

Stock code: 6127

**LEATEC FINE CERAMICS CO.,
LTD.**

**Handbook for the 2023 Annual Meeting
of Shareholders**

June 20, 2023

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Meeting Procedure

1. Call the Meeting to Order
2. Chairperson Remarks
3. Management Presentation (Company Reports)
4. Proposals
5. Election Matters
6. Other Matters
7. Questions and Motions
8. Adjournment

Agenda of Annual Meeting of Shareholders

Time: 9:30 a.m. on Tuesday, June 20, 2023

Place: No. 160, Sec. 1, Pingdong Rd., Pingzhen Dist., Taoyuan City (B1 Meeting Room)

Meeting Method: Physical Meeting

1. Report the number of shares represented and call the meeting to order
2. Chairperson Remarks
3. Management Presentation (Company Reports)
 - (1) 2022 Business Report.
 - (2) Audit Committee's Review Report on the 2022 Financial Statements.
 - (3) The Status of Endorsement and Guarantee.
 - (4) Report on the Company's 2022 Financial Loans to Others.
 - (5) Implementation of Investments in China.
 - (6) Report on the 2022 Distribution of Compensation for Directors.
4. Proposals
 - (1) Adoption of the 2022 Business Report and Financial Statements.
 - (2) Adoption of the Proposal for 2022 Deficit Compensation.
5. Election Matters
 - (1) By-election for the Company's board of directors.
6. Other Matters
 - (1) Proposal of Release the Prohibition on Directors from Participation in Competitive Business.
7. Questions and Motions
8. Adjournment

Management Presentation (Company Reports)

Report No. 1

The Company's 2022 Business Report.

(Please refer to Attachment 1 on pages 11-14 of this manual)

Report No. 2

Audit Committee's Review Report on the 2022 Financial Statements.

(Please refer to Attachment 2 on page 15 of this manual)

Report No. 3

The Status of Endorsement and Guarantee.

Explanation:

As of December 31, 2022, the status of the Company and its subsidiaries' endorsement and guarantee are as follows:

Endorser	Endorsee		Endorsement amount	Purpose
	Company name	Relationship		
LEATEC FINE CERAMICS CO., LTD.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	The Company's subsidiary	USD 2,430 thousand	Financing
LEATEC FINE CERAMICS CO., LTD.	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	The Company's sub-sub-subsidiary	RMB 8,000 thousand	Financing

Report No. 4

Report on the Company's 2022 Financial Loans to Others.

Explanation:

As of December 31, 2022, the status of the Company and its subsidiaries' financial loans to others are as follows:

Unit: NT\$

Lending company	Borrower		Details		Purpose
	Company name	Relationship	Credit amount	Disbursement amount	
COSMOS Harvest International Limited	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Both are LEATEC's subsidiaries	30,710 thousand	0 thousand	Operating capital turnover
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	Both are LEATEC's sub-subsidiaries	506,715 thousand	390,015 thousand	Operating capital turnover
LEATEC Fine Ceramics (Samoa) Co., Ltd.	LEATEC FINE CERAMICS CO., LTD.	Parent company of the lending company	61,420 thousand	41,559 thousand	Operating capital turnover

Report No. 5

Implementation of Investments in China.

Explanation:

In order to meet the development needs of diversified ceramic products and related application materials, the Company plans to invest in a manufacturing base in mainland China to expand its business scale and international market share. On May 22, 2012, the Investment Commission, MOEA approved the indirect investment in mainland China to establish LEATEC Application Materials (Kunshan) Co., Ltd. As of April 30, 2023, the Company has invested USD 18 million.

Report No. 6

Report on the 2022 Distribution of Compensation for Directors.

Explanation:

In 2022, the total director compensation of the Company was NT\$4,015,000, with an average compensation of NT\$446,111 per director, accounting for 11.99% of the net loss after tax of NT\$33,475,562 in 2022. This is an increase of NT\$236,736 and an increase rate of 113% compared to the average compensation of NT\$209,375 per director in 2021. The main reason is that the Company established an audit committee in 2022 and adjusted director compensation according to industry standards and the expertise and contributions of directors.

