount recognized in profit or loss in respect of the defined benefit plan is summarized by function as follows:

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 45	\$ 24
Sales and marketing expenses	24	14
Administrative expenses	11	5
Research and study expenses	<u>5</u>	<u>3</u>
	<u>\$ 85</u>	<u>\$ 46</u>

Due to the pension system under the “Labor Standards Act”, the consolidated company is exposed to the following risks:

- A. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.400%	0.750%
Expected rate of salary increase	3.000%	3.000%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increased by 0.25%	(<u>\$ 623</u>)	(<u>\$ 713</u>)
Decrease by 0.25%	<u>\$ 646</u>	<u>\$ 740</u>
Expected rate of salary increase		
Increased by 0.5%	<u>\$ 620</u>	<u>\$ 707</u>
Decrease by 0.5%	(<u>\$ 602</u>)	(<u>\$ 685</u>)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plans for the next year	<u>\$ 593</u>	<u>\$ 602</u>
Average duration of the defined benefit obligation	11 years	12 years

18. EQUITY

(1) Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized shares (in thousands of shares)	<u>90,000</u>	<u>90,000</u>
Authorized capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>68,489</u>	<u>68,489</u>
Capital issued	<u>\$ 684,891</u>	<u>\$ 684,891</u>

The par value of each ordinary share issued is NT\$ 10, and each share possesses one voting right and a right to receive dividends.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Additional paid-in capita	\$ 1,062	\$ 1,062
<u>May only be used to offset a deficit</u>		
Unclaimed dividends (2)	<u>89</u>	<u>89</u>
	<u>\$ 1,151</u>	<u>\$ 1,151</u>

- A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus once a year.
- B. According to the letter Jingshangzi No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained Earnings and Dividends Policy

Suppose the consolidated company made a profit in a fiscal year. In that case, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the consolidated company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder's meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and directors' remuneration, refer to Note 20-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The statutory surplus reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company follows the regulations outlined in the letter Jinguanzhengfazi No. 1090150022 and "Questions and Answers on Applicable for the Provision of Special Reserve after the Adoption of International Financial Reporting Standards (IFRSs)" to set aside and reverse the special reserve.

The appropriations for the earnings used to make up losses incurred in 2020, approved at the shareholders' meeting on August 24, 2021, is NT\$ 62,117 thousand.

The appropriations for the earnings of years 2021 approved at the shareholders' meeting on June 21, 2022 are as follows

	<u>Earning appropriations</u>	<u>Dividend per share (NT\$)</u>
Legal reserve	\$ 3,651	
Special reserve	8,446	
Cash dividend	23,971	\$ 0.35

The appropriations for the earnings of years 2022 proposed at the board of directors meeting on March 29, 2023, are as follows:

	<u>Earning appropriations</u>	<u>Dividend per share (NT\$)</u>
Legal reserve	\$ 3,411	
Special reserve (reversal)	(10,423)	
Cash dividend	41,093	\$ 0.60

The appropriations for the earnings of years 2022 are yet to be determined at the shareholders' meeting in June 2023.

(4) Special reserve

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 3,062	\$ 3,062
Special reserve		
Deducted items listed in other equity items	<u>8,446</u>	<u>-</u>
Balance at the end of the year	<u>\$ 11,508</u>	<u>\$ 3,062</u>

(5) Other equities

A. Exchange differences on translation of foreign financial statements

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	(\$ 9,328)	(\$ 6,808)
Recognized for the year		
Exchange differences arising from translation of a foreign operation	13,030	(3,150)
Income tax related to exchange differences arising from translation of a foreign operation	<u>(2,606)</u>	<u>630</u>
Balance at the end of the year	<u>\$ 1,096</u>	<u>(\$ 9,328)</u>

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Balance at the beginning and the end of the year	(\$ <u>2,180</u>)	(\$ <u>2,180</u>)

19. REVENUE

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from contract with customers	\$ 1,228,010	\$ 1,382,701
Revenue from the rendering of services	<u>29,952</u>	<u>36,175</u>
	<u>\$ 1,257,962</u>	<u>\$ 1,418,876</u>

(1) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes and accounts receivable (Note 7)	<u>\$ 233,925</u>	<u>\$ 239,123</u>	<u>\$ 213,215</u>
Contract liabilities (Note 16)			
Sale of goods	\$ 22,516	\$ 14,915	\$ 13,311
Warranty service	<u>21,059</u>	<u>3,755</u>	<u>-</u>
Contract liabilities-current	43,575	18,670	13,311
Warranty service			
Contract liabilities-non-current	<u>42,698</u>	<u>9,677</u>	<u>-</u>
	<u>\$ 86,273</u>	<u>\$ 28,347</u>	<u>\$ 13,311</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

Revenue in 2022 and 2021 recognized from the contract liability balance at the beginning of the year were NT\$ 2,991 thousand and 7,107 thousand, respectively.

(2) Disaggregation of revenue from contracts with customers

Please refer to Note 32 for information regarding disaggregation of revenue.

20. NET PROFIT

(1) Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 1,040	\$ 291
Others	<u>49</u>	<u>72</u>
	<u>\$ 1,089</u>	<u>\$ 363</u>

(2) Other income

	<u>2022</u>	<u>2021</u>
Government Grants (Note 23)	\$ 1,369	\$ 4,520
Others	<u>836</u>	<u>658</u>
	<u>\$ 2,205</u>	<u>\$ 5,178</u>

(3) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gain (loss)	\$ 15,340	(\$ 2,256)
Impairment losses on intangible assets	(2,610)	-
Gains on lease modification	5	-
Gains (Losses) on disposal of property, plant and equipment	(86)	369
Others	<u>(607)</u>	<u>-</u>
	<u>\$ 12,042</u>	<u>(\$ 1,887)</u>

(4) Financial costs

	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 3,170	\$ 1,927
Interest on lease liabilities	<u>1,720</u>	<u>1,659</u>
	<u>\$ 4,890</u>	<u>\$ 3,586</u>

(5) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant, and equipment	\$ 21,805	\$ 27,323
Right-of-use assets	26,901	26,617
Intangible assets	<u>5,265</u>	<u>5,242</u>
Total	<u>\$ 53,971</u>	<u>\$ 59,182</u>

Depreciation expenses by function

Operating costs	\$ 19,640	\$ 22,226
Operating expenses	<u>29,066</u>	<u>31,714</u>
	<u>\$ 48,706</u>	<u>\$ 53,940</u>

Amortization expenses by function		
Operating costs	\$ 655	\$ 734
Sales and marketing expenses	317	408
Management expenses	1,819	1,001
Research and study expenses	<u>2,474</u>	<u>3,099</u>
	<u>\$ 5,265</u>	<u>\$ 5,242</u>

(6) Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Post-retirement benefit (Note17)		
Defined contribution plan	\$ 11,099	\$ 11,568
Defined benefit plan	<u>85</u>	<u>46</u>
	11,184	11,614
Other employee benefit	<u>283,887</u>	<u>289,130</u>
Total employee benefit	<u>\$ 295,071</u>	<u>\$ 300,744</u>
Summarized by function		
Operating costs	\$ 53,768	\$ 52,452
Operating expenses	<u>241,303</u>	<u>248,292</u>
	<u>\$ 295,071</u>	<u>\$ 300,744</u>

(7) Employees' compensation and directors' remuneration

The company distributes 0.5% ~ 10% and no higher than 3% of pretax net profit of the current year as employees' compensation and directors' remuneration. The employees' compensation and directors' remuneration for the year of 2022 and 2021 distributed by the resolution of the board of directors t on March 29, 2023 and March 30, 2022, respectively, are as follows:

Accrual rate

	<u>2022</u>	<u>2021</u>
Compensation of employees	10%	10%
Remuneration of directors	3%	3%

Amount

	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Stocks</u>	<u>Cash</u>	<u>Stocks</u>
Compensation of employees	\$ 4,209	\$ -	\$ 4,827	\$ -
Remuneration of directors	1,262	-	1,448	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the next year.

There is no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2021.

The company incurred a loss before tax in the year 2020, and the board of directors decided not to distribute employee compensation and director remuneration. The resolution of the board of directors aligns with the estimate indicated in the 2020 consolidated financial report.

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors will be available at the Market Observation Post System website of the Taiwan Stock Exchange.

(8) Profit or loss on foreign currency exchange

	<u>2022</u>	<u>2021</u>
Total profit on foreign currency exchange	\$ 42,215	\$ 11,578
Total loss on foreign currency exchange	(<u>26,875</u>)	(<u>13,834</u>)
Net profit (loss)	<u>\$ 15,340</u>	<u>(\$ 2,256)</u>

21. INCOME TAX

(1) Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
In respect of current year	\$ 7,859	\$ 2,438
Deferred income tax		
In respect of the current year	(<u>2,083</u>)	<u>4,080</u>
Income tax expense recognized in profit or loss	<u>\$ 5,776</u>	<u>\$ 6,518</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Net profit before tax	<u>\$ 36,970</u>	<u>\$ 42,539</u>
Income tax expense calculated at the 20% statutory rate	\$ 7,394	\$ 8,508
Non-deductible losses	681	51
Tax-exempt income	(274)	(844)
Unrecognized temporary differences, loss deduction and investment offsets	(1,954)	(1,045)
Effect of different tax rates applicable to consolidated entities	(<u>71</u>)	(<u>152</u>)
Income tax expense recognized in profit or loss	<u>\$ 5,776</u>	<u>\$ 6,518</u>

The tax rates applicable to subsidiaries in China and the United States are 25% and 21%, respectively; the tax incurred for business operations in other locations is calculated according to the tax rates in each relevant jurisdiction.

(2) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>		
In respect of the current year		
- Remeasurement of defined benefit plans	\$ 465	\$ 256
- Translation of foreign financial statements	<u>2,606</u>	(<u>630</u>)
Total income tax recognized in other comprehensive income	<u>\$ 3,071</u>	(<u>\$ 374</u>)

(3) Current deferred tax liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current deferred tax liabilities		
Income tax payable	<u>\$ 6,051</u>	<u>\$ 2,438</u>

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
<u>Deferred tax assets</u>					
Temporary differences					
Inventory depreciation and obsolescence loss	\$ 15,922	(\$ 1,157)	\$ -	\$ -	\$ 14,765
Leave payable	20	2	-	-	22
Undistributed pension	2,569	(101)	-	-	2,468
Profit (loss) share of subsidiaries using the equity method	24,537	9,672	-	-	34,209
Unrealized gross profit from sales with subsidiaries	4,727	2,247	-	-	6,974
Loss allowance	288	(286)	-	-	2
Unrealized currency exchange losses	-	5	-	-	5
Exchange difference on foreign operations	<u>2,332</u>	<u>-</u>	(<u>2,332</u>)	<u>-</u>	<u>-</u>
	50,395	10,382	(2,332)	-	58,445
Loss deduction	<u>27,355</u>	(<u>7,708</u>)	<u>-</u>	<u>250</u>	<u>19,897</u>
	<u>\$ 77,750</u>	<u>\$ 2,674</u>	(<u>\$ 2,332</u>)	<u>\$ 250</u>	<u>\$ 78,342</u>

Deferred income tax liabilities					
Temporary differences					
Unrealized currency exchange gains	\$ 1,289	\$ 592	\$ -	\$ -	\$ 1,881
Exchange differences on foreign operations	-	-	274	-	274
Defined benefit retirement plan	<u>1,286</u>	<u>-</u>	<u>465</u>	<u>-</u>	<u>1,751</u>
	<u>\$ 2,575</u>	<u>\$ 592</u>	<u>\$ 739</u>	<u>\$ -</u>	<u>\$ 3,906</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Deferred tax assets					
Temporary differences					
Inventory depreciation and obsolescence loss	\$ 13,551	\$ 2,371	\$ -	\$ -	\$ 15,922
Leave payable	18	2	-	-	20
Undistributed pension	2,681	(112)	-	-	2,569
Profit (loss) share of subsidiaries using the equity method	29,905	(5,368)	-	-	24,537
Unrealized gross profit from sales with subsidiaries	4,943	(216)	-	-	4,727
Loss allowance	-	288	-	-	288
Exchange differences on foreign operations	<u>1,702</u>	<u>-</u>	<u>630</u>	<u>-</u>	<u>2,332</u>
	52,800	(3,035)	630	-	50,395
Loss deduction	<u>27,421</u>	<u>-</u>	<u>-</u>	<u>(66)</u>	<u>27,355</u>
	<u>\$ 80,221</u>	<u>(\$ 3,035)</u>	<u>\$ 630</u>	<u>(\$ 66)</u>	<u>\$ 77,750</u>

Deferred income tax liabilities					
Temporary differences					
Unrealized currency exchange gains	\$ 244	\$ 1,045	\$ -	\$ -	\$ 1,289
Defined benefit retirement plan	<u>1,030</u>	<u>-</u>	<u>256</u>	<u>-</u>	<u>1,286</u>
	<u>\$ 1,274</u>	<u>\$ 1,045</u>	<u>\$ 256</u>	<u>\$ -</u>	<u>\$ 2,575</u>

- (5) Deductible temporary differences and losses not recognized in the consolidated balance sheet as deferred income tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss deduction	<u>\$ 144,738</u>	<u>\$ 96,660</u>
Deductible temporary differences		
Impairment losses on intangible assets	\$ 2,610	\$ -
Financial assets measured at fair value through other comprehensive income	<u>2,180</u>	<u>2,180</u>
	<u>\$ 4,790</u>	<u>\$ 2,180</u>

(6) Relevant information on unused loss deduction

As of December 31, 2011, relevant information on loss deduction is as follows:

The Company

<u>Un-deducted balance</u>	<u>Final deduction year</u>
<u>\$ 86,838</u>	2030

MPLUS TECHNOLOGY CO., LTD

<u>Un-deducted balance</u>	<u>Final deduction year</u>
\$ 4,904	2027
5,694	2028
8,099	2029
2,395	2030
<u>11,923</u>	2031
<u>\$ 33,015</u>	

Saifulai (Shanghai)

<u>Un-deducted balance</u>	<u>Final deduction year</u>
\$ 1,855	2023
3,561	2024
4,685	2025
<u>10,652</u>	2027
<u>\$ 20,753</u>	

CIPHERLAB USA, INC.

As per the United States income tax law, there is no time limit for deducting losses, but the maximum deduction limit is 80% of the taxable income in the year of profit. As of December 31, 2022, the unused loss deduction is \$3,354 thousand.

(7) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY CO., LTD, through 2020.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year

	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic earnings per share	<u>\$ 32,254</u>	<u>\$ 35,482</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 32,254</u>	<u>\$ 35,482</u>

Number of shares

	<u>2022</u>	<u>Units: thousands of Shares</u> <u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	68,489	68,489
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>320</u>	<u>252</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>68,809</u>	<u>68,741</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. GOVERNMENT GRANTS

According to the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”, the consolidated company was eligible to apply for government grants. The subsidies received were 1,369 thousand from the government and NT\$ 4,520 thousand in salary subsidies from the Ministry of Economic Affairs for 2022 and 2021, respectively. The government grants of both years were recognized as other income.

24. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered into the following non-cash transaction investing activities in the years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Partial cash payment for real property, plant and equipment		
Acquisition of property, plant and equipment	\$ 8,263	\$ 8,542
Changes in payables on purchases of equipment (Net)	(<u>3,395</u>)	<u>908</u>
Cash paid	<u>\$ 4,868</u>	<u>\$ 9,450</u>

(2) Changes in liabilities arising from financing activities

2022

	January 1,		Non-cash changes			December 31,
	2022	Cash flows	Addition	Less	Effective rate	2022
Short-term loans	\$ 182,341	(\$ 22,341)	\$ -	\$ -	\$ -	\$ 160,000
Long-term loans	12,290	(8,290)	-	-	-	4,000
Lease liabilities	34,911	(26,677)	44,296	(1,183)	2,739	54,086
	<u>\$ 229,542</u>	<u>(\$ 57,308)</u>	<u>\$ 44,296</u>	<u>(\$ 1,183)</u>	<u>\$ 2,739</u>	<u>\$ 218,086</u>

2021

	January 1,		Non-cash changes			December 31,
	2021	Cash flows	Addition	Other profit or loss	Effective rate	2021
Short-term loans	\$ 101,000	\$ 81,419	\$ -	(\$ 78)	\$ -	\$ 182,341
Long-term loans	11,000	1,290	-	-	-	12,290
Lease liabilities	<u>55,697</u>	<u>(25,848)</u>	<u>5,838</u>	<u>-</u>	<u>(776)</u>	<u>34,911</u>
	<u>\$ 167,697</u>	<u>\$ 56,861</u>	<u>\$ 5,838</u>	<u>(\$ 78)</u>	<u>(\$ 776)</u>	<u>\$ 229,542</u>

25. CAPITAL MANAGEMENT

The consolidated company manages its capital to ensure that every entity within the group can function effectively and generate maximum returns for shareholders by optimizing the balance of liability and equity.