Proposals

Proposal 1 (Proposed by the Board):

Adoption of the 2022 Business Report and Financial Statements

Explanation:

- (1) The Company's 2022 parent company only financial statements and consolidated financial statements have been approved by the board of directors, and have been audited and completed by XU, JIN-MING and XU, WEN-YA, certified public accountants of Deloitte & Touche. Along with the 2022 business report, they have been submitted to the audit committee for review and issued with an audit report.
- (2) Attached are the business report and financial statements, please refer to Attachment 1 on pages 11-14 and Attachment 3 on pages 16-35 of this manual.

Resolution:

Proposal 2 (Proposed by the Board):

Adoption of the Proposal for 2022 Deficit Compensation.

Explanation:

- (1) The Company's net loss after tax in 2022 was NT\$33,475,562, with an actuarial loss on defined benefit plans of NT\$4,799,234 and income tax gain recognized in relation to other components of comprehensive income of NT\$959,847. Adding the initial accumulated deficit of NT\$0, the total accumulated deficit for 2022 was NT\$37,314,949. It is proposed not to distribute directors' and supervisors' compensation, employee compensation, and shareholder dividends, with a total ending accumulated deficit of NT\$37,314,949.
- (2) The deficit compensation table for 2022 is as follows:

LEATEC FINE CERAMICS CO., LTD.

Deficit Compensation Table for 2022

	NT\$
Beginning accumulated deficit	0
Less: Remeasurements of defined benefit plans recognized in retained earnings (Note 1)	(4,799,234)
Add: Net profit after tax for the period	(33,475,562)
Add: Income tax related to components of other comprehensive income	959,847
Less: Legal reserve provision at 10% of profits	0
Less: Special reserve provided according to the law	0
Less: Self-provided special reserve	0
Add: Capital reserve - capital surplus used to offset deficit	0
Accumulated deficit at end of the period	<u>(37,314,949)</u>
Distribution items	
Dividends to shareholders	0
Bonus to shareholders	0
Accumulated deficit at end of the period	<u>0</u>

Note 1: The Company chose to transfer remeasurements of defined benefit plans from other comprehensive income to retained earnings.

Chairman: CHEN, QING-JIN

Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

Resolution:

Election

Proposal 1 (Proposed by the Board):

By-election for the Company's board of directors.

Explanation:

- (1) Mr. CHEN, MENG-WU, an independent director of the Company, resigned due to personal reasons on March 13, 2023 (the effective date of resignation is June 19, 2023). Due to business needs, the Company plans to hold a by-election for one independent director seat at the 2023 annual shareholders' meeting. The new independent director's term will be from June 20, 2023, to July 21, 2024.
- (2) The Company's director election adopts a candidate nomination system, and shareholders elect from the list of candidates. For the list of independent director candidates and their education and professional background information, please refer to Attachment 4 on page 36 of this manual.
- (3) This election will be conducted in accordance with the Company's "Procedures for Election of Directors." Please refer to Appendix 2 on page 39 of this manual.
- (4) Please proceed with the election.

Voting Result:

Other Matters

Proposal 1 (Proposed by the Board):

Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

- (1) In accordance with Article 209 of the Company Act: If a director acts on behalf of themselves or others within the scope of the company's business, they should explain the important content of their actions to the shareholders' meeting and obtain its permission.
- (2) It is proposed to release the prohibition on the newly elected independent director from participation in competitive business.
- (3) The concurrent positions of director candidates are detailed in the table below.

Category	Name	Concurrent Positions
Independent director	WANG, JIN-YAN	Independent director of Taipei Star Bank Co., Ltd.

Resolution:

Questions and Motions

Adjournment

【 Attachment 1 】

LEATEC FINE CERAMICS CO., LTD.

2022 Business Report

1. Management Policy and Implementation Summary

1.Management Policy

- (1) Break through traditional thinking about resistive substrates and develop new material applications to improve resources and increase business scale.
- (2) Change the financial structure, stabilize long-term funds and increase own funds.
- (3) Establish a flexible management team, foster successors to managers, and embrace challenges in business transformation.
- (4) The manufacturing process is fundamentally designed around automated equipment to save resources and create management benefits.
- (5) New materials or products being developed should prioritize market development trends.