The capital structure is made up of the interests of the consolidated company.

The consolidated company is not subject to meeting other external capital requirements.

26. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The consolidated company's management considers that book value of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

(2) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 508,076	\$ 461,615
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	354,787	392,526

Note 1: Including financial assets measure at amortized cost such as cash, cash equivalents, notes receivable, accounts receivable, other receivables (excluding tax refund receivable), other financial assets-current and refundable deposits

Note 2 Including financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables (excluding salaries and

bonus payable, compensation of employee and directors, insurance expenses and operating tax), long-term loans with maturity within 1 year, long-term loans and guarantee deposits.

(3) Financial Risk Management Objectives and Policies

The consolidated company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, and lease liabilities. The financial risks relating to the operation of the consolidated company include market risk (including foreign currency risk and interest risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the consolidated company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

There has been no change to the consolidated company's exposure to market risks or the manner in which these risks are managed and measured.

(I) Foreign currency risk

The company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the consolidated company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The consolidated company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the consolidated company's sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the consolidated company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the consolidated company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive number in the table below means that when the functional currency depreciates by 1% against the U.S. dollar, it will increase the pre-tax net profit; when the functional currency appreciates by 1% relative to the U.S. dollar, the impact on the pre-tax net profit will be the same amount negative number.

	Impact of the US dollar	
	2022	2021
Profit or loss	\$ 2,506	\$ 1,335

The effects mentioned are primarily caused by the consolidated company's foreign currency borrowings, receivables, payables, and bank account balances that remain circulated on the balance sheet date and have not undergone cash flow hedging measures.

The consolidated company's sensitivity to exchange rates has increased this year, primarily because of the rise in net assets denominated in foreign currency.

(II) Interest risk

The consolidated company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the consolidated company's exposure to interest risk.

The carrying amounts of the consolidated company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
- Financial assets	\$ 55,278	\$ -
- Financial liabilities	84,086	147,634
Cash flow interest rate risk		
- Financial assets	134,366	162,515
- Financial liabilities	134,000	81,908

Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the Consolidate company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If interest rates had been changed by 25 basis points and all other variables were held constant, the consolidated company's pre-tax profit for 2022 would change by NT\$ 1 thousand, and for 2021 NT\$ 202 thousand, respectively, which was mainly due to fluctuations in variable interest rate related to the consolidated company's bank deposits and borrowings

The consolidated company's sensitivity to interest rates decreased this year, mainly due to the decrease in financial assets with variable interest rates and the decrease in the difference with financial liabilities.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated company. As at the end of the reporting period, the consolidated company's maximum exposure to credit risk, which would cause a financial loss to the consolidated company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The consolidated company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The consolidated company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants

The consolidated company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the consolidated company had available unutilized short-term bank loan facilities set out in (II) below

(I) Liquidity and interest rate risk tables

The following table details the consolidated company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the consolidated company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2022

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 142,146	\$ 42,073	\$ 110	\$ 6,458	\$ -
Floating instrument					
Floating rate instrument	\$ 7	\$ 100,341	\$ 30,955	\$ 3,397	\$ -
Fixed rate instrument	\$ -	\$ 30,081	\$ -	\$ -	\$ -
Lease liabilities	\$ 1,998	\$ 4,582	\$ 19,908	\$ 20,463	\$ 14,109

December 31, 2021

Non-derivative financial liabilities	On demand or				
	less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 148,008	\$ 43,293	\$ 136	\$ 6,458	\$ -
Floating instrument					
Floating rate instrument	\$ 641	\$ 70,996	\$ 5,721	\$ 4,812	\$ -
Fixed rate instrument	\$ -	\$ 112,932	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,143	\$ 4,286	\$ 4,229	\$ 14,579	\$ 15,992

(2) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount of short-term bank loans		
—Amount used	\$ 160,000	\$ 182,341
- Amount unused	380,710	280,699
	\$ 540,710	\$ 463,040
Amount of long-term bank loans		
—Amount used	\$ 4,000	\$ 12,290
- Amount unused	-	-
	\$ 4,000	\$ 12,290

27. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the consolidated company and other related parties are disclosed as follows:

(1) Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Company</u>
AtechOEM	Substantive Related Parties
Weikeng Industrial Co., LTD.	Substantive Related Parties

(2) Operating transactions

	<u>2022</u>	<u>2021</u>
<u>Purchases of goods</u>		
Substantive Related Parties	\$ 7,028	\$ 16,192
<u>Cost of sales - production costs</u>		
Substantive Related Parties	\$ -	\$ 189

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the consolidated company and related parties and those of the third parties.

(3) Payables to related parties

Item	Related party category/Name	December 31, 2022	December 31, 2021
Accounts payable	Substantive related parties	<u>\$ 2,367</u>	<u>\$ 3,904</u>

The balance of payables to related parties has not been pledged as collateral.

(4) Compensation of key management personnel

	2022	2021
Short-term employee benefits	\$ 18,880	\$ 17,575
Post-employment benefits	<u>108</u>	<u>16</u>
	<u>\$ 18,988</u>	<u>\$ 17,591</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

28. PLEDGED ASSESTS

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	December 31, 2022	December 31, 2021
Land	\$ 57,996	\$ 57,996
Building	31,040	32,031
Pledged time deposits (Classified as other financial assets – current)	<u>1,500</u>	<u>1,500</u>
	<u>\$ 90,536</u>	<u>\$ 91,527</u>

29. SIGNICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the consolidated company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<u>\$ 10,226</u>	<u>\$ 1,266</u>

30. SIGNIFICANT FINANCIAL ASSETS AND LIABILITES DENOMIATED IN FOREIGN CURRENCIES

The consolidated company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the consolidated company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 11,783	30.710 (USD: NTD)	\$ 361,856
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,610	30.710 (USD: NTD)	110,864
USD	11	6.9646 (USD: CNY)	344

December 31, 2021

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 9,886	27.68 (USD: NTD)	\$ 273,634
USD	7	6.3757(USD: CNY)	193
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	4,389	27.68 (USD: NTD)	121,481
USD	679	6.3757(USD: CNY)	18,797

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

Foreign currency	2022		2021	
	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>
USD	29.805 (USD: NTD)	\$ 16,649	28.009(USD: NTD)	(\$ 2,569)
USD	6.7208(USD: CNY)	(1,309)	6.4512(USD: CNY)	313
		<u>\$ 15,340</u>		<u>(\$ 2,256)</u>

31. OTHER DISCLOSURE

(1) Information on significant transactions

- A. Financing provided to others: None;
- B. Endorsements/guarantees provided: None;
- C. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1;
- D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;

- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - G. Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital: Table 2;
 - H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
 - I. Trading in derivative instruments: None
 - J. Others: intercompany relationships and significant intercompany transactions: Table 3
- (2) Information on investees: Table 4;
- (3) Information on investment in Mainland China
- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5.
 - B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: Table 6;
 - (I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (III) The amount of property transactions and the amount of the resultant gains or losses.
 - (IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7;

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The reportable segments of the consolidated company are as below:

(1) Segment Revenue and Operating Results

following was an analysis of the consolidated company's revenue and operating results by reportable segments:

	Segment Income		Segment Loss	
	2022	2021	2022	2021
Direct customer department	\$ 6,082	\$ 20,700	(\$ 2,124)	\$ 13,227
Agency department	905,194	996,031	81,614	9,829
US sales department	254,178	244,592	(3,103)	30,226
China sales department	78,856	85,079	(20,422)	(11,644)
Other segments	<u>13,652</u>	<u>72,474</u>	<u>(16,324)</u>	<u>12,887</u>
Total for operation units	<u>\$ 1,257,962</u>	<u>\$ 1,418,876</u>	39,641	54,525
Interest income			1,089	363
Other incomes			2,205	5,178
Other profit or loss			12,042	(1,887)
Headquarters' management costs and directors' remuneration			(13,117)	(12,054)
Financial costs			<u>(4,890)</u>	<u>(3,586)</u>
Net profit before tax			<u>\$ 36,970</u>	<u>\$ 42,539</u>

Segment profits refer to the earnings by each division, excluding apportionable interest income, other incomes, other profit or loss, headquarters' management costs and directors' remuneration, financial costs and income tax expense. The amount of measurement is then provided to the chief operating decision-maker to allocate resources to divisions and evaluate the division's performance.

(2) Total Segment assets and liabilities

The amount of measurement for the consolidate company's assets and liabilities was not provided to the chief operating decision-maker, so the relevant information will not be disclosed.

(3) Revenue from major products and services

The following is an analysis of the consolidated company's revenue from its major products and services:

	2022	2021
Electronic instruments	\$ 1,228,010	\$ 1,382,701
Technology, maintenance service	<u>29,952</u>	<u>36,175</u>
	<u>\$ 1,257,962</u>	<u>\$ 1,418,876</u>

(4) Geographical information

The consolidated company operates in three principal geographical areas - Taiwan, Mainland China and U.S.A.

The consolidated company's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External		Non-current Assets	
	Customers		December 31,	December 31,
	2022	2021	2022	2021
Taiwan	\$ 924,928	\$ 1,089,205	\$ 157,767	\$ 156,776
Mainland China	78,856	85,079	1,184	1,356
USA	<u>254,178</u>	<u>244,592</u>	<u>22,479</u>	<u>22,617</u>
	<u>\$ 1,257,962</u>	<u>\$ 1,418,876</u>	<u>\$ 181,430</u>	<u>\$ 180,749</u>

Non-current assets exclude deferred tax assets.

(5) Information about Major customers

Customers accounted for more than 10 % of the consolidated company's operating income:

	<u>2022</u>	<u>2021</u>
Company A in USA	<u>\$ 146,847</u>	<u>\$ 157,529</u>

CIPHERLAB CO., LTD. AND SUBSIDIARIES
 Marketable securities held at the end of the period
 December 31, 2022

Table 1

Unit: in thousands of NTD

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares / Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	<u>Shares</u> JRC INTERNATIONAL PTY LIMITED	None	Financial assets at fair value through other comprehensive income	760	\$ -	19	\$ -	Note
	WELCOM DESIGN K.K.	"	"	40	-	4	-	"

Note: The abovementioned unlisted (counter) stock investment held by the consolidated company was evaluated and measured at fair value as zero as of the balance sheet date. The unrealized loss of NT\$ 2,180 thousand has been adjusted.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital
January 1 to December 31, 2022

Table 2

Unit: in thousands of NTD

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Subsidiary	Sales	(\$ 221,559)	(19)	210 days after monthly closing	\$ -	15~120 days after monthly closing	\$ 19,372	9	Note
CIPHERLAB USA, INC.	CIPHERLAB CO., LTD.	Parent company	Purchases	221,559	100	210 days after monthly closing	-	15~120 days after monthly closing	(19,372)	(100)	//

Note 1: The transactions have been eliminated in the consolidated financial statements

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Intercompany relationships and significant intercompany transactions
January 1 to December 31, 2022

Table 3

Unit: in thousands of NTD

No. (Note 1)	Company Name	Counterparty	Relationship	Intercompany Transactions			
				Financial Statement Item,	Amount (Note 2)	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (%) (Note 3)
0	CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Parent company to subsidiary.	Sale revenue	\$221,559	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	18
				Accounts receivable- related parties	19,372		1
				Unrealized profit of associated companies	34,364		3
0	CIPHERLAB CO., LTD.	Saifulai Electron Trade (Shanghai) Limited Company	Parent company to subsidiary.	Sales and marketing expenses	15	Warranty fee	-
				Sale revenue	25,136	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	2
				Accounts receivable- related parties	344		-
				Unrealized profit of associated companies	504		-
0	CIPHERLAB CO., LTD.	MPLUS TECHNOLOGY CO., LTD.	Parent company to subsidiary.	Sales revenue	6,117	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	-
				Revenue from the rendering of services	5	Maintenance service	-
				Other incomes	322	Consulting service	-
				Losses on disposal of property, plant and equipment	176		-
				Accounts receivable- related parties	5,141		-
				Other receivables- related parties	369		-

The business relationship between the parent company and its subsidiaries:

The company is mainly engaged in the manufacture and sales of electronic products. CIPHERLAB LIMITED (SAMOA) is a holding company. CIPHERLAB USA, INC., the main business of Saifulai Electron Trade (Shanghai) Limited Company, is the sales of electronic products, and MPLUS TECHNOLOGY CO., LTD. is primarily involved in the development and sales of electronic products.

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from "1" according to company type.

Note 2: The table attached only discloses information regarding one-sided transactions that have been written off in the preparation of consolidated financial statements.

Note 3: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount to the consolidated total operating income.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Name, location, and related information of investees
January 1 to December 31, 2022

Table 4

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Recognized Investment Income/Losses	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 64,278 (Note 2)	(NTD 18,426)	(NTD 18,426)	Note 1 & 4
	CIPHERLAB LIMITED(SAMOA)	Samoa	investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 35,617 (Note 3)	(NTD 14,035)	(NTD 14,035)	//
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 30,000	NTD 30,000	3,000,000	94	(NTD 4,198)	(NTD 16,961)	(NTD 15,901)	//

Note 1: No market price is available, and the book value on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit amounting to NT\$34,364 thousand was deducted at the period's end.

Note 3: The unrealized sales gross profit amounting to NT\$ 504 thousand was deducted at the period's end.

Note 4: has been consolidated and written off when preparing this consolidated financial statement.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on investment in Mainland China
January 1 to December 31, 2022

Table 5

Unit: in thousands of NTD, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	% Ownership of direct or indirect investment	Current recognized investment profit or loss	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
Saifulai Electron Trade (Shanghai) Limited Company	Electronics sales	\$ 130,384 (USD 4,150)	(2)	\$ 130,384 (USD 4,150)	\$ -	\$-	\$130,384 (USD 4,150) (Note 4)	(\$ 14,006)	100	(\$ 14,006)	\$ 34,843	\$ -	has been consolidated and written off when preparing this consolidated financial statement.

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 483,196

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in mainland China.
2. Indirect investment in mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
 - (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
 - (2) The financial statements were reviewed by the parent company's auditors.
 - (3) Others

Note 3: the figures presented in this table are in New Taiwan Dollars.

Note 4: the company has remitted a total of US\$4,150 thousand for investment.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Significant transaction of direct or indirect investment in China through a third area in regards to the transaction price, payment term, unrealized profits or losses, and other relevant information:
January 1 to December 31, 2022

Table 6

Unit: in thousands of NTD

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

Investee Company	Transaction types and category	Purchases / Sales		Price	Transaction Terms		Notes and Accounts Payable or Receivable		Realized (Unrealized) Profit	Note
		Amount	%		Payment Terms	In Comparison to ordinary transactions	Amount	%		
Saifulai Electron Trade (Shanghai) Limited Company	Sales	(\$ 25,136)	(2)	According to the market price	210 days monthly closing	No significant difference	\$ 344	-	(\$ 504)	Note

Note : has been consolidated and written off when preparing this consolidated financial statement.

- (3) The amount of property transactions and the amount of the resultant gains or losses: None
(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on major shareholders

December 31, 2022

Table 7

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership(%)
Chang En Enterprise Management Co., Ltd	6,706,934	9.79
Lin, Yong-fa	6,613,376	9.65
Lin, Rong-yuan	5,374,000	7.84
Lin, Jun-yao	4,638,000	6.77
.		

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

6.5 The Company's Parent Company-only Financial Statement Certified by Accountant in the Most Recent Year

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd

Audit Opinion

We have reviewed the accompanying balance sheets of CiphertLab Co., Inc., as of December 31, 2022 and 2021; the related statement of comprehensive income, the statement of changes in equities, and the statement of cash flows for the period of January 1 to December 31, 2022 and 2021; and notes to the financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the financial status of the CiphertLab Co., Inc. as of December 31, 2022 and 2021 and its financial performance and cash flows from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and auditing standards. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of I and its subsidiaries, and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions

Key Audit Matters

The key audit matter refers to the most important content in our audit of CiphertLab Co., Inc.' financial statements for the year 2022 based on our professional judgment. These matters have been addressed in the process of our audit of the financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for CiphertLab Co., Inc.'s financial statements for the year 2022:

Key audit matter: veracity of sales revenue recognition

The revenue of CiphertLab Co., Inc. and its subsidiaries from the sales of 2 products, RS 35 and RK 95, for the year 2022 was NT\$ 464,332 thousand, accounting for 39% of the sales revenue, which had a significant impact on the financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sale revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 2 products of RS35 and RK 95 to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

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

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

In preparing the financial statements, management is responsible for assessing CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries 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 CiphertLab Co., Inc.' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CiphertLab Co., Inc. and its subsidiaries' 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 CiphertLab Co., Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause CiphertLab Co., Inc. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within CiphertLab Co., Inc. and its subsidiaries to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of CiphertLab Co., Inc. and its subsidiaries' audit. We remain solely responsible for our audit opinion.

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

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

S Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0930128050

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0920131587

March 29, 2023

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY BALANCE SHEETS

January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	\$ 147,224	11	\$ 113,789	9
1150	Notes receivable (Note 7)	803	-	1,483	-
1170	Accounts receivable (Note 4 & 7)	198,964	15	185,088	15
1180	Accounts receivable – related parties (Note 4 & 27)	24,857	2	30,652	2
1200	Other receivables (Note 7 & 27)	56,948	5	29,917	2
130X	Inventories (Note 4 & 8)	507,143	39	512,918	41
1476	Other financial assets – current (Note 4 & 28)	1,500	-	1,500	-
1479	Other current assets (Note 13)	39,193	3	23,575	2
11XX	Total current assets	<u>976,632</u>	<u>75</u>	<u>898,922</u>	<u>71</u>
	Non-current assets				
1550	Investments accounted for using equity method (Note 4 & 9)	99,895	8	142,264	11
1600	Property, plant and equipment (Note 4, 10 & 28)	109,273	8	121,280	10
1755	Right-of-use assets (Notes 4 & 11)	27,976	2	9,848	1
1780	Other intangible assets (Note 4 & 12)	6,088	-	7,443	-
1840	Deferred tax assets (Notes 4, 5 & 21)	75,557	6	73,799	6
1990	Other non-current assets (Note 7 & 13)	9,557	1	9,867	1
15XX	Total non-current assets	<u>328,346</u>	<u>25</u>	<u>364,501</u>	<u>29</u>
1XXX	Total assets	<u>\$ 1,304,978</u>	<u>100</u>	<u>\$ 1,263,423</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 160,000	12	\$ 182,341	14
2150	Notes payable (Note 15)	-	-	125	-
2170	Accounts payable (Note 15 & 27)	107,822	8	129,438	10
2219	Other payables (Note 16 & 27)	121,764	9	107,521	9
2230	Current tax liabilities (Note 21)	6,051	-	2,438	-
2280	Lease liabilities-current (Note 4 & 11)	22,029	2	7,674	1
2320	Long-term borrowing with maturity under 1 year (Note 14)	-	-	5,002	-
2399	Other current liabilities (Note 4, 16 & 19)	20,901	2	7,967	1
21XX	Total current liabilities	<u>438,567</u>	<u>33</u>	<u>442,506</u>	<u>35</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	-	-	3,331	-
2570	Deferred tax liabilities (Note 4 & 21)	3,906	-	2,575	-
2580	Lease liabilities-noncurrent (Note 4 & 11)	6,066	1	2,240	-
2640	Net Defined benefit liability - non-current (Note 4 & 17)	8,764	1	11,597	1
2670	Other non-current liabilities (Note 4, 16 & 19)	42,070	3	16,135	2
25XX	Total non-current liabilities	<u>60,806</u>	<u>5</u>	<u>35,878</u>	<u>3</u>
2XXX	Total liabilities	<u>499,373</u>	<u>38</u>	<u>478,384</u>	<u>38</u>
	Equity (Note 18)				
3110	Ordinary share capital	684,891	53	684,891	54
3210	Capital surplus	1,151	-	1,151	-
	Retained earnings				
3310	Legal reserve	74,587	6	70,936	6
3320	Special reserve	11,508	1	3,062	-
3350	Unappropriated retained earnings	34,552	2	36,507	3
3300	Total retained earnings	<u>120,647</u>	<u>9</u>	<u>110,505</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,096	-	(9,328)	(1)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(1,084)	-	(11,508)	(1)
3XXX	Total equity interest	<u>805,605</u>	<u>62</u>	<u>785,039</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 1,304,978</u>	<u>100</u>	<u>\$ 1,263,423</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2022 and 2021

In Thousands of New Taiwan Dollars
Except Earnings per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenues (Note 4, 19 & 27)				
4100	Sales revenue	\$ 1,175,992	98	\$ 1,254,032	98
4600	Service revenue	<u>18,279</u>	<u>2</u>	<u>31,208</u>	<u>2</u>
4000	Total operating revenue	<u>1,194,271</u>	<u>100</u>	<u>1,285,240</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(771,089)	(65)	(909,762)	(71)
5600	Cost of services	(<u>1,365</u>)	<u>-</u>	(<u>2,025</u>)	<u>-</u>
5000	Total operating costs	(<u>772,454</u>)	(<u>65</u>)	(<u>911,787</u>)	(<u>71</u>)
5900	Operating profit margin	421,817	35	373,453	29
5910	Unrealized Profits on Transactions with subsidiaries (Note4 & 9)	(34,868)	(3)	(23,633)	(2)
5920	Realized Profits on Transactions with subsidiaries (Note4 & 9)	<u>23,633</u>	<u>2</u>	<u>24,714</u>	<u>2</u>
5950	Operating profit margin realized	<u>410,582</u>	<u>34</u>	<u>374,534</u>	<u>29</u>
	Operating expenses (Note 7, 17, 20 & 27)				
6100	Selling expenses	(149,850)	(12)	(156,054)	(12)
6200	Administrative expenses	(48,797)	(4)	(49,181)	(4)
6300	Research and development expenses	(142,232)	(12)	(153,621)	(12)
6450	Expected credit impairment losses (reversal gains)	<u>128</u>	<u>-</u>	(<u>2,578</u>)	<u>-</u>
6000	Total operating expenses	(<u>340,751</u>)	(<u>28</u>)	(<u>361,434</u>)	(<u>28</u>)
6900	Net operating profit	<u>69,831</u>	<u>6</u>	<u>13,100</u>	<u>1</u>
	Non-operating income and expenditures				
7100	Interest income (Note 20)	983	-	104	-
7010	Other income (Note 20 & 27)	2,515	-	5,567	-

(Continue)

(Previous)		2022		2021	
		Amount	%	Amount	%
7020	Other gains and losses (Note 20)	15,119	1	(1,410)	-
7050	Financial costs (Note 20)	(3,471)	-	(2,148)	-
7070	Subsidiaries' shares of profit and losses accounted for using equity method (Note 4)	(<u>48,362</u>)	(<u>4</u>)	<u>26,842</u>	<u>2</u>
7000	Total non-operating income and expenditures	(<u>33,216</u>)	(<u>3</u>)	<u>28,955</u>	<u>2</u>
7900	Profit from continuing operations before tax	36,615	3	42,055	3
7950	Tax expense (Note 4 & 21)	(<u>4,361</u>)	<u>-</u>	(<u>6,573</u>)	<u>-</u>
8200	Net profit	<u>32,254</u>	<u>3</u>	<u>35,482</u>	<u>3</u>
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss				
8311	remeasurements of defined benefit plans	2,324	-	1,281	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(465)	-	(256)	-
8360	Items might be reclassified subsequently into profit or loss:				
8361	Exchange differences in conversion of the financial statements of operations	13,030	1	(3,150)	-
8399	Income taxes related to items that may be reclassified to profit or loss	(<u>2,606</u>)	<u>-</u>	<u>630</u>	<u>-</u>
8300	Total other comprehensive income (after tax)	<u>12,283</u>	<u>1</u>	(<u>1,495</u>)	<u>-</u>
8500	Total comprehensive income	<u>\$ 44,537</u>	<u>4</u>	<u>\$ 33,987</u>	<u>3</u>
	Earnings per share (Note 22)				
9710	Basic	<u>\$ 0.47</u>		<u>\$ 0.52</u>	
9810	Diluted	<u>\$ 0.47</u>		<u>\$ 0.52</u>	

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

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

Code		Ordinary share capital	Capital Surplus	Retained Earnings			Other Equity		Total equity
				Legal Reserve	Special reserve	Undistributed Earnings (To be made up for losses)	Exchange differences in conversion the financial statements of foreign operation	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	
A1	Balance at Jan 1, 2021	\$ 684,891	\$ 1,144	\$ 133,053	\$ 3,062	(\$ 62,117)	(\$ 6,808)	(\$ 2,180)	\$ 751,045
B13	Offsetting for losses in 2020 (Note 18) Legal reserve used to cover accumulated deficits "	-	-	(62,117)	-	62,117	-	-	-
C17	Change in other capital surplus: Unclaimed dividends	-	7	-	-	-	-	-	7
D1	Net Profit of 2021	-	-	-	-	35,482	-	-	35,482
D3	Other profit and loss of 2021 (Note 18)	-	-	-	-	1,025	(2,520)	-	(1,495)
D5	Total profit and loss of 2021	-	-	-	-	36,507	(2,520)	-	33,987
Z1	Balance at Dec 31, 2021	684,891	1,151	70,936	3,062	36,507	(9,328)	(2,180)	785,039
	Appropriation and distribution of 2021 earnings (Note 18)								
B1	Legal reserve	-	-	3,651	-	(3,651)	-	-	-
B3	Special reserve	-	-	-	8,446	(8,446)	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)
D1	Net Profit of 2022	-	-	-	-	32,254	-	-	32,254
D3	Other profit and loss of 2022 (Note 18)	-	-	-	-	1,859	10,424	-	12,283
D5	Total profit and loss of 2022	-	-	-	-	34,113	10,424	-	44,537
Z1	Balance at Dec 31, 2022	\$ 684,891	\$ 1,151	\$ 74,587	\$ 11,508	\$ 34,552	\$ 1,096	(\$ 2,180)	\$ 805,605

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD. AND SUBSIDIARIES
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

January 1 to December 31, 2022 and 2021

		Unit: Thousands of New Taiwan Dollars	
Code		2022	2021
	Cash flows from operating activities		
A10000	Profit before tax	\$ 36,615	\$ 42,055
A20010	Adjustments to reconcile profit (loss)		
A20300	Expected credit impairment losses (reversal gains)	(128)	2,578
A20100	Depreciation expenses	43,880	49,707
A20200	Amortization expenses	3,614	4,957
A22400	Subsidiaries' shares of profit and losses accounted for using equity method	48,362	(26,842)
A21200	Interest income	(983)	(104)
A20900	Financial costs	3,471	2,148
A23700	Inventory Valuation and Obsolescence Losses	-	11,582
A22500	Losses on disposal of property, plant, and equipment (gains)	176	(369)
A23900	Unrealized Profits on Transactions with subsidiaries	34,868	23,633
A24000	Realized Profits on Transactions with subsidiaries	(23,633)	(24,714)
A24100	Unrealized foreign exchange gains- Net	(2,895)	(5,223)
A29900	Gains on lease modification	(4)	-
A30000	Changes in operating assets and liabilities - Net		
A31130	Notes receivable	680	(1,481)
A31150	Accounts receivable	(17,325)	(24,418)
A31160	Accounts receivable – related parties	5,455	15,722
A31180	Other receivables	(26,915)	(22,820)
A31200	Inventories	5,775	(151,438)
A31240	Other current assets	(15,618)	(2,509)
A32130	Notes payable	(125)	79
A32150	Accounts payable	(20,242)	33,870
A32180	Other accrued expenses	10,825	38,440
A32220	Other current liabilities	13,085	3,431
A32240	Defined benefit liability - net	(509)	(557)
A32990	Other non-current liabilities	<u>21,586</u>	<u>9,677</u>
A33000	Cash flows from business operation	120,015	(22,596)
A33100	Interest receivable	867	107
A33500	Refundable income tax (paid)	(<u>4,246</u>)	(<u>7,565</u>)
AAAA	Net cash flows from operating activities (outflow)	<u>116,636</u>	<u>(14,924)</u>

(Continue)

(Previous)

Code		2022	2021
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 4,311)	(\$ 9,253)
B02800	Disposal of property, plant and equipment	46	726
B04500	Acquisition of intangible assets	(1,955)	(1,011)
B06500	Increase in other financial assets	-	(913)
B06700	Increase in other non-current assets	(1,698)	(1,939)
BBBB	Net cash outflows used in investing activities	<u>(7,918)</u>	<u>(12,390)</u>
	Cash flows from financing activities		
C00100	Increase (decrease) in short-term borrowings	(22,341)	82,419
C01700	Repayment for long-term borrowings	(8,333)	(1,667)
C04020	Repayment of the principal portion of lease liabilities	(22,623)	(22,764)
C04500	Appropriation of cash dividends	(23,971)	-
C05600	Interest paid	<u>(3,496)</u>	<u>(2,126)</u>
CCCC	Net cash flows from financing activities (in and out)	<u>(80,764)</u>	<u>55,862</u>
DDDD	Effect of changes in exchange rate on cash and cash equivalents	<u>5,481</u>	<u>4,121</u>
EEEE	Increase in cash and cash equivalents	33,435	32,669
E00100	Cash and cash equivalents at beginning of the year	<u>113,789</u>	<u>81,120</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 147,224</u>	<u>\$ 113,789</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yen

Manager : Liao, Yi-Yen

Accounting : Chang, Chia-Rong

CIPHERLAB CO., LTD.

NOTES TO FINANCIAL STATEMENTS

CIPHERLAB CO., LTD.

Notes to Financial Statements

January 1 to December 31, 2022 and 2021

(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. HISTORY AND ORGANISATION

- (1) CIPHERLAB CO., LTD. (hereinafter referred to as "the Company,") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide services for skincare products, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.
- (2) The Company's stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.
- (3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion
- (4) The financial statements are expressed in New Taiwan dollars, the company's functional currency.

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

These financial statements were authorized for issuance by the Board of Directors on March 29, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).
The adoption of the amendments to IFRSs approved and issued by the FSC will not significantly affect the Company's accounting policies:
- (2) IFRSs applicable for the year 2023 and endorsed by the Financial Supervisory Commission

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IAS 1 "Disclosure of Accounting Policies"	Jan. 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	Jan. 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	Jan. 1, 2023 (Note 3)

- Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the approval date of the financial statements, the Company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

- (3) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</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 IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	Jan. 1, 2024 (Note 2)
Amendments to IFRS 17 “Insurance Contract”	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	Jan. 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Jan. 1, 2024
Amendments to IAS 1, “Classification of Debt with Covenants as Non-current”	Jan. 1, 2024

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the approval date of the financial statements, the Company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

- A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.
- B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.
- C. Level 3 inputs: unobservable inputs for the assets or liabilities.

The Company adopts the equity method for investment in subsidiaries when preparing the individual financial report. In order to make the current year's profit and loss, other comprehensive profit and loss and equity in this individual financial report consistent with the current year's profit and loss, other comprehensive profit and loss and equity attributable to the owners of the Company in the Company's consolidated financial report, adjustments for specific differences between the individual basis and the consolidated basis reports in accounting treatment are made to "investments accounted for using equity method", "share of profit and loss of subsidiaries accounted for using the equity method", "share of other comprehensive profits and losses of subsidiaries accounted for using the equity method" and related equity items.

(3) Standard for Classification of Current and Non-current Assets and Liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the date of balance sheet; and
- C. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability exceed 12 months after the date of balance sheet).

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the date of the balance sheet; and
- C. Liabilities with settlement dates that cannot be deferred unconditionally to at least 12 months after the balance sheet date.

Assets and liabilities that cannot be classified as listed above should be classified as non-current.

(4) Foreign Currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the closing rates prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in the profit or loss in the period in which they arise.

Non-monetary items measured at fair value denominated in foreign currency are converted at the exchange rate on the day when the fair value is determined. The resulting exchange differences are included in the profit and loss of the period, except for those with changes

in fair value is recognized in other comprehensive profit and loss for which the resulting exchange differences are listed directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In preparing the financial report, the assets and liabilities of the Company's foreign operating (the Company's subsidiaries) are converted to NTD at the exchange rate on the date of the balance sheet. The income and expense items are converted at the average exchange rate of the period, and the resulting exchange differences are included in other comprehensive income (and attributable respectively to the Company's owners and non-controlling interest).

If the Company disposes of all equities of the foreign operation, all of the exchange differences accumulated in equity in respect of foreign operation attributable to the owners of the Company are reclassified to profit or loss.

(5) Inventory

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost.

(6) Investments in Subsidiaries

Subsidiaries are entities controlled by the Company. Investments of the Company in the subsidiaries are accounted for by the equity method.

Under the equity method, investments are initially recognized at costs. The carrying amount is increased or decreased according to the Company's share of the profit or loss, and distribution of other comprehensive income of the subsidiaries after the date of acquisition. Additionally, the Company's share of the changes in other equities of subsidiaries is determined by the shareholding rate.

Changes in the Company's ownership interests in the subsidiaries that do not result in losing control of the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of the subsidiaries equals to or exceeds its equity of the subsidiaries (including the carrying amount of the investment in subsidiaries accounted for under the equity method and other long-term interests that, in substance, are part of the Company's net investment), the Company will continue to recognize its shares as losses by its shareholding rate.