2.Important Production and Sales Policies

- (1) Increase the business scale of substrate processing, create product value and increase gross profit.
- (2) Diversify material supply/ materials and molds/ domestication of specialized equipment to diversify the supply source and reduce cost.
- (3) Establish the production capacity of powder (granulation), master the source of key materials, stabilize production, reduce costs, and enhance competitiveness.
- (4) Expand the electric vehicle ceramic market, seek the maximum niche and price, and increase company profits.
- (5) The production process is based on automated equipment, reducing dependence on labor and stabilizing production process parameters.
- (6) Develop automated equipment for the production process to reduce the need for direct labor and stabilize quality.
- (7) Choose customers and shorten the accounts receivable cycle to improve capital efficiency.

3.Implementation Summary

In 2022, due to the impact of the COVID-19 pandemic and the Russo-Ukrainian War, the electronics and automotive industries suffered severe impacts on both production and sales. Global chip shortages also affected the client end, and the demand for electronic consumer products in 2022 was sluggish. During this time, we accelerated the relocation of factories, and overall sales for The company fell by approximately 24% compared to 2021. The annual operation was also negatively affected by the pandemic in mainland China and the internal relocation of the company. We ensured timely operation of the existing equipment on the resistive substrate production line and established a strategy for maintaining a safe inventory of finished goods. However, to avoid increasing inventory and financial pressure, we must be cautious about expanding and adding new equipment. The policy maintains dynamic migration of resistive substrates, maintaining some production capacity, and adding automated devices to save manpower and enrich technical workstations (such as molding, punching dies, etc.). However, before the market recovers, we must prepare and improve our business physique. First, we invest resources to stabilize production and increase automated equipment, solidify the basic scale of the resistive substrate business, and simultaneously develop the non-resistive substrate market, extend to processed products, and continuously increase production value. We are developing the ceramic material market for electric vehicles and 5G materials, dedicated personnel to develop customer sources

and collect business information, provide information to The company R&D and invest in equipment to meet customer needs, solve customer process problems, and actively visit the automotive industry market.

In the future, ceramic materials will play a vital role in electric vehicle components, all of which are professional areas of The company. We strive to maintain good quality and cost control of existing products and commit to ceramic application materials in the hope of supplying more automotive ceramic components. We aim to win customers' approval with quality and service. In addition to acting as a material supplier, we strive for deeper material processing operations to enhance the added value of products and generate revenue. The company will continue to expand research and development and equipment, deeply cultivating the field of automotive ceramics.

We remain confident in the growth of passive component demand after 2023. Resistive substrates must fully utilize equipment and be fully operational to reduce costs and meet market demand. In addition, there is an upward trend in raw material costs. However, continuous improvement in yield, precise production, and stable personnel are necessary to solidify the profit base. The development of ceramic heat-dissipating substrates and ceramic materials for the energy industry remains one of the focal points of development. With the technical experience accumulated in the process of aluminum nitride substrates, The company will base on higher temperature process technology in the future and advance towards the application of ceramic materials in different industries, such as ZTA, etc. Products undergoing transformation in the new year must be produced and promoted to customers at a faster pace, and timely product supply and yield improvement are priorities. Mass production of new ceramic heat-dissipating substrates and elevation of automotive electronic ceramic materials to the processing level, etc., can increase performance and profit opportunities. Financial structure improvement is also a key point. After the receipt of compensation for the acquisition of The company Precision Ceramics (Kunshan) factory, we will carefully assess the appropriate amount of debt reduction and enrich operating funds. In operation, the following key directions must be well prepared to respond to future market development:

- (1) In terms of horizontal development, The company can control technology-based products and accelerate product market sales:
 - ◆The company's ceramic materials form the basis for research and development, gradually expanding to other composite materials and efficiently mass-producing products for market entry.
 - ◆Improvement of engineering technology process, combining batch production basic technology and practical experience, to reduce learning costs and quickly meet market demands.
- (2) Deep processing and expanding the scale of sales:
 - ◆Comprehensive laser processing technology and increasing equipment scale to quickly meet customized specifications, producing valuable products.
 - ◆Enhancing professional product knowledge, familiarizing with production line processes, and providing active feedback in after-sales service.
- (3) Increase the level of automation in equipment to reduce manpower, improve production stability, and increase output and yield.
- (4) Reconsider the process design, simplify complexities, and strive towards automated production processes to increase efficiency and improve product gross profit.
- (5) Diversification of raw materials, localization of moulds/special equipment, to deepen cost competitiveness and operational strength.