When conducting an impairment evaluation, the Company will take into full consideration of the cash-generating unit in the financial statements and compare its recoverable amount with the carrying amount. If the recoverable amount increase, the reversal of the impairment loss will be recognized as profit, subject to the carrying amount of the asset after reversal of impairment loss is no more than the unrealized impairment loss of the asset less amount of amortization. Any impairment losses recognized in respect of goodwill cannot be reversed subsequently.

The unrealized profit or loss on downstream transactions between the Company and the subsidiaries is eliminated in the financial statements. The profit or loss from upstream and side stream transactions between the Company and the subsidiaries is recognized in the

financial statements only to the extent of interests in the subsidiary not related to the Company.

(7) Property, Plant, and Equipment

Property, plant, and equipment are measured at cost, less recognized accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible Assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

B. Derecognition

When derecognizing an intangible asset, the difference between the net disposal proceeds and the asset's book value is recognized in the profit or loss for the year.

(9) Impairment of the Property, Plant and Equipment and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount (less amortization and depreciation), but only to the extent of the carrying amount that would have been determined with no impairment loss having been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(10) Financial Instruments

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss (also included in the original recognized amount of financial assets and financial liabilities.)

A. Financial Assets

The regular way purchases or sales of financial assets is recognized and derecognized on a trade date

(I) Measurement category

Categories of financial assets held by the Company are financial assets measured at amortized cost and equity instrument investments measured at fair value through other comprehensive income.

a. Financial assets measured at amortized cost

Financial assets of the Company, in compliance with the following two conditions simultaneously, are to be classified as financial assets measured by amortized cost:

- i. The financial asset is held under a business model for which the objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized costs after initial recognition are measured at amortized cost and equal the total of the carrying amount determined by the effective interest method less any impairment loss. Any difference in foreign currency exchange is recognized in profit or loss.

Except for the following two cases, the interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets:

- i. Interest income of purchase or originated credit-impaired financial assets is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets;
- ii. Interest income of the financial assets that are not classified as purchased or originated credit-impaired, but subsequently become credit-impaired, should be calculated from the next reporting period after the credit impairment as the effective interest rate multiplied by the financial asset at amortized cost.

A financial asset is credit-impaired when the issuer or the borrower has significant financial difficulties and breach contract; it becomes probable that the borrower might enter bankruptcy or other financial reorganization, or have the active market for that financial asset disappeared due to financial difficulties.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, can be converted into a known amount of cash at any time, with only an insignificant risk of value changes, and are held for meeting short-term cash commitments.

- b. Investments in equity instruments measured at fair value through other comprehensive income

The Company can make an irrevocable election at initial recognition to designate the non-held for trading and not recognized as business mergers or investments in equity instruments be measured at fair value through other comprehensive income.

Investments in equity instruments carried at fair value through other comprehensive income are measured at fair value. Subsequent changes in fair value are recognized in other comprehensive income and accumulated in other equity. Accumulated profit or loss will directly transfer to retained earnings but not reclassified to profit or loss when disposing of the investment.

The dividends of the investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Company has confirmed its right of receivables, unless the dividends are clearly a recoverable amount of the investment cost.

- (II) Impairment of financial assets

The Company shall evaluate, with the expected credit loss, the impairment loss of the financial assets measured at amortized cost, including accounts receivable, on each balance sheet date

Accounts receivable are recorded as loss allowance by expected credit losses in the duration. For other financial assets, it shall evaluate whether the credit risk has increased significantly since the initial recognition. If the credit risk hasn't increased significantly, the financial assets shall be recognized as loss allowance based on a 12-month expected credit loss. However, if the credit risk has increased significantly, the financial assets will be recognized as loss allowance by the expected credit loss in the duration.

Expected credit loss takes the risk of default as the weighted average credit loss. 12-month expected credit loss is the expected credit loss of possible violation of the financial instrument within 12 months after the reporting date. Expected credit loss in the duration is the expected credit loss of possible violation of the financial instrument in the duration

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following conditions represent a default in financial assets:

- a. There is internal or external information indicating that it is unlikely that the borrower will pay off the debt.
- b. An overdue payment of more than 90 days; unless there is reasonable and corroborated information showing that the delayed default is more appropriate

The carrying amount of all financial assets with impairment loss are adjusted and reduced through the use of an allowance account.

(III) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to other enterprise.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Financial Liabilities

(I) Subsequent measurement

All financial liabilities are measured at amortized cost by the effective interest method.

(II) Derecognition of financial liabilities

When derecognizing the financial liabilities, the difference between the carrying amount derecognized and the consideration paid, (including any non-cash asset transferred or liabilities assumed), is recognized in profit or loss

(11) Revenue Recognition

Upon confirming with the customers in regards to the contractual obligations, the Company allocates the transaction price to the performance obligations and recognizes the revenue when the performance obligations are satisfied.

A. Sale of Goods

Revenue from sales of goods comes from the sales of handheld industrial computer and handheld barcode scanner. As the customers will have the full discretion over the right to pricing and the usage of the products upon shipment of goods, the customers should take primary responsibility for the resale of the products and the obsolescence risk onwards. The revenue will be recognized as accounts receivable concurrently.

The Company does not recognize revenue on outward processing because it does not involve a transfer of control over the processed products.

B. Rendering of Service

Revenue from the rendering of service comes from product maintenance service. As the Company provides the service, customers simultaneously receive and consume the benefits provided by the Company's performance. The income generated by the provision of the services under the contract is recognized, according to the degree of completion of the contract.

(12) Lease

The Company evaluates whether the contract is (or contains) a lease on the date of the establishment of the contract.

The Company as lessee

Except for the exempted low-value asset leases and short-term leases, the lease payments are recognized as expenses during the lease term on a straight-line basis. For other leases, the right-of-use assets and lease liabilities are recognized on the lease start date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date less the lease incentive received, the original direct cost, and the estimated cost of recovering the underlying asset). Subsequently, the right-of-use asset is measured with a deduction of accumulated depreciation and the amount after the accumulated impairment loss is determined, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately on the balance sheet.

Depreciation of right-of-use asset is recognized on a straight-line basis from the beginning of the lease over the shorter of the useful life of the asset and the lease term.

Lease liabilities are initially measured at the present value (including fixed payments, actual fixed payments, variable lease payments which depend on an index or a rate, expected payables by the Company under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option, the exercise price for an option to purchase reasonably believed will be exercised, and the lease termination penalties reflected in the lease terms, less any lease incentives) of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liability is measured at the amortized cost using the effective interest method, and the interest expense is allocated over the lease term. If the lease term, expected payables under residual value guarantees, assessment of an option to purchase an underlying asset, or the change in the index or rate used to determine the lease payments results in a change in the future lease payments, the Company will remeasure the lease liability and adjust the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately on the balance sheet.

(13) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to revenue intended to compensate for the costs incurred by the Company over the period are recognized in other income.

When the Company receives government grants as compensation for expenses or losses that have already been incurred or to provide immediate financial support with no future related costs, these grants are recognized as the profit or loss during the period in which the grants can be collected.

(14) Employee Benefits

A. Short-term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

B. Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit liability (assets), are recognized as employee benefits expenses in the period they occur. Rereasurement, (comprising actuarial gains and losses and the return on plan assets less interest), is recognized in the period in which they occur in other comprehensive income which is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the Company's actual defined benefit plan deficit.

(15) Income Tax

Income tax expense represents the sum of the current income tax and the deferred tax.

A. Current Tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

B. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and Deferred Taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGEMNT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Main sources of uncertainty in estimates and assumptions

(1) Write Down of Inventories

The net realizable value of inventories 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. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

(2) Income Tax

The possibility of realizing deferred income tax assets is primarily determined by whether there will be sufficient profits or taxable temporary differences in the future. Suppose the actual profit falls short of expectations. In that case, there may be significant reversals of deferred income tax assets, which are recorded as profit or loss during the period they occur.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand & revolving fund	\$ 104	\$ 207
Demand deposits	91,842	113,582
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>55,278</u>	<u>-</u>
	<u>\$ 147,224</u>	<u>\$ 113,789</u>

Cash equivalent market interest rate for the above interest-bearing financial assets at the date of the balance sheet is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposit (including time deposits classified as cash equivalent)	0.005%~4.20%	0.001%~0.05%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 803	\$ 1,483
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 803</u>	<u>\$ 1,483</u>
Due to business operation	<u>\$ 803</u>	<u>\$ 1,483</u>

Accounts receivable

Measurement at amortized costs		
Total carrying amount	\$ 199,082	\$ 188,079
Less: loss allowance	(<u>118</u>)	(<u>2,991</u>)
	<u>\$ 198,964</u>	<u>\$ 185,088</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other receivables</u>		
Receivables for Outward processing	\$ 49,405	\$ 23,086
Tax refund receivable	7,057	6,734
Others	<u>486</u>	<u>97</u>
	<u>\$ 56,948</u>	<u>\$ 29,917</u>

Overdue receivables (as other non-current assets)

Measurement at amortized costs		
Total carrying amount	\$ -	\$ 660
Less: loss allowance	<u>-</u>	(<u>660</u>)
	<u>\$ -</u>	<u>\$ -</u>

(1) Notes Receivable

The Company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of December 31, 2022, there are no outstanding notes receivable. According to the assessment by the Company, it is not necessary to set aside notes receivable for expected credit losses.

(2) Accounts Receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the Company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the Company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the Company has been significantly reduced.

The Company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and also considering the GPD forecast. According to the Company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the Company cannot reasonably estimate the recoverable amount, the Company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The Company's loss allowance for the receivables and overdue receivables is estimated using a provision matrix as follows:

December 31, 2022

	<u>Not past due</u>	<u>1~30 days overdue</u>	<u>31~60 days overdue</u>	<u>61~90 days overdue</u>	<u>91~120 days overdue</u>	<u>120 days overdue</u>	<u>Total</u>
Expected credit loss rate	0.001%	0.09%	0.17%	16.41%	100%	100%	
Total carrying amount	\$ 174,406	\$ 24,418	\$ 121	\$ 51	\$ 83	\$ 3	\$ 199,082
Loss allowance (Lifetime ECL)	(3)	(21)	-	(8)	(83)	(3)	(118)
Amortized cost	<u>\$ 174,403</u>	<u>\$ 24,397</u>	<u>\$ 121</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,964</u>

December 31, 2021

	<u>Not past due</u>	<u>1~30 days overdue</u>	<u>31~60 days overdue</u>	<u>61~90 days overdue</u>	<u>91~120 days overdue</u>	<u>120 days overdue</u>	<u>Total</u>
Expected credit loss rate	0.02%	0.25%	12.72%	100%	100%	100%	
Total carrying amount	\$ 171,646	\$ 11,583	\$ 2,212	\$ 8	\$ 11	\$ 3,279	\$ 188,739
Loss allowance (Lifetime ECL)	(43)	(29)	(281)	(8)	(11)	(3,279)	(3,651)
Amortized cost	<u>\$ 171,603</u>	<u>\$ 11,554</u>	<u>\$ 1,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,088</u>

Changes in loss allowance for accounts receivable and overdue receivables are as follows:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 3,651	\$ 1,328
Add: impairment losses recognized in current year (reversal)	(128)	2,578
Less: amount written off	(<u>3,405</u>)	(<u>255</u>)
Balance at the end of the year	<u>\$ 118</u>	<u>\$ 3,651</u>

8. INVENTORY

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 26,181	\$ 24,842
Work in process	16,647	8,280
Raw materials	464,269	479,622
Merchandise	<u>46</u>	<u>174</u>
	<u>\$ 507,143</u>	<u>\$ 512,918</u>

The costs of goods sold related to inventories in 2022 and 2021 were NT\$ 771,089 thousand and NT\$ 909,762 thousand, respectively.

The costs of goods sold in 2021, including inventory depreciation and obsolescence losses, was NT\$ 11,582 thousand.

9. INVESTMENTS USING EQUITY METHOD

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in Subsidiaries	<u>\$ 99,895</u>	<u>\$ 142,264</u>

(1) Investments in Subsidiaries

<u>Investments in subsidiaries</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unlisted company		
CIPHERLAB USA, INC.	\$ 98,642	\$ 105,021
CIPHERLAB LIMITED (SAMOA)	36,121	49,173
MPLUS TECHNOLOGY CO., LTD. (MPLUS TECHNOLOGY)	(4,198)	11,703
Unrealized Profits on Transactions with subsidiaries	(<u>34,868</u>)	(<u>23,633</u>)
	95,697	142,264
Add: Balance of investment loans using the equity method	<u>4,198</u>	<u>-</u>
	<u>\$ 99,895</u>	<u>\$ 142,264</u>

(2) The Company's ownership interest and voting rights percentages for investments using the equity method on the balance sheet date are as follows:

<u>Company Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
CIPHERLAB USA, INC.	100%	100%
CIPHERLAB LIMITED (SAMOA)	100%	100%
MPLUS TECHNOLOGY	94%	94%

- (3) The Company's investments using the equity method, share of profit or loss, and other comprehensive income are calculated based on financial statements audited by professional accountants.

10. PROPERTY, PLANT, AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Income- generating equipment</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 57,996	\$ 55,493	\$ 16,406	\$ 220,551	\$ 95,233	\$ 445,679
Addition	-	-	-	1,718	5,988	7,706
Disposals	-	-	-	(360)	(312)	(672)
Reclassification (Note)	-	-	-	912	792	1,704
Balance at December 31, 2022	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 16,406</u>	<u>\$ 222,821</u>	<u>\$ 101,701</u>	<u>\$ 454,417</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2022	\$ -	\$ 23,462	\$ 15,578	\$ 197,271	\$ 88,088	\$ 324,399
Depreciation	-	991	111	15,825	4,268	21,195
Disposals	-	-	-	(138)	(312)	(450)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 24,453</u>	<u>\$ 15,689</u>	<u>\$ 212,958</u>	<u>\$ 92,044</u>	<u>\$ 345,144</u>
Net balance at December 31, 2022	<u>\$ 57,996</u>	<u>\$ 31,040</u>	<u>\$ 717</u>	<u>\$ 9,863</u>	<u>\$ 9,657</u>	<u>\$ 109,273</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 57,996	\$ 55,336	\$ 16,818	\$ 208,790	\$ 98,870	\$ 437,810
Addition	-	157	-	6,273	1,915	8,345
Disposals	-	-	(412)	(468)	(5,552)	(6,432)
Reclassification (Note)	-	-	-	5,956	-	5,956
Balance at December 31, 2021	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 16,406</u>	<u>\$ 220,551</u>	<u>\$ 95,233</u>	<u>\$ 445,679</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 22,472	\$ 15,875	\$ 175,945	\$ 89,222	\$ 303,514
Depreciation	-	990	115	21,437	4,418	26,960
Disposals	-	-	(412)	(111)	(5,552)	(6,075)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 23,462</u>	<u>\$ 15,578</u>	<u>\$ 197,271</u>	<u>\$ 88,088</u>	<u>\$ 324,399</u>
Net balance at December 31, 2021	<u>\$ 57,996</u>	<u>\$ 32,031</u>	<u>\$ 828</u>	<u>\$ 23,280</u>	<u>\$ 7,145</u>	<u>\$ 121,280</u>

Note: Reclassified from other non-current assets-prepayments for business facilities, to property, plant, and equipment.

Related depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Mechanical equipment	2~10 years
Molding equipment	2~5 years
Income-generating equipment	2~6 years
Other equipment	3~5 years

Property, plant, and equipment pledged as collateral for bank borrowings are set out in Note 28.

11. LEASE ARRANGEMENT

(1) Right-of-use Assets

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 43,104	\$ 4,782	\$ 47,886
Addition	40,418	1,577	41,995
Less	(40,453)	(1,308)	(41,761)
Net exchange difference	(16)	(37)	(53)
Balance at December 31, 2022	<u>\$ 43,053</u>	<u>\$ 5,014</u>	<u>\$ 48,067</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 36,387	\$ 1,651	\$ 38,038
Depreciation	21,475	1,210	22,685
Less	(40,453)	(167)	(40,620)
Net exchange difference	(8)	(4)	(12)
Balance at December 31, 2022	<u>\$ 17,401</u>	<u>\$ 2,690</u>	<u>\$ 20,091</u>
Net Balance at December 31, 2022	<u>\$ 25,652</u>	<u>\$ 2,324</u>	<u>\$ 27,976</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 42,608	\$ 3,797	\$ 46,405
Addition	2,679	3,159	5,838
Less	(2,136)	(2,099)	(4,235)
Net exchange difference	(47)	(75)	(122)
Balance at December 31, 2021	<u>\$ 43,104</u>	<u>\$ 4,782</u>	<u>\$ 47,886</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ 17,258	\$ 2,316	\$ 19,574
Depreciation	21,290	1,457	22,747
Less	(2,136)	(2,099)	(4,235)
Net exchange difference	(25)	(23)	(48)
Balance at December 31, 2021	<u>\$ 36,387</u>	<u>\$ 1,651</u>	<u>\$ 38,038</u>
Net Balance at December 31, 2021	<u>\$ 6,717</u>	<u>\$ 3,131</u>	<u>\$ 9,848</u>

(2) Lease Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 22,029</u>	<u>\$ 7,674</u>
Non-current	<u>\$ 6,066</u>	<u>\$ 2,240</u>

The range of the discount rates for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	1.111% ~ 1.167%	1.167% ~ 1.3%
Transportation equipment	1.111% ~ 1.167%	1.167% ~ 1.3%

(3) Lease-in Activities and Terms

The Company leases certain buildings and transportation equipment with lease terms of 2 to 12 years. The Company does not have bargain purchase options to acquire the leasehold buildings and transportation equipment at the end of the lease terms.

(4) Other Lease Information

	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	<u>(\$ 168)</u>	<u>(\$ 163)</u>
Expenses relating to short-term leases	<u>(\$ 155)</u>	<u>(\$ 165)</u>
Total cash outflow for leases	<u>(\$ 23,274)</u>	<u>(\$ 23,346)</u>

All lease commitments for which the lease period begins after the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease commitments	<u>\$ -</u>	<u>\$ 800</u>

12. OTHER INTANGIBLE ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Computer software	<u>\$ 6,088</u>	<u>\$ 7,443</u>
	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at the beginning of the year	\$ 53,178	\$ 52,167
acquired separately	1,955	1,011
Reclassification (Note)	<u>304</u>	<u>-</u>
Balance at the end of year	<u>\$ 55,437</u>	<u>\$ 53,178</u>
<u>Accumulated amortization</u>		
Balance at the beginning of the year	\$ 45,735	\$ 40,778
Amortization expenses	<u>3,614</u>	<u>4,957</u>
Balance at the end of the year	<u>\$ 49,349</u>	<u>\$ 45,735</u>
Net Balance at the end of the year	<u>\$ 6,088</u>	<u>\$ 7,443</u>

Note: Reclassified from other non-current assets-prepayments for business facilities, to computer software

Amortization expenses are calculated on a straight-line basis over the estimated useful lives as follows:

Computer software	2~6 years
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13. OTHER ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments	\$ 39,193	\$ 23,575
Guarantee deposits paid	5,643	7,423
Prepayment for equipment	<u>3,914</u>	<u>2,444</u>
	<u>\$ 48,750</u>	<u>\$ 33,442</u>
Current	\$ 39,193	\$ 23,575
Non-current	<u>9,557</u>	<u>9,867</u>
	<u>\$ 48,750</u>	<u>\$ 33,442</u>

14. BORROWINGS

(1) Short-term Borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loans</u>		
Line of credit	<u>\$ 160,000</u>	<u>\$ 84,021</u>
<u>Secured loans</u>		
Mortgage	<u>\$ -</u>	<u>\$ 98,320</u>

As of the year ended on December 31, 2022, and 2021, the interest rates for short-term loans ranged from 1.68% ~ 1.89% and 1.02933% ~ 1.102%, respectively.

(2) Long-term Borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loans</u>		
Bank loan	\$ -	\$ 8,333
Less: set aside as part due within 1 year	<u>-</u>	(<u>5,002</u>)
Long-term borrowings	<u>\$ -</u>	<u>\$ 3,331</u>

The Company followed the "Directions for Business Financial Relief and Interest Supplement by the Ministry and Economic Affairs for Businesses with Operational Difficulties Due to COVID-19" (referred to as "the Ministry of Economic Affairs COVID-19 Relief Loan") and entered into a borrowing contract from August 17, 2020, to August 17, 2023, with the Land Bank of Taiwan for a NT\$10,000 thousand of revitalization funds. The interest on the loan was calculated based on Chunghwa Post Company's two-year fixed deposit rate plus an additional 0.705%. The interest was paid monthly, while the principal amount was amortized on average from the second year. The loan was repaid in advance in January 2022.

15. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes payable</u>		
Due to business operation	<u>\$ -</u>	<u>\$ 125</u>
<u>Accounts payable</u>		
Due to business operation	<u>\$ 107,822</u>	<u>\$ 129,438</u>

16. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 37,573	\$ 40,785
Processing fee payable	55,237	33,621
Employee and directors' compensations payable	5,471	6,213
Export expense payable	151	5,379
Insurance expenses payable	2,984	2,932
Payables on machinery and equipment	5,110	1,715
Business tax payable	-	97
Others	<u>15,238</u>	<u>16,779</u>
	<u>\$ 121,764</u>	<u>\$ 107,521</u>
Other liabilities		
Contractual liabilities (Note 19)	\$ 16,758	\$ 4,978
Others	<u>4,143</u>	<u>2,989</u>
	<u>\$ 20,901</u>	<u>\$ 7,967</u>
<u>Non-current</u>		
Other liabilities		
Contractual liabilities (Note 19)	\$ 31,414	\$ 9,677
Guarantee deposits received	6,458	6,458
Balance of investment loans using the equity method (Note 9)	<u>4,198</u>	<u>-</u>
	<u>\$ 42,070</u>	<u>\$ 16,135</u>

17. RETIREMENT CONTRIBUTION PLAN

(1) Defined Contribution Plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(2) Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standard Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the name of the committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor, and the Company has no right to influence the investment policy and strategy.

The amount of the defined benefit plans presented in the balance sheet is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 25,482	\$ 26,454
Fair value of planned assets	(<u>16,718</u>)	(<u>14,857</u>)
Deficit contribution	<u>8,764</u>	<u>11,597</u>
Net defined benefit liability	<u>\$ 8,764</u>	<u>\$ 11,597</u>

Changes on net defined benefit liabilities (assets) are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance at January 1, 2022	<u>\$ 26,454</u>	<u>(\$ 14,857)</u>	<u>\$ 11,597</u>
Interest expense (income)	<u>198</u>	<u>(113)</u>	<u>85</u>
Recognized in profit or loss	<u>198</u>	<u>(113)</u>	<u>85</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(1,154)	(1,154)
Actuarial gain - changes in financial assumption	(1,594)	-	(1,594)
Actuarial loss - experience adjustment	<u>424</u>	<u>-</u>	<u>424</u>
Recognized in other comprehensive income	<u>(1,170)</u>	<u>(1,154)</u>	<u>(2,324)</u>
Contribution from the employer	<u>-</u>	<u>(594)</u>	<u>(594)</u>
Balance at December 31, 2022	<u>\$ 25,482</u>	<u>(\$ 16,718)</u>	<u>\$ 8,764</u>

(Continue)

(Previous)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1, 2021	<u>\$ 28,617</u>	<u>(\$ 15,182)</u>	<u>\$ 13,435</u>
Interest expense (income)	<u>100</u>	<u>(54)</u>	<u>46</u>
Recognized in profit or loss	<u>100</u>	<u>(54)</u>	<u>46</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(224)	(224)
Actuarial gain - changes in financial assumptions	(1,125)	-	(1,125)
Actuarial loss - Changes in demographic assumptions	1,233	-	1,233
Actuarial gain - experience adjustments	(1,165)	-	(1,165)
Recognized in other comprehensive income	(1,057)	(224)	(1,281)
Contribution from the employer	<u>-</u>	<u>(603)</u>	<u>(603)</u>
Employer-paid fees	<u>(1,206)</u>	<u>1,206</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 26,454</u>	<u>(\$ 14,857)</u>	<u>\$ 11,597</u>

The amount recognized in profit or loss in respect of the defined benefit plan is summarized by function as follows

	2022	2021
Operating costs	\$ 45	\$ 24
Sales and marketing expenses	24	14
Administrative expenses	11	5
Research and study expenses	<u>5</u>	<u>3</u>
	<u>\$ 85</u>	<u>\$ 46</u>

Due to the pension system under the “Labor Standards Act”, the Company is exposed to the following risks:

- A. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.400%	0.750%
Expected rate of salary increase	3.000%	3.000%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increased by 0.25%	(\$ <u>623</u>)	(\$ <u>713</u>)
Decreased by 0.25%	<u>\$ 646</u>	<u>\$ 740</u>
Expected rate of salary increase		
Increased by 0.5%		
Decreased by 0.5%	<u>\$ 620</u>	<u>\$ 707</u>
Discount rate	(\$ <u>602</u>)	(\$ <u>685</u>)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another since some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plans for the next year	<u>\$ 593</u>	<u>\$ 602</u>
Average duration of the defined benefit obligation	11 years	12 years

18. EQUITY

(1) Ordinary Shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized shares (in thousands of shares)	<u>90,000</u>	<u>90,000</u>
Authorized capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>68,489</u>	<u>68,489</u>
Capital issued	<u>\$ 684,891</u>	<u>\$ 684,891</u>

The par value of each ordinary share issued is NT\$ 10, and each share possesses one voting right and a right to receive dividends.

(2) Capital Surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Additional paid-in capita	\$ 1,062	\$ 1,062
<u>May only be used to offset a deficit</u>		
Unclaimed dividends (2)	<u>89</u>	<u>89</u>
	<u>\$ 1,151</u>	<u>\$ 1,151</u>

- A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus once a year.
- B. According to the letter Jingshangzi No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained Earnings and Dividends Policy

Suppose the Company made a profit in a fiscal year. In that case, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the Company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder's meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and directors' remuneration, refer to Note 20-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The Company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The statutory surplus reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company follows the regulations outlined in the letter Jinguanzhengfazi No. 1090150022 and "Questions and Answers on Applicable for the Provision of Special Reserve after the Adoption of International Financial Reporting Standards (IFRSs)" to set aside and reverse the special reserve.

The appropriations for the earnings used to make up losses incurred in 2020, approved at the shareholders' meeting on August 24, 2021, is NT\$ 62,117 thousand.

The appropriations for the earnings of years 2021 approved at the shareholders' meeting on June 21, 2022 are as follows

	<u>Earning appropriations</u>	<u>Dividend per share (NT\$)</u>
Legal reserve	\$ 3,651	
Special reserve	8,446	
Cash dividend	23,971	\$ 0.35

The appropriations for the earnings of years 2022 proposed at the board of directors meeting on March 29, 2023, are as follows:

	<u>Earning appropriations</u>	<u>Dividend per share (NT\$)</u>
Legal reserve	\$ 3,411	
Special reserve (reversal)	(10,423)	
Cash dividend	41,093	\$ 0.60

The appropriations for the earnings of years 2022 are yet to be determined at the shareholders' meeting in June 27, 2023.

(4) Special Reserve

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 3,062	\$ 3,062
Special reserve		
Deducted items listed in other equity items	<u>8,446</u>	<u>-</u>
Balance at the end of the year	<u>\$ 11,508</u>	<u>\$ 3,062</u>

(5) Other Equities

A. Exchange differences on translation of foreign financial statements:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	(\$ 9,328)	(\$ 6,808)
Recognized for the year		
Exchange differences arising from translation of a foreign operation	13,030	(3,150)
Income tax related to exchange differences arising from the translation of subsidiaries' operation using the equity method	(<u>2,606</u>)	<u>630</u>
Balance at the end of the year	<u>\$ 1,096</u>	(<u>\$ 9,328</u>)

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<u>2022</u>	<u>2021</u>
Balance at the beginning and the end of the year	(<u>\$ 2,180</u>)	(<u>\$ 2,180</u>)

19. REVENUE

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from contract with customers	\$ 1,175,992	\$ 1,254,032
Revenue from the rendering of services	<u>18,279</u>	<u>31,208</u>
	<u>\$ 1,194,271</u>	<u>\$ 1,285,240</u>

(1) Contract Balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes and accounts receivable (including related parties) (Note 7 & 27)	<u>\$ 224,624</u>	<u>\$ 217,223</u>	<u>\$ 208,645</u>
Contract liabilities (Note 16)			
Sale of goods	\$ 2,614	\$ 1,223	\$ 2,102
Warranty service Contract liabilities-current	<u>14,144</u>	<u>3,755</u>	<u>-</u>
Warranty service Contract liabilities-non-current	16,758	4,978	2,102
	<u>31,414</u>	<u>9,677</u>	<u>-</u>
	<u>\$ 48,172</u>	<u>\$ 14,655</u>	<u>\$ 2,102</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

Revenue in 2022 and 2021 recognized from the contract liability balance at the beginning of the year were NT\$ 2,938 thousand and 2,102 thousand, respectively.

(2) Disaggregation of Revenue from Contracts with Customers

Please refer to Statement 7 for information regarding disaggregation of revenue

20. NET PROFIT

(1) Interest Income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 938	\$ 32
Others	<u>45</u>	<u>72</u>
	<u>\$ 983</u>	<u>\$ 104</u>

(2) Other Income

	<u>2022</u>	<u>2021</u>
Government Grants (Note 23)	\$ 1,369	\$ 4,520
Others	<u>1,146</u>	<u>1,047</u>
	<u>\$ 2,515</u>	<u>\$ 5,567</u>

(3) Other Gains and Losses		
	<u>2022</u>	<u>2021</u>
Net foreign exchange gain (loss)	\$ 15,899	(\$ 1,779)
Gains on lease modification	4	-
Gains (Losses) on disposal of property, plant and equipment	(176)	369
Others	(<u>608</u>)	<u>-</u>
	<u>\$ 15,119</u>	<u>(\$ 1,410)</u>
(4) Financial Costs		
	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 3,143	\$ 1,894
Interest on lease liabilities	<u>328</u>	<u>254</u>
	<u>\$ 3,471</u>	<u>\$ 2,148</u>
(5) Depreciation and Amortization		
	<u>2022</u>	<u>2021</u>
Property, plant, and equipment	\$ 21,195	\$ 26,960
Right-of-use assets	22,685	22,747
Intangible assets	<u>3,614</u>	<u>4,957</u>
Total	<u>\$ 47,494</u>	<u>\$ 54,664</u>
Depreciation expenses by function		
Operating costs	\$ 19,640	\$ 22,226
Operating expenses	<u>24,240</u>	<u>27,481</u>
	<u>\$ 43,880</u>	<u>\$ 49,707</u>
Amortization expenses by function		
Operating costs	\$ 655	\$ 734
Sales and marketing expenses	315	406
Management expenses	170	718
Research and study expenses	<u>2,474</u>	<u>3,099</u>
	<u>\$ 3,614</u>	<u>\$ 4,957</u>
(6) Employee Benefit Expenses		
	<u>2022</u>	<u>2021</u>
Post-retirement benefit (Note17)		
Defined contribution plan	\$ 9,495	\$ 9,667
Defined benefit plan	<u>85</u>	<u>46</u>
	9,580	9,713
Other employee benefit	<u>218,427</u>	<u>229,400</u>
Total employee benefit	<u>\$ 228,007</u>	<u>\$ 239,113</u>
Summarized by function		
Operating costs	\$ 53,768	\$ 52,452
Operating expenses	<u>174,239</u>	<u>186,661</u>
	<u>\$ 228,007</u>	<u>\$ 239,113</u>

(7) Employees' Compensation and Directors' Remuneration

The Company distributes 0.5% ~ 10% and no higher than 3% of pretax net profit of the current year as employees' compensation and directors' remuneration. The employees' compensation and directors' remuneration for the year of 2022 and 2021 distributed by the resolution of the board of directors t on March 29, 2023 and March 30, 2022, respectively, are as follows:

Accrual rate

	<u>2022</u>	<u>2021</u>
Compensation of employees	10%	10%
Remuneration of directors	3%	3%

Amount

	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Stocks</u>	<u>Cash</u>	<u>Stocks</u>
Compensation of employees	\$ 4,209	\$ -	\$ 4,827	\$ -
Remuneration of directors	1,262	-	1,448	-

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the next year.

There is no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

The Company incurred a loss before tax in the year 2020, and the board of directors decided not to distribute employee compensation and director remuneration. The resolution of the board of directors aligns with the estimate indicated in the 2020 c financial report.

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors will be available at the Market Observation Post System website of the Taiwan Stock Exchange.