Combining all these clear operational priorities, we aim to achieve higher performance this year.

2. Business Results for 2022

1. Business Overview

The net operating income for 2022 of the company is NT\$783,512,000, with a gross operating profit of NT\$168,983,000, and a gross profit margin of 21%. Compared to the fiscal year 2021 with an operating income of NT\$1,033,429,000 and a gross operating profit of NT\$322,158,000, there was a 24% decline in operating income and a reduction of NT\$153,175,000 in gross profit. This is due to the continued impact of the pandemic and worsening economic conditions on the business environment. In the future, careful selection of products and meeting environmental policy requirements will be crucial. In the short term, maintaining production scale is particularly important due to the relocation and installation of equipment. However, at the same time, investments in automation equipment for bottleneck elimination and yield improvement will be made. Although the trend of revenue growth is optimistic, market changes are still being closely monitored. The pursuit of profit growth will continue, and one of the current focuses is to transform and evolve products into high value-added processed products. The market is still in a growth trend, The company will grow steadily, and the company's profits will continue to improve in the next year.

The company will make good use of human and physical resources, review the advantages of the industry, and move towards the planned market direction and high value-added products in order to generate optimal profits, expand new applications of ceramic materials, and provide quality engineering services. With research and development efforts towards the application of ceramic materials in the green energy industry, it is expected that revenue and profit improvement will be achieved in 2023.

2. Budget Execution Situation

Unit: NTD thousand

Item	Actual Amount in 2022	Budget in 2022	2022 Budget Achievement Rate (%)
Operating Income	783,512	1,323,599	59.2%
Operating Costs	614,529	879,859	69.8%
Gross Profit	168,983	443,640	99.0%
Operating Expenses	299,766	278,850	38.1%
Net operating income (loss)	(130,783)	167,790	(78.0%)
Non-operating (expense)	106,365	9,000	1,181.8%
Income (loss) before	(24,418)	176,790	(13.8%)

3. Analysis of financial income and expenses and profitability

Item	Year	Financial Analysis		
		2020	2021	2022
Financial Structure (%)	Debt to assets ratio	64.96	64.06	66.97
	Long-term capital to fixed assets	164.24	142.44	168.22
Profitability	Return on Assets (%)	(1.24)	2.80	0.19
	Return on equity (%)	(8.89)	4.51	(2.93)
	Income (loss) before income tax	(4.94)	9.18	(2.26)
	Net Income Ratio (%)	(11.74)	4.92	(4.27)
	Earnings per share (NT\$(Note))	(0.95)	0.47	(0.31)

Note: Earnings per share is calculated based on the weighted average number of outstanding shares.

3. Research and Development Status

Ceramic materials science is the core of The company's development. We produce high-precision ceramic substrates for resistors, heat-dissipating substrates for LEDs, and aluminum nitride ceramic substrates. We develop composite ceramic materials combining composite material development, tape casting technology, dry pressing, and atmospheric sintering technology, and vigorously develop the electric vehicle market in the energy industry, transforming The company's product structure and development direction. The company actively researches material specifications and characteristics to solve source management, molding process, sintering parameters, automation equipment, and other key technologies to solidify standards, and continues to cooperate with academic units for related technical training and product commercialization.