(8) Profit or Loss on Foreign Currency Exchange

	<u>2022</u>	<u>2021</u>
Total profit on foreign currency exchange	\$ 41,187	\$ 11,129
Total loss on foreign currency exchange	(25,288)	(12,908)
Net profit (loss)	<u>\$ 15,899</u>	<u>(\$ 1,779)</u>

21. INCOME TAX

(1) Income Tax Expense Recognized in Profit or Loss

Income tax expense consisted of the following:

	<u>2022</u>	<u>2021</u>
Current income tax expense		
In respect of current year	\$ 7,859	\$ 2,438
Deferred income tax		
In respect of the current year	(3,498)	<u>4,135</u>
Income tax expense recognized in profit or loss	<u>\$ 4,361</u>	<u>\$ 6,573</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Net profit before tax	<u>\$ 36,615</u>	<u>\$ 42,055</u>
Income tax expense calculated at the 20% statutory rate	\$ 7,323	\$ 8,411
Non-deductible losses	681	51
Tax-exempt income	(274)	(844)
Unrecognized investment offsets	(<u>3,369</u>)	(<u>1,045</u>)
Income tax expense recognized in profit or loss	<u>\$ 4,361</u>	<u>\$ 6,573</u>

(2) Income Tax Recognized in Other Comprehensive Income

	<u>2022</u>	<u>2021</u>
In respect of the current year		
- Remeasurement of defined benefit plans		
- Translation of foreign financial statements	\$ 465	\$ 256
Total income tax recognized in other comprehensive income	<u>2,606</u>	(<u>630</u>)
In respect of the current year	<u>\$ 3,071</u>	(<u>\$ 374</u>)

(3) Current Deferred Tax Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current deferred tax liabilities		
Income tax payable	<u>\$ 6,051</u>	<u>\$ 2,438</u>

(Continue)

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(4) Deferred Tax Assets and Liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	End balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory depreciation and obsolescence loss	\$ 15,867	(\$ 1,350)	\$ -	\$ 14,517
Leave payable	20	2	-	22
Undistributed pension	2,569	(101)	-	2,468
Profit (loss) share of subsidiaries using the equity method	24,537	9,672	-	34,209
Unrealized gross profit from sales with subsidiaries	4,727	2,247	-	6,974
Loss allowance	288	(288)	-	-
Exchange difference on foreign operations	<u>2,332</u>	<u>-</u>	(<u>2,332</u>)	<u>-</u>
	50,340	10,182	(2,332)	58,190
Loss deduction	<u>23,459</u>	(<u>6,092</u>)	<u>-</u>	<u>17,367</u>
	<u>\$ 73,799</u>	(<u>\$ 4,090</u>)	(<u>\$ 2,332</u>)	<u>\$ 75,557</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized currency exchange gains	\$ 1,289	\$ 592	\$ -	\$ 1,881
Exchange differences on foreign operations	-	-	274	274
Defined benefit retirement plan	<u>1,286</u>	<u>-</u>	<u>465</u>	<u>1,751</u>
	<u>\$ 2,575</u>	<u>\$ 592</u>	<u>\$ 739</u>	<u>\$ 3,906</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	End balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory depreciation	\$ 13,551	\$ 2,316	\$ -	\$ 15,867
Leave payable	18	2	-	20
Undistributed pension	2,681	(112)	-	2,569
Profit (loss) share of subsidiaries using the equity method	29,905	(5,368)	-	24,537
Unrealized gross profit from sales with subsidiaries	4,943	(216)	-	4,727

(Continue)

(Previous)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences
Loss allowance	\$ -	\$ 288	\$ -	\$ 288
Exchange differences on foreign operations	<u>1,702</u>	<u>-</u>	<u>630</u>	<u>2,332</u>
	52,800	(3,090)	630	50,340
Loss deduction	<u>23,459</u>	<u>-</u>	<u>-</u>	<u>23,459</u>
	<u>\$ 76,259</u>	<u>(\$ 3,090)</u>	<u>\$ 630</u>	<u>\$ 73,799</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized currency exchange gains	\$ 244	\$ 1,045	\$ -	\$ 1,289
Defined benefit retirement plan	<u>1,030</u>	<u>-</u>	<u>256</u>	<u>1,286</u>
	<u>\$ 1,274</u>	<u>\$ 1,045</u>	<u>\$ 256</u>	<u>\$ 2,575</u>

- (5) Deductible temporary differences and losses not recognized in the balance sheet as deferred income tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences		
Financial assets measured at fair value through other comprehensive income	<u>\$ 2,180</u>	<u>\$ 2,180</u>

- (6) Relevant Information on Unused Loss Deduction

As of December 31, 2011, relevant information on loss deduction is as follows:

<u>Un-deducted balance</u>	<u>Final deduction year</u>
<u>\$ 86,838</u>	2030

- (7) Income Tax Assessments

The tax authorities have assessed the income tax returns of the Company a through 2020.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year

	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic earnings per share	<u>\$ 32,254</u>	<u>\$ 35,482</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 32,254</u>	<u>\$ 35,482</u>
<u>Number of shares</u>		

Units: thousands of Shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	68,489	68,489
Compensation of employees	<u>320</u>	<u>252</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>68,809</u>	<u>68,741</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. GOVERNMENT GRANTS

According to the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”, the Company was eligible to apply for government grants. The subsidies received were 1,369 thousand from the government and NT\$ 4,520 thousand in salary subsidies from the Ministry of Economic Affairs for 2022 and 2021, respectively. The government grants of both years were recognized as other income.

24. CASH FLOW INFORMATION

(1) Non-cash Transaction

Except as disclosed in other notes, the Company entered into the following non-cash transaction investing activities in the years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Partial cash payment for real property, plant and equipment		
Acquisition of property, plant and equipment	\$ 7,706	\$ 8,345
Changes in payables on purchases of equipment (Net)	(3,395)	908
Cash paid	<u>\$ 4,311</u>	<u>\$ 9,253</u>

(2) Changes in Liabilities Arising from Financing Activities

2022

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Addition	Less	Effective rate	
Short-term loans	\$ 182,341	(\$ 22,419)	\$ -	\$ -	\$ -	\$ 160,000
Long-term loans	8,333	(8,333)	-	-	-	-
Lease liabilities	9,914	(22,623)	41,995	(1,145)	(46)	28,095
	<u>\$ 200,588</u>	<u>(\$ 53,375)</u>	<u>\$ 41,995</u>	<u>(\$ 1,145)</u>	<u>(\$ 46)</u>	<u>\$ 188,095</u>

2021

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Addition	Other profit or loss	Effective rate	
Short-term loans	\$ 100,000	\$ 82,419	\$ -	(\$ 78)	\$ -	\$ 182,341
Long-term loans	10,000	(1,667)	-	-	-	8,333
Lease liabilities	26,915	(22,764)	5,838	-	(75)	9,914
	<u>\$ 136,915</u>	<u>\$ 57,988</u>	<u>\$ 5,838</u>	<u>(\$ 78)</u>	<u>(\$ 75)</u>	<u>\$ 200,588</u>

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that every entity within the group can function effectively and generate maximum returns for shareholders by optimizing the balance of liability and equity.

The capital structure is made up of the interests of the Company.

The Company is not subject to meeting other external capital requirements.

26. FINANCIAL INSTRUMENTS

(1) Fair Value of Financial Instruments Not Measured at Fair Value

The Company's management considers that book value of financial instruments that are not measured at fair value in the financial statements approximate the fair values.

(2) Categories of Financial Instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 428,882	\$ 363,118
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	350,016	384,189

Note 1: Including financial assets measure at amortized cost such as cash, cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (excluding tax refund receivable), other financial assets-current and refundable deposits

Note 2 Including financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables (excluding salaries and bonus payable, compensation of employee and directors, insurance expenses and operating tax), long-term loans with maturity within 1 year, long-term loans and guarantee deposits.

(3) Financial Risk Management Objectives and Policies

The Company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, and lease liabilities. The financial risks relating to the operation of the Company include market risk (including foreign currency risk and interest risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the Company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

(I) Foreign currency risk

The Company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the Company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The Company is mainly exposed to the US dollar exchange rate fluctuation. The following table details the Company's sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the Company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the Company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive number in the table below means that when the functional currency depreciates by 1% against the U.S. dollar, it will increase the pre-tax net profit; when the functional currency appreciates by 1% relative to the U.S. dollar, the impact on the pre-tax net profit will be the same amount negative number.

	Impact of the US dollar	
	2022	2021
Profit or loss	\$ 2,459 (i)	\$ 1,481 (i)
Equities	1,078 (ii)	1,234 (ii)

(i) Primarily caused by the Company's foreign currency borrowings, receivables, payables, and bank account balances that remain circulated on the balance sheet date and have not undergone cash flow hedging measures.

(ii) Mainly attributable to the balance of the Company's foreign currency investment using the equity method on the balance sheet date.

The Company's sensitivity to exchange rates has increased this year, primarily because of the rise in net assets denominated in foreign currency.

(II) Interest risk

The Company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the Company's exposure to interest risk.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
- Financial assets	\$ 55,278	\$ -
- Financial liabilities	58,095	122,637
Cash flow interest rate risk		
- Financial assets	93,342	115,082
- Financial liabilities	130,000	77,951

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the Consolidate company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If interest rates had been changed by 25 basis points and all other variables were held constant, the Company's pre-tax profit for 2022 would change by NT\$ 92 thousand, and for 2021 NT\$ 93 thousand, respectively, which was

mainly due to fluctuations in variable interest rate related to the Company's bank deposits and borrowings

The Company's sensitivity to interest rates decreased this year, mainly due to the decrease in financial assets with variable interest rates and the decrease in the difference with financial liabilities.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The Company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized short-term bank loan facilities set out in (II) below.

(I) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2022

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years
Non-interest-bearing liabilities	\$ 141,893	\$ 41,555	\$ 110	\$ 6,458
Floating rate instrument	\$ -	\$ 100,326	\$ 30,171	\$ -
Fixed rate instrument	\$ -	\$ 30,081	\$ -	\$ -
Lease liabilities	\$ 1,927	\$ 3,804	\$ 16,504	\$ 6,082

December 31, 2021

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years
Non-interest-bearing liabilities	\$ 143,908	\$ 43,013	\$ 49	\$ 6,545
Floating rate instrument	\$ 427	\$ 70,570	\$ 3,814	\$ 3,351
Fixed rate instrument	\$ -	\$ 112,932	\$ -	\$ -
Lease liabilities	\$ 1,885	\$ 3,769	\$ 2,050	\$ 2,265

(II)Financing facilities	<u>December 31, 2022</u>	<u>December 31,2021</u>
Amount of short-term bank loans		
—Amount used	\$ 160,000	\$ 182,341
- Amount unused	<u>380,710</u>	<u>308,379</u>
	<u>\$ 540,710</u>	<u>\$ 490,720</u>
Amount of long-term bank loans		
—Amount used	\$ -	\$ 8,333
- Amount unused	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 8,333</u>

27. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties are disclosed as follows:

(1) Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
CIPHERLAB USA, INC.	Subsidiary
CIPHERLAB LIMITED (SAMOA)	Subsidiary
Saifulai Electron Trade (Shanghai) Limited Company (Saifulai (Shanghai))	Subsidiary
MPLUS TECHNOLOGY CO., LTD.	Subsidiary
AtechOEM	Substantive Related Parties
Weikeng Industrial Co., LTD.	Substantive Related Parties

(2) Sales revenue

<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
Subsidiary		
CIPHERLAB USA, INC.	\$ 221,559	\$ 176,210
Saifulai (Shanghai)	25,136	70,185
MPLUS TECHNOLOGY	<u>6,122</u>	<u>22,048</u>
	<u>\$ 252,817</u>	<u>\$ 268,443</u>

There isn't a significant difference in pricing between related parties and general sales. However, the payment terms for sales to related parties are longer, with a credit time of 210 days, compared to non-related parties ranging from a credit time of 15 to 120 days.

(3) Operating costs

	<u>2022</u>	<u>2021</u>
<u>Purchases of goods</u>		
Substantive Related Parties	<u>\$ 7,028</u>	<u>\$ 16,192</u>
 <u>Cost of sales - production costs</u>		
Substantive Related Parties	<u>\$ -</u>	<u>\$ 189</u>

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the Company and related parties and those of the third parties.

(4) Receivables from related parties

Accounting item	Related party /Name	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiaries		
	CIPHERLAB USA, INC.	\$ 19,372	\$ 11,849
	MPLUS TECHNOLOGY	5,141	6
	Saifulai (Shanghai)	<u>344</u>	<u>18,797</u>
		<u>\$ 24,857</u>	<u>\$ 30,652</u>

There was no collateral for the accounts receivable associated with the related party currently in circulation. Additionally, no provisions for potential losses were made for the accounts receivable linked to the related party in both 2021 and 2022.

Accounting item	Related party	Description	December 31, 2022	December 31, 2021
Other receivables	Subsidiary	Consulting service	<u>\$ 369</u>	<u>\$ 96</u>

(5) Payables to related parties

Accounting item	Related party	December 31, 2022	December 31, 2021
Accounts payable	Substantive related parties	<u>\$ 2,367</u>	<u>\$ 3,904</u>
Other payables	Subsidiaries	<u>\$ -</u>	<u>\$ 260</u>

The balance of payables to related parties has not been pledged as collateral.

(6) Disposal of property, plant, and equipment

Related party	Disposal price		Loss on disposal	
	2022	2021	2022	2021
Subsidiaries	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 176</u>	<u>\$ -</u>

(7) Other transactions with related parties

A. Revenue

Related party	Description	2022	2021
MPLUS TECHNOLOGY	Consulting service revenue	<u>\$ 318</u>	<u>\$ 540</u>
MPLUS TECHNOLOGY	Others	<u>\$ 4</u>	<u>\$ -</u>

The Company provided consulting services to subsidiaries in 2022 and 2021 and listed the revenue under other income.

B. Expenses

Related party	Description	2022	2021
Subsidiaries	Selling expense	<u>\$ -</u>	<u>\$ 30</u>

In 2021, the Company paid for the technical service provided by the subsidiaries and other expenses, which are classified under selling expenses

(8) Compensation of key management personnel

The compensation of directors and key management executives in 2022 and 2021 are as follows

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 13,009	\$ 12,038
Post-employment benefits	<u>108</u>	<u>16</u>
	<u>\$ 13,117</u>	<u>\$ 12,054</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

28. PLEDGED ASSETS

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 57,996	\$ 57,996
Building	31,040	32,031
Pledged time deposits (Classified as other financial assets – current)	<u>1,500</u>	<u>1,500</u>
	<u>\$ 90,536</u>	<u>\$ 91,527</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 10,226</u>	<u>\$ 1,266</u>

30. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

<u>December 31, 2022</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 11,618	30.710 (USD: NTD)	\$ 356,793
<u>Non-monetary item</u>			
Subsidiaries using equity method USD	4,388	30.710 (USD: NTD)	134,763
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,610	30.710 (USD: NTD)	110,864
 <u>December 31, 2021</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			

<u>Monetary item</u>			
USD	\$ 9,741	27.68 (USD: NTD)	\$ 269,622
<u>Non-monetary item</u>			
Subsidiaries using equity method			
USD	5,571	27.68 (USD: NTD)	154,194
<hr/>			
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	4,389	27.68 (USD: NTD)	121,481

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

Foreign currency	2022		2021	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	29.805 (USD: NTD)	\$ 15,899	28.009(USD: NTD)	(\$ 1,779)

31. OTHER DISCLOSURE

(1) Information on significant transactions

- A. Financing provided to others: None;
- B. Endorsements/guarantees provided: None;
- C. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1;
- D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- G. Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital: Table 2;
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- I. Trading in derivative instruments: None

(2) Information on investees: Table 3;

(3) Information on investment in Mainland China

- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4.

- B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: Table 5;
- (I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (III) The amount of property transactions and the amount of the resultant gains or losses.
 - (IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 6;

CIPHERLAB CO., LTD.
Marketable Securities Held at the End of the Period
For the year ended December 31, 2022

Table 1

Unit: in thousands of NTD

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	End of the reporting period				Note
				Shares / Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	<u>Shares</u> JRC INTERNATIONAL PTY LIMITED	None	Financial assets at fair value through other comprehensive income	760	\$ -	19	\$ -	Note
	WELCOM DESIGN K.K.	"	"	40	-	4	-	"

Note: The abovementioned unlisted (counter) stock investment held by the Company was evaluated and measured at fair value as zero as of the balance sheet date. The unrealized loss of NT\$ 2,180 thousand has been adjusted.

CIPHERLAB CO., LTD.
 Total Purchase from or Sales to Related Parties of at Least NT\$100 Million or 20% of the Paid-in Capital
 January 1 to December 31, 2022

Table 2

Unit: in thousands of NTD

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Subsidiary	Sales	(\$ 221,559)	(19)	Credit time: 210 days	\$ -	Credit time: 15~120 days	\$ 19,372	9	Note
CIPHERLAB USA, INC.	CIPHERLAB CO., LTD.	Parent company	Purchases	221,559	100	Credit time: 210 days	-	Credit time: 15~120 days	(19,372)	(100)	//

Note 1: The transactions have been eliminated in the financial statements

CIPHERLAB CO., LTD.
Name, Location, and Related Information of Investees
January 1 to December 31, 2022

Table 3

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Recognized Investment Income/Losses	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 64,278 (Note 2)	(NTD 18,426)	(NTD 18,426)	Note 1
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 35,617 (Note 3)	(NTD 14,035)	(NTD 14,035)	//
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 30,000	NTD 30,000	3,000,000	94	(NTD 4,198)	(NTD 16,961)	(NTD 15,901)	//

Note 1: No market price is available, and the book value on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit amounting to NT\$34,364 thousand was deducted at the period's end.

Note 3: The unrealized sales gross profit amounting to NT\$ 504 thousand was deducted at the period's end.

CIPHERLAB CO., LTD.
Information on Investment in Mainland China
January 1 to December 31, 2022

Table 4

Unit: in thousands of NTD, unless specified otherwise

2. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	% Ownership of direct or indirect investment	Current recognized investment profit or loss	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
Saifulai Electron Trade (Shanghai) Limited Company	Electronics sales	\$ 130,384 (USD 4,150)	(2)	\$ 130,384 (USD 4,150)	\$ -	\$-	\$130,384 (USD 4,150) (Note 4)	(\$ 14,006)	100	(\$ 14,006)	\$ 34,843	\$ -	

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 483,196

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in mainland China.
2. Indirect investment in mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
 - (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
 - (2) The financial statements were reviewed by the parent company's auditors.
 - (3) Others

Note 3: the figures presented in this table are in New Taiwan Dollars.

Note 4: the Company has remitted a total of US\$4,150 thousand for investment.

CIPHERLAB CO., LTD.

Significant Transaction of Direct or Indirect Investment in China through a Third Atea in Regards to the Transaction Price, Payment Term, Unrealized Profit or Loss, and Other Relevant Information:
January 1 to December 31, 2022

Table 5

Unit: in thousands of NTD

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

Investee Company	Transaction types and category	Purchases / Sales		Price	Transaction Terms		Notes and Accounts Payable or Receivable		Realized (Unrealized) Profit	Note
		Amount	%		Payment Terms	In Comparison to ordinary transactions	Amount	%		
Saifulai Electron Trade (Shanghai) Limited Company	Sales	(\$ 25,136)	(2)	According to the market price	Credit time: 210 days	No significant difference	\$ 344	-	(\$ 504)	Note

(3) The amount of property transactions and the amount of the resultant gains or losses: None

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

CIPHERLAB CO., LTD.
Information on Major Shareholders
For the year ended December 31, 2022

Table 6

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang En Enterprise Management Co., Ltd	6,706,934	9.79
Lin, Yong-fa	6,613,376	9.65
Lin, Rong-yuan	5,374,000	7.84
Lin, Jun-yao	4,638,000	6.77
.		

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

6.6 If the Company or Its Affiliates Enterprise have Experienced Difficulties for the Recent Year or during the Current Fiscal Year up to the Publication Date of the Annual Report, the Annual Report shall Explain How Difficulties Affected the Company's Financial Situation: None

VII. Review analysis of financial position and performance and risk matters

7.1 Financial Status

The main reasons for any material change in the assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in future responses.

Consolidated Financial Reporting --adopting IFRS

Unit: NT\$ Thousand

Year Item	2022	2021	Differences	
			Amount	%
Current assets	1,112,923	1,059,219	53,704	5%
Property, plant and equipment	0	0	0	0%
Fixed assets	110,016	121,901	(11,885)	(10%)
Intangible assets	9,804	15,420	(5,616)	(36%)
Other assets	139,952	121,178	18,774	15%
Total assets	1,372,695	1,317,718	54,977	4%
Current liabilities	473,082	472,269	813	0%
Long-term liabilities	94,287	59,629	34,658	58%
Other liabilities	0	0	0	0%
Total liabilities	567,369	531,898	35,471	7%
Capital stock	684,891	684,891	0	0%
Capital surplus	1,151	1,151	0	0%
Retained earnings	120,647	110,505	10,142	9%
Other equity	(1,084)	(11,508)	10,424	91%
Non-controlling equity	(279)	781	(1,060)	(136%)
Total equity	805,326	785,820	19,506	2%
<p>(1) Analysis for the change ratio reaching more than 20%, and the change amount reachingNTD10 million:</p> <p>1. Long-term liabilities: The main reason is that other non-current liabilities (contract liabilities) have increased by NT\$33,021 thousand compared with 2021. In 2022, the Company's main products continued to update software versions, strengthen cloud device management functions, and improve warranty service, so that the proportion of prepaid service revenue increased compared with previous years.</p> <p>2. Other equity: The main reason is that the U.S. dollar depreciated sharply against the Taiwan dollar in 2022, which reduced the exchange difference in the translation of the financial statements of the subsidiary's foreign operating institutions.</p> <p>(2)Effects: No material effects</p> <p>(3)Future response plan Not applicable</p>				

7.2 Financial Performance

The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor and describe the effect upon the Company's financial operations as well as the future response plan.

(1) Comparative Analysis for the Financial Performance

Consolidated Financial Reporting --adopting IFRS

Unit: NT\$ Thousand

Item	Year	2022	2021	Increase (decrease) amount	Change in Percentage (%)
Operating revenue –net		1,257,962	1,418,876	(160,914)	(11%)
Operating costs		785,885	919,871	(133,986)	(15%)
Gross profit		472,077	499,005	(26,928)	(5%)
Operating expenses		445,553	456,534	(10,981)	(2%)
Operating Income		26,524	42,471	(15,947)	(38%)
Non-operating income and expense		10,446	68	10,378	15,262%
Profit before tax from continuing operations		36,970	42,539	(5,569)	(13%)
Income tax expense		5,776	6,518	(742)	(11%)
Other comprehensive income		12,283	(1,495)	13,778	922%
Net of income tax		43,477	34,526	8,951	26%
Total net profit attributable to stockholders of the parent		32,254	35,482	(3,228)	(9%)
Total comprehensive income attributable to stockholders of the parent		44,537	33,987	10,550	31%

1. Analysis for those whose ratio of increase or decrease exceeds 20% and the amount of change reaches NT\$10 million:

- (1) Operating Income: In 2022, the overall operation of the global economy was affected by the rise in price inflation and the continued impact of COVID-19, the situation of the customer market is unclear and it benefited from subsidiary mPlus Technology successively shipped mobile POS for American customers and self-service POS machine projects for Japanese customers in 2021, thus the sales revenue is declined compare with 2021, the operating income is reduced.
 - (2) Non-operating income and expenses: (1) the main reason is the impact of the fluctuation of the US dollar exchange rate in 2022, the exchange benefits generated in 2022 increased by NT13,929 thousand compared with 2021; (2) Has received 2022 the government salary subsidies provided by the Ministry of Economic Affairs and The one-time operating capital subsidy totaled NT1,369 thousand which was a decrease of NT3,151 thousand compared with 2021.
 - (3) Other comprehensive income: the main reason is due to the sharp depreciation of the US dollar against the Taiwan dollar in 2022, the subsequent items that may be reclassified to profit and loss increase the exchange difference in the translation of the financial statements of subsidiaries' foreign operating institutions
 - (4) The comprehensive income attributable to the stockholders of the parent company: Although the operating income of 2022 decreased compared with that of 2021 due to the impact of the fluctuation of the US dollar exchange rate, the exchange benefits increased significantly, resulting in the growth of the total comprehensive income attributable to the shareholders of the parent company compared with 2021.
2. Expected sales quantity and its basis: In the industrial PC industry market, there is no impact of the material shortage, and the demand of enterprises is still strong, and has not been affected by the economic recession. Looking forward to 2023, we will continue to promote the Company's transformation and change, enhance user value as a starting point, launch Android platform product solutions that meet the needs of the market and users, and conduct research and development for 5G, WiFi 6E and sensing technology, and apply them to various industries to meet the needs of new related application fields. At the same time, cooperate with important key partners in the market and strengthen the construction of business teams; in the part of factory operations, effectively control the inventory level and improve product quality, laying the foundation for the Company's sustainable growth and bringing profits to shareholders.
3. The possible impact on the Company's future financial business : No material impacts.
4. Future response plan: Not applicable.

7.3 Cash Flow

Unit: NT\$ Thousand

Beginning cash balance	Net cash flow from operating activities throughout the year	Net cash flow from investment and financing activities throughout the year	Amount of exchange rate change	Cash surplus (deficit) amount	Remedies for cash deficits	
					Investment plan	Financing plan
189,779	117,332	(94,651)	4,319	216,779	-	-

(1) Cash Flow Analysis for the Current Year

1. Operating activities : The net cash outflow from operating activities in the current year is NT\$ 117,332 thousand, the main reason is due to inventory being reduced and account receivable decreased, etc.,
2. Investing activities : The net cash outflow from investing activities is NT\$8,460 thousand which is mainly due to the increase in purchase of fixed assets and intangible assets.
3. Financing activities : The net cash outflow from financing activities is NT\$86,191 thousand, which is mainly due to long-term, short-term borrowing and distribution of cash dividends.

(2) Cash Flow Analysis for the Next Year

Unit: NT\$ Thousand

Beginning cash balance	Net cash flow from operating activities in the next year	Net cash flow from investment and financing activities in the next year	Cash surplus (deficiency) amount	Remedies for cash deficits	
				Investment plan	Financing plan
216,779	235,152	(188,128)	263,803	-	(Note)

Note: In order to maintain the Company's consistent safe cash position in the past, it is expected that the credit line of financial institutions may be properly used to meet relevant needs.

7.4. Impact of Major Capital Expenditure in the Most Recent Year on the Financial and Business:

None.

7.5 The policy, main reason for profit or loss, and improvement plan of reinvestment in the most recent fiscal year and investment plan for the coming one year

(1)The reinvestment policy in the most recent fiscal year:

The Company's investment policy is mainly based on the reinvestment plan on the needs of the deep cultivation of the market. First evaluate the project according to the organization type, investment purpose, location, market conditions, business development, possible joint venture partners, shareholding ratio, reference price, and financial status, and make the evaluation as the investment project recommendation, provide the management decision-making unit as the decision-making basis. Also, follow the " Subsidiary Supervision and Management Measures" of the Company's internal control system to process the supervision management for reinvestment, and formulate the relevant regulation for its information disclosure, finance, business, and inventory management. The Company also performs audit operations regularly to establish relevant operational risk management mechanism that enables the Company's reinvestment business to maximize its benefits.

(2)The main reasons for profit or loss of the reinvestment and its improvement plan:

Reinvested business	Recognized(loss) gain for 2022 (Unit : NT\$ Thousand)	Main reason for the profit or loss	Improvement plan	Other reinvestment plan in the future
CIPHERLAB USA, INC.	(18,426)	New products failed to connect in time	Expand operation scale Develop products that meet local needs	Depends on its operating status
CIPHERLAB LIMITED (SAMOA)	(14,035)	Insufficient market demand	Improve market development rate Improve service ability	Depends on its operating status
Saifulai Electron Trade (Shanghai) Limited Company	(14,006)	Insufficient market demand	Improve market development rate Improve service ability	Depends on its operating status
mPlus Technology Co., Ltd	(15,901)	Not reaching a profitable scale	Increase self-operating capacity Improve operational efficiency	Depends on its operating status

(3)Investment plan for the coming year:

The Company will from the perspective of a long-term strategy carefully evaluate investment plans in order to meet future market demand and strengthen competition.

7.6 The following risk matters for analysis and assessment for the most recent year and as of the annual report publication date

- (1) Influence on the income from interest rate, exchange rate changes and inflation, and future countermeasures: The Company's 2022 interest and exchange gain and loss are listed as follows:

Unit: NT\$ Thousand

Item	Year	2022
Operating net income		1,257,962
Pre-tax net (loss) profit		36,970
Exchange gain (loss)		15,340
Ratio of net exchange (loss) gain to net operating income		1.22%
Ratio of net exchange (loss) gain to pre-tax net (loss) profit		41.49%
Interest income		1,089
Ratio of interest income to operating net income		0.09%
Ratio of interest income to pre-tax net (loss) profit		2.95%
Interest expense		3,170
Ratio of interest expense to operating net income		0.25%
Ratio of interest expense to pre-tax net(loss)profit		8.57%

1.Exchange rate changes: The ratio of net exchange (loss) gain to net operating income and pre-tax net (loss) interest this year is mainly affected by fluctuations in the exchange rate of the Taiwan dollar, the Company will work hard to assess whether it is appropriate to operate far-exchange hedging or increase the proportion of US dollar debt to mitigate the impact.

2.Interest: The Company's bank interest expense in 2022 was NT\$3,170 thousand, accounting for 8.57% of the net operating income. The ratio of interest expense is not high, so it is still the limited impact of interest rate changes on the Company's profit and loss. In the future, the Company will continue to carefully evaluate bank borrowing rates and maintain a good relationship with banks in order to obtain more favorable interest rates and reduce interest expenses. IFRS 16 Leasing 2022 Financial cost of lease liability interest of NT\$ 1,720 thousand is not included in interest expenses.

3.Inflation:

The Company maintains a close and good interactive relationship with upstream and downstream customers, and pays attention to market price fluctuations at any time, and timely reflects them in costs and quotations to reduce the impact of inflation changes on the Company's profit and loss. In the most recent year and up to the publication date of the prospectus, there have been no major changes in the financial market and prices, nor had a major impact on the Company's profit or loss.

4. The Company's business is mainly export-oriented for the impact of future exchange rate changes, the Company will strive to maintain close communication with various financial institutions and improve the control system, in order to facilitate the exchange rate trend immediately and the information of interest rate changes and also plan the contingency measure to reduce the risk of loss from relevant factors.

- (2) Policies, the main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments

1.The Company has been focusing on the operation and development of its own business for a long time, and did not engage in high-risk, high-leverage investment and endorsement guarantee transactions; engaging in derivative commodity transactions, it only undertakes pre-sale forward exchange transactions to lock in the exchange rate, which will evaluate carefully in accordance with relevant management regulations and laws and regulations.

2.The Company engages in capital loan transactions with other parties, all of which are reinvestment companies of the Company, and the transaction process is handled in accordance with the " Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees ".

(3) Future research and development plans and the projected expense.

The Company has a long-term training technical team leading the research and development of software and hardware. In 2023, it will still follow the market and customer needs, and the R&D expenses are estimated to invest NT\$230,135 thousand, accelerating the launch of new products will be the main direction and continuing to invest high R&D expenses to develop higher-level products, and strive to enhance the influence of the global automatic identification product market capacity and room for development.

(4) Impact of major policies and legal changes at home or abroad on the Company's finance and operations, and countermeasures

1. Subparagraph 2, Paragraph 1, Article 36 of the Securities and Exchange Act, TWSE/TPEX Listed Companies and other public companies with audit committees, if they submit quarterly financial reports to the audit committee for approval, it is advisable to refer to Article 14-5 of the Securities and Exchange Act. The established procedures are approved by more than half of the audit committee and submitted to the Board of Directors for discussion and resolution. Countermeasures: The Company will handle it in accordance with the newly promulgated regulations.

2. In order to make the method of convening the shareholders' meeting more flexible, according to the amendment of Article 172-2, Paragraph 1 and Article 356-8 of the Company Law, the Articles of Association clearly stipulate that the shareholders' meeting can be held by video conference. Countermeasures: The amendment of the Company's Articles of Incorporation has been approved by the Board of Directors and will be changed after the approval of the shareholders' meeting.

In addition to the impacts mentioned above, the changes in relevant laws and regulations in 2022 and this year as of the publication date have had no significant effect on the Company's operations.

(5) Impact on the Company's finance and business due to changes in technology (including cyber security risks) and the industry, and countermeasures.

The Company has been marketing its own brand CipherLab internationally to compete with world-class manufacturers, so the R&D of new products has been constantly innovating following changes in the market, Google has been actively operating in the enterprise market in recent years and began to set up AER (Android Enterprise Recommendation Project) and EMM (Enterprise Mobility Management) are two major corporate user standards from 2018. After the establishment of these two standards, CipherLab follows the certification, all online products have obtained Google's software and hardware standard certification.

In addition, CipherLab has also invested in the development of MDM (Mobile Device Management) since 2017, in order to integrate services, CipherLab has cloud-based MDM and merged it into its ReMoCloud cloud management software, and in April 2019, ReMoCloud passed the Google EMM and become the first company in Asia Pacific region to obtain EMM certification, so MDM also meets its specifications, the previous designs MDM will also be compatible with the Android system.

CipherLab also signed a Zero-touch Enrollment (zero-touch registration mechanism) with Google. The main purpose of this mechanism is to assist enterprises in quickly installing and deploying Android mobile devices. Therefore, the most applicator is telecom operators. Currently, the Taiwan member-only Chunghwa Telecom, Far EasTone, and CipherLab, Zero-touch Enrollment allow dealers to add their own settings in the Android system. Telecom operators can add value to their services and enhance market competitiveness. CipherLab can use its own ReMoCloud to provide more functions for enterprise customers.