4. Conclusion

Despite the ongoing vast changes in the external market and the emerging challenges in the business (such as environmental issues, cost, and price competition), we continue to implement various improvement projects internally and set standard production procedures to enhance our cost competitiveness and marketing advantages in the market. The company is heading towards the development of diversified substrate products, accelerating the pace of research and development, expanding potential customer domains, and increasing the breadth and depth of automotive market products. In addition to the provisions of the Company Law, when the number of shareholders present at the meeting time exceeds half of the total number of issued shares, the chairman should immediately declare the meeting open and simultaneously announce relevant information such as the number of non-voting rights and the number of shares present. If the number is still not sufficient after two postponements, but the shareholders present exceed one third of the total number of issued shares, a "tentative resolution with the consent of more than half of the voting rights present" may be carried out in accordance with Article 175 of the Company Law. If the number of shares represented by the shareholders present is sufficient, the chairman may declare the meeting formally open at any time and submit the tentative resolution to the meeting for ratification.

Chairman: CHEN, QING-JIN

President: CHEN, QING-JIN

CAO: CHEN, YONG-CANG

【 Attachment 2 】

LEATEC FINE CERAMICS CO., LTD.

Audit Committee Report

The Board of Directors had prepared and submitted the 2022 Financial Statements (including the individual and consolidated statements). The audit of the financial statements was completed by accountants HSU JIN-MING and HSU WEN-YA at KPMG, and an audit report was issued. The audit of the aforementioned statements, along with issues such as the business reports and the report of earning distribution, submitted by the Board of Directors was conducted by the audit committee, and no inconsistency was found. The audit report was issued in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours sincerely,

2021 Shareholders General Meeting

Audit Committee

Convener: LAI, SHAN-KUEI

Date: March 24th, 2023

【 Attachment 3 】

INDEPENDENT AUDITORS' REVIEW REPORT

To LEATEC Fine Ceramics Co., Ltd.:

Audit opinion

We have audited the financial statements of LEATEC Fine Ceramics Co., Ltd., which comprise the Parent Company Only Statement of Financial Position as of December 31, 2022 and December 31, 2021, the Parent Company Only Statement of Comprehensive Income from January 1 to December 31, 2022 and from January 1 to December 31, 2021, Parent Company Only Statement of Change in Equity, Parent Company Only Statement of Cash Flows, and Notes to Parent Company Only Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers so as to give a true and fair view of the parent company only financial position of LEATEC Fine Ceramics Co., Ltd. as of December 2022 and 2021 and of the financial performance, changes in equity and cash flows of LEATEC Fine Ceramics Co., Ltd. from January 1 to December 31, 2022 and 2021.

Basis for audit opinion

We conducted our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. We are independent of LEATEC Fine Ceramics Co., Ltd. in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

The key audit matter is which that, in our professional judgment, is most significant to our review of the parent company only financial statements of LEATEC Fine Ceramics Co., Ltd. for 2022. Such matter has been considered in the process of examining the parent company only financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.

The following is the description of the key audit matter in the parent company only financial statements of LEATEC Fine Ceramics Co., Ltd. for 2022:

Authenticity of revenue from specific sales targets

LEATEC Fine Ceramics Co., Ltd.'s sales revenue for the year 2022 amounted to \$407,761 thousand, a decrease of 22% compared to the same period last year. The auditor, based on factors such as changes in sales amount and ratio, considered the authenticity of the sales revenue of some specific customers as key audit matters.

The auditor performed the following main audit procedures for the authenticity of the revenue from the aforementioned specific sales targets:

1. Understand the internal control process related to revenue recognition and evaluate whether the design of the relevant controls is effective and implemented;
2. Review and inspect the shipping documents, records, and collections of these customers to test the authenticity of the sales;
3. Review the subsequent sales returns and allowances of these customers to confirm the reasonableness of sales revenue recognition.

Responsibilities of management and directors for the parent company only financial statements

Management's responsibility is to prepare the parent company only financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

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

The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of LEATEC Fine Ceramics Co., Ltd.