Coming with the start of smart trends, the application of automatic identification and process management in various industries will gradually increase. Android is currently the mainstream operating system for enterprise handheld systems. However, Android must be closely linked with the Google system, which is not available in the China market, so resulting in the local manufacturers have difficulty in the development situation, under this situation, Taiwan manufacturers in an open environment have advantages, especially since Google has continued to strengthen support for enterprise users in recent years, the positive attitude makes the future development of Android more impressive, CipherLab will follow Android's footsteps combining past technology and experience and accord learning, continuously deepening the advantages of vertical application fields.

Looking into the future, supporting enterprise users in transforming their digital operations will be the key to winning the market. CipherLab has the experience and advantages of collecting data, and the next step is to develop the application of artificial intelligence (AI) (such as image and voice recognition), to store diverse data and supplement it with APPs used by enterprises, and to complete the digital operation of enterprises. The next step is to connect the user-centric ecosystem, build a user-oriented operation network, implement the operation

solutions that small and medium-sized enterprises can quickly introduce, and enhance CipherLab focus on customer value which competitive advantage.

(6) The impact of changes in corporate image on corporate crisis management and the countermeasures.

The Company has always taken honesty and provided professional services that satisfy customers as its business philosophy and pays attention to corporate image and risk management. Currently, there are no foreseeable related risks.

Committed to the display of "service power", with honesty to customers and the public as the greatest operational response principle, to enhance the relationship and connection with customers, and stabilize the corporate image.

(7) Expected benefits and potential risks of mergers and acquisitions, and countermeasures

The Company will commit to doing pre-evaluation, through professional evaluation agencies and relevant experts, and task the review team of the project to carefully evaluate the relevant expected operating benefits and possible risks to employees, intellectual property rights, and important customer operations, and submit the evaluation to the Board of Directors and relevant regulatory announcements handle it.

In the most recent year and as of the date of publication of the annual report, the Company has no plans to acquire other companies. However, if there is a plan for mergers and acquisitions in the future, it will uphold an attitude with careful evaluation and fully consider the synergy of mergers and acquisitions to truly protect the interests of the Company and shareholder equity.

(8) Expected benefits and potential risks of factory expansion and countermeasures

The Company will evaluate the demand and necessity of extending the factory and quality improvement, etc., or if the long-term operating costs are sufficient to support factors such as instructing the project review team to carefully evaluate the relevant management risks, and submit it to the Board of Directors and relevant laws and regulations for timely announcement deal with.

(9) Risks associated with any centralized sales or procurement and the countermeasure

The Company purchases the main raw material not only coming from major suppliers but also maintain over two suppliers with the same kind of material to ensure the stability of supply sources and unit prices, and to disperse the risk of purchase concentration; In addition, the material that the product needs are coming from the standard electronic component in the market, there are many suppliers so no shortage issue for the sources. The Company has established a long-term good cooperative relationship with major suppliers and tries to avoid any shortages, interruptions, or postpone that affect production operations.

The Company is committed to global market expansion, and can also achieve the diversification of customer sources to reduce the major impact and threat caused by the concentration of sales.

(10) Influence and risks of the massive transaction or conversion of shares by directors, supervisors, or dominant shareholders holding over 10% of the stake of the Company and countermeasures

The Company has no circumstances of massive transaction or conversion of shares by the directors, supervisors, or dominant shareholders holding over 10% of the stake of the Company, there is no obvious impact on the shareholding structure of the Company. The Company will continue to strengthen the relationship with the directors' operational structure and functions and important investors to stabilize internal operational risks caused by changes in management or important investors.

(11) Impacts from the change of ownership on the Company and its risk and countermeasures

The Company's directors and managers have a close relationship related to the Company's future operations and business expansion. If there is an improper change of the management right, it may have an adverse impact on the Company. Therefore, all directors and professional managers of the Company are committed to their own business operations in order to maximize the interests of all shareholders. If there is a change in the manager, the Company will strive to identify with the Company's culture, ability, and quality should meet the requirements and implement the Company's consistent policy.

(12) Major litigious events, non-litigious events, or administrative remedies with confirmed verdicts in recent years and by the date of report publication or in progress by the date of report publication of Directors, Supervisors, General Manager, actual principals, and shareholders holding over 10% of the stake of the Company, subsidiaries, or affiliates, with results that may cause significant impact to the rights and interests of shareholders or the stock price, then their fact in dispute, contract value, trial start date, parties concerned, and the status as of the date of the annual report publication must be stated: There is no such things.

(13) Other material risks and countermeasures:

Information Security Risk Assessment Form

	Assessment item	Execution degree			Remark
		Yes	No	Not Applicable	
1	Handing the forgot password process, must require identity verification procedures	V			-
2	Each user has a unique identification code.	V			-
3	Avoid showing the password on the screen when entering it.	V			-
4	Whether the password length stipulated should not be too short.	V			More than eight words in length, uppercase, lowercase, numbers, special symbols, choose three of the above four categories
5	Request to change the password according to the specified period or limit on the number of times of use.	V			90 days
6	It is stipulated to avoid using personal information (such as birthdays, ID card numbers, unit abbreviations, phone numbers, etc.) as a password.		V		The personal information cannot be verified and the adopted promotion method is to avoid the use of passwords related to personal information
7	The application system has a protection mechanism that automatically logs out after the operation is completed or when there is no operation for a certain period of time.	V			-
8	External unit employees (including former employees) should not obtain formal access authorization.	V			-
9	There are appropriate authentication mechanisms for access control for remote users,	V			-
10	There are additional authentication control measures for wireless network access and application.	V			-
11	According to the needs of network services, separate logical domains (such as the organization's internal network or external network), each domain has established protection measures and communication gateway control to filter the access of data between domains (such as a network firewall).	V			-
12	For abnormal login procedures, records are kept, and dedicated personnel are regularly inspected.	V			-
13	According to the identity of users to restrict access of the application	V			-
14	Separate storage and processing of applications and databases under development and official operations.	V			-
15	The recorded content of the event includes the user identification code, the date and time of logging in and out of the system, the identification information of the computer or its URL, and the description of the event.	V			-
16	When the system access is abnormal, keep a record and make a necessary handle.	V			-
17	System logs are reviewed regularly.	V			-
18	Formulate management policies for mobile computer devices (such as physical protection, access control, encryption technology used, backup, and virus prevention requirements).	V			-
19	Remote work is authorized by management and necessary protective measures are implemented.	V			-

	Assessment item	Execution degree			Remark
		Yes	No	Not Applicable	
20	There is a security control measure when personnel enter the important physical area	V			-
21	The access rights and personnel lists of computer rooms and important areas are regularly reviewed and updated.	V			-
22	The necessary restrictions shall be imposed on the entry and exit of personnel and their activities shall be supervised for the computer room and important area.	V			-
23	The computer room is strictly forbidden to store flammables, unapproved electrical appliances, or other dangerous items.	V			-
24	Computer room operators should pay attention to the environmental monitoring system at any time to get the temperature and humidity of the computer room.	V			-
25	Computer room operators are familiar with the operation method of the automatic fire extinguishing system and the location of the fire extinguisher.	V			-
26	The storage location of backup equipment and backup media shall be kept at a safe distance from important physical areas.	V			-
27	The third-party support service personnel are authorized and monitored when entering the important physical area	V			-
28	Smoking and drinking are prohibited in the computer work area (including the computer room).	V			-
29	The power supply and backup power supply should be considered for safety.	V			-
30	Equipment is regularly maintained to ensure its availability and integrity.	V			-
31	It should have safety protection measures for storing information when the equipment is sent off-site for maintenance.	V			-
32	Media with confidential or sensitive information has secure storage and scrap procedures.	V			-
33	Remove or overwrite confidential, sensitive information and copyrighted software before the equipment is scrapped.	V			-
34	After the equipment is scrapped, if it is determined that it will no longer be used, the stored data and software will be removed and physically destroyed.	V			-
35	Automated data backup management tools have been established to manage data backup, retention, and scheduling.	V			-
36	Important data and software are regularly backed up.		V		The Company plans to update backup software and strategies in recently
37	The backup of important data is kept for over two generations.		V		As above
38	Backup data is regularly tested to ensure the availability of backup data.		V		As above
39	Following software licensing regulations and prohibiting the use of unauthorized software.	V			-
40	Use antivirus software comprehensively and update virus code immediately	V			-
41	Regularly scan computer systems and data storage media for viruses.	V			-
42	Regularly implement various system vulnerability patching programs.	V			-
43	Before opening email attachments and downloading files should check for malware (including viruses, Trojan horses, or backdoors)	V			-
44	Regularly detect security vulnerabilities in the network operating environment.	V			-
45	Protective measures such as data encryption are adopted for the transmission of sensitive information.	V			-

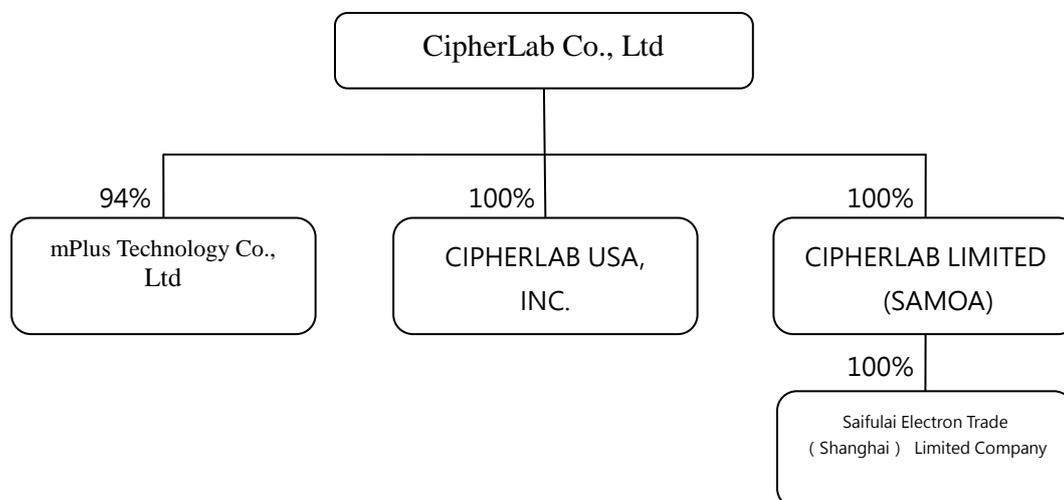
7.7 Other important matters : None

VIII. Special Disclosure

8.1 Related information for affiliated enterprises

(1) Consolidated business report and consolidated financial statements for affiliated enterprises: Please refer P99 ~157. (December 31,2022)

1.Organization chart for affiliated enterprises:



2. Names, incorporation date, addresses, paid-in capital and main business items of each affiliated enterprises:

Up to December 31,2022

Name of affiliated enterprise	Incorporation date	Address	Paid-in Capital	Main business or production item
CIPHERLAB USA, INC.	2007.01.11	2552 Summit Ave., Suite 400, Plano, TX 75074	USD 5,150 thousand	electronics products sales
CIPHERLAB LIMITED (SAMOA)	2006.05.29	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD 4,150 thousand	Investment holding
Saifulai Electron Trade (Shanghai) Limited Company	2006.11.15	Room 3115, No. 317, Xianxia Road, Changing District, Shanghai, China	USD 4,150 thousand	electronics products sales
mPlus Technology Co., Ltd	2014.05.19	2F., No. 105, Minquan Rd., Xindian Dist., New Taipei City	NTD 32,000 thousand	electronics products sales

3. Those who presumed to have a relationship of control and subordination according to Article 369-3 of the Company Act should disclose the matters: None

4. The industries covered by the business operated by the affiliates overall

Name of affiliated enterprise	Scope of business	The mutual dealings and division of work status
CipherLab Co., Ltd.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.
CIPHERLAB USA, INC.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.
CIPHERLAB LIMITED (SAMOA)	Investment holding	Investment holding
Saifulai Electron Trade (Shanghai) Limited Company	Sales, and repairing of various barcode scanners and handheld industrial computers, etc.	Sales, and repairing of various barcode scanners and handheld industrial computers, etc.
mPlus Technology Co., Ltd	R & D, manufacturing and sales of various POS series touch mobile computers and self-service POS systems, etc.	R & D, manufacturing and sales of various POS series touch mobile computers and self-service POS systems, etc.

5. The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate

Name of affiliated enterprise	Title	Name or representative	Shareholding(Up to December 31,2022)	
			Number of shares	Shareholding ratio
CIPHERLAB USA, INC.	Director	Mr. Steven Liao	0	0
	Director	Tan, Chen-Huan	0	0
CIPHERLAB LIMITED (SAMOA)	Director	Tan, Chen-Huan	0	0
Saifulai Electron Trade (Shanghai) Limited Company	Executive director	Tan, Chen-Huan	0	0
mPlus Technology Co., Ltd	Chairman	Mr. Steven Liao	0	0
	Director	Tan, Chen-Huan	0	0
	Director	Wang, Chi-Bo	0	0
	Supervisor	Chang, Chia-Jung	0	0

6. Affiliated Enterprise Operation Overview

Year : 2022 Unit : NT\$ Thousand

Name of affiliated enterprise	Capital	Total asset value	Total liabilities	Net worth	Operating revenue	Operating Income	Net income	Earnings after tax per share (NTD)
CIPHERLAB USA, INC.	USD5,150 Thousand	162,506	63,864	98,642	253,366	(17,056)	(18,426)	(3.69)
CIPHERLAB LIMITED (SAMOA)	USD4,150 Thousand	36,121	0	36,121	0	(35)	(14,035)	(3.38)
Saifulai Electron Trade (Shanghai) Limited Company	USD4,150 Thousand	37,332	2,489	34,843	49,507	(12,691)	(14,006)	(3.37)
mPlus Technology Co., Ltd	NTD32,000 Thousand	26,588	31,066	(4,478)	13,652	(13,670)	(16,961)	(5.30)

7. Information on endorsements and guarantees of affiliated enterprises, capital lending to others, and derivative transactions

- (1) Endorsement guarantees by affiliated enterprises: None
- (2) Affiliated enterprises lending funds to others: None
- (3) Affiliated enterprises engaged in derivatives trading information: None

(2)Affiliated Enterprise Consolidated Financial Report Statement:

CipherLab Co., Ltd

Affiliated Enterprise Consolidated Financial Report Statement:

The Company 2022 (from January 1 to December 31, 2022) in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" shall be included in the preparation of the consolidated financial statements of affiliated enterprises and according to International Financial Reporting Standards No. 10, the companies that should be included in the preparation of the parent-subsidiary consolidated financial report are the same, and the relevant information that should be disclosed in the parent-subsidiary consolidated financial statement has been disclosed in the previously disclosed parent-subsidiary consolidated financial report, and will not be prepared separately consolidated financial reports of affiliated enterprises.

Hereby declared

Name of Company : CipherLab Co., Ltd

Person in Charge: Mr. Steven Liao

March 29, 2023

8.2 Handling Status of Privately Placed Securities in the Most Recent Year and Up to the Publication date of the Annual Report: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None

8.4 Other necessary supplementary notes: None

8.5 Significant issues in the Most Recent Year and up to the Publication Date of the Annual Report which might Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 2, Article 36 of the Securities Exchange Law: None

CipherLab Co., Ltd
Statement of Internal Control System

Date : March 29, 2023

The Company regard to its internal control system during in year 2022, based on the findings of a self-assessment, the states as following

1. The Company is fully aware that establishing, operating, and maintaining an internal control system is the responsibility of the Board and managerial officers of the Company, that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance and protecting the security of assets), reliability, timeliness, transparency and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations and by laws are achieved.
2. The internal control system is designed with inherent limitations, no matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes in the environment and circumstances. However, the Company's internal control system has a self-supervision mechanism. Once the missing element is recognized, the Company takes corrective action.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether or not the existing system continues to be effective. The criteria defined in "the Regulations" include five elements depending on the management control process: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and Communication, and 5. Monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the results of the examination, the Company believes that the design and implementation of its internal control system dated December 31, 2022 (including supervising and managing its subsidiaries), consisting of the effectiveness and efficiency of business operations, the preparation of reliable, timely and transparent financial statements and their compliance with the relevant rules and regulations, are effective and reasonably assure the achievement of the aforementioned goals.
6. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. The Company shall be held liable for misrepresentation or nondisclosure in the above content, according to Articles 20, 32,171, and 174 of the Securities and Exchange Act.
7. This statement has been approved by the Company Directors' Meeting on Mar 29, 2023, among the 9 directors present, 0 objected, and the rest agreed with the content of this statement and hereby declare it.

CipherLab Co., Ltd

Chairman : Mr. Steven Liao

President : Mr. Steven Liao