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the internal control effectiveness of LEATEC Fine Ceramics Co., Ltd.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 ability of LEATEC Fine Ceramics Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause LEATEC Fine Ceramics Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We have obtained sufficient and appropriate evidence to audit the parent company only financial information of LEATEC Fine Ceramics Co., Ltd. to express an opinion on the

parent company only financial statements. We are responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on LEATEC Fine Ceramics Co., Ltd.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have also provided the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence, and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

We have determined the key audit matter for the audit of the Parent Company Only Financial Statements of LEATEC Fine Ceramics Co., Ltd. for the year ended December 31, 2021 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche
CPA: XU, JIN-MING

CPA: XU, WEN-YA

SFB Approval Number:
Tai-Cai-Zheng-Liu-Zi
No. 0930128050

SFB Approval Number:
Tai-Cai-Zheng-Liu-Zi
No. 0920123784

March 24, 2023

LEATEC FINE CERAMICS CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
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)	\$ 96,621	4	\$ 59,056	2
1110	Financial assets at fair value through profit or loss – current (Note 4, 7, 28 & 30)	13,607	1	-	-
1150	Notes receivable (Note 4, 8 & 22)	757	-	1,789	-
1170	Accounts receivable (Note 4, 8, 22, 23, 29 & 30)	125,538	5	183,432	7
1200	Other receivables (Note 29)	8,909	-	13,902	1
130X	Inventories (Note 4, 9 & 30)	159,888	6	126,474	5
1410	Prepayments	7,213	-	6,203	-
1476	Other financial assets - current (Note 30)	64,271	2	178,401	7
1479	Other current assets (Note 14 & 24)	478	-	1,484	-
11XX	Total current assets	<u>477,282</u>	<u>18</u>	<u>570,741</u>	<u>22</u>
	NON-CURRENT ASSETS				
1550	Investments accounted for using the equity method (Note 4 & 10)	1,490,776	58	1,399,808	54
1600	Property, plant and equipment (Note 4, 11, 26 & 30)	562,959	22	552,323	21
1755	Right-of-use assets (Note 4 & 20)	3,053	-	4,164	-
1780	Other intangible assets (Note 4 & 13)	4,109	-	5,102	-
1840	Deferred tax assets (Note 4 & 24)	21,797	1	12,876	1
1915	Prepayments for equipment	5,985	-	4,379	-
1980	Other financial assets - non-current (Note 30)	5,045	-	-	-
1990	Other non-current assets (Note 14)	11,883	1	50,667	2
15XX	Total non-current assets	<u>2,105,607</u>	<u>82</u>	<u>2,029,319</u>	<u>78</u>
1XXX	TOTAL	<u>\$ 2,582,889</u>	<u>100</u>	<u>\$ 2,600,060</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term loans (Note 15, 30 & 31)	\$ 369,781	14	\$ 245,612	9
2150	Notes payable (Note 17)	2,403	-	2,718	-
2170	Accounts payable (Note 17 & 29)	37,021	2	45,823	2
2200	Other payables (Note 18, 26 & 29)	115,124	5	88,346	3
2230	Current income tax liabilities (Note 4 & 24)	-	-	82	-
2280	Lease liabilities - current (Note 4 & 12)	1,118	-	1,084	-
2320	Long-term borrowings and corporate bonds payable within one year or operating cycle (Note 15, 16, 30 & 31)	81,660	3	480,598	19
2399	Other current liabilities	6,781	-	1,818	-
21XX	Total current liabilities	<u>613,888</u>	<u>24</u>	<u>866,081</u>	<u>33</u>
	NON-CURRENT LIABILITIES				
2530	Corporate bonds payable (Note 16)	250,000	10	-	-
2540	Long-term loans (Note 15, 30 & 31)	444,405	17	457,032	18
2550	Provision for liabilities - non-current (Note 4 & 29)	930	-	884	-
2570	Deferred tax liabilities (Note 4 & 24)	113,572	4	100,343	4
2580	Lease liabilities - non-current (Note 4 & 20)	2,042	-	3,160	-
2640	Net defined benefit liability - non-current (Note 4 & 20)	21,137	1	23,935	1
25XX	Total non-current liabilities	<u>832,086</u>	<u>32</u>	<u>585,354</u>	<u>23</u>
2XXX	Total liabilities	<u>1,445,974</u>	<u>56</u>	<u>1,451,435</u>	<u>56</u>
	EQUITY (Note 21)				
3110	Ordinary shares	1,080,798	42	1,080,798	41
3200	Capital surplus	102,301	4	353,093	14
	Retained earnings				
3310	Legal reserve	3,166	-	3,166	-
3350	Losses to be compensated	(37,316)	(1)	(253,313)	(10)
3300	Total retained earnings	(34,150)	(1)	(250,147)	(10)
3400	Other equity	(12,034)	(1)	(35,119)	(1)
3XXX	Total equity	<u>1,136,915</u>	<u>44</u>	<u>1,148,625</u>	<u>44</u>
	TOTAL	<u>\$ 2,582,889</u>	<u>100</u>	<u>\$ 2,600,060</u>	<u>100</u>

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

CODE		2022		2021	
		AMOUNT	%	AMOUNT	%
4000	OPERATING REVENUE (Note 4, 22 & 29)	\$ 407,761	100	\$ 521,932	100
5000	OPERATING COSTS (Note 9, 23 & 29)	(353,914)	(87)	(394,905)	(75)
5900	GROSS PROFIT	53,847	13	127,027	25
5910	UNREALIZED GAINS WITH SUBSIDIARIES	(638)	-	(5,253)	(1)
5920	REALIZED GAINS WITH SUBSIDIARIES	<u>5,253</u>	<u>1</u>	<u>1,681</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>58,462</u>	<u>14</u>	<u>123,455</u>	<u>24</u>
	OPERATING EXPENSES (Note 4, 23 & 29)				
6100	Selling and marketing expenses	(9,370)	(2)	(9,053)	(2)
6200	General and administrative expenses	(61,898)	(15)	(58,134)	(11)
6300	Research and development expenses	(28,719)	(7)	(34,684)	(7)
6450	Expected credit impairment gains (losses)	<u>1,425</u>	<u>-</u>	(5,661)	(1)
6000	Total operating expenses	(98,562)	(24)	(107,532)	(21)
6900	(LOSS) PROFIT FROM OPERATIONS	(40,100)	(10)	<u>15,923</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES (Note 4, 10, 23 & 29)				
7100	Interest income	1,001	-	142	-
7010	Other income	3,330	1	8,806	2
7020	Other gains and losses	(22,524)	(5)	(8,371)	(2)
7050	Financial cost	(\$ 32,062)	(8)	(\$ 25,033)	(5)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	<u>62,065</u>	<u>15</u>	<u>71,936</u>	<u>14</u>

7000	Total non-operating income and expenses	<u>11,810</u>	<u>3</u>	<u>47,480</u>	<u>9</u>
7900	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(28,290)	(7)	63,403	12
7950	INCOME TAX EXPENSE (Note 4 & 24)	(<u>5,186</u>)	(<u>1</u>)	(<u>12,569</u>)	(<u>2</u>)
8200	NET (LOSS) PROFIT FOR THE YEAR	(<u>33,476</u>)	(<u>8</u>)	<u>50,834</u>	<u>10</u>
	OTHER COMPREHENSIVE INCOME (Note 19, 20 & 24)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement amounts of defined benefit plans	(4,799)	(1)	(2,682)	-
8349	Income tax related to items not reclassified	960	-	536	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	<u>23,085</u>	<u>6</u>	(<u>7,799</u>)	(<u>2</u>)
8300	Other comprehensive income for the year, net of income tax	<u>19,246</u>	<u>5</u>	(<u>9,945</u>)	(<u>2</u>)
8500	TOTAL COMPREHENSIVE INCOME	(<u>\$ 14,230</u>)	(<u>3</u>)	<u>\$ 40,889</u>	<u>8</u>
	EARNINGS PER SHARE (Note 25)				
9710	Basic	(<u>\$ 0.31</u>)		<u>\$ 0.47</u>	
9810	Diluted	(<u>\$ 0.31</u>)		<u>\$ 0.47</u>	

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		Retained earnings				Other equity	Total equity
		Share capital	Capital surplus	Legal reserve	Losses to be compensated	Exchange differences on translation of the financial statements of foreign operations	
A1	Balance on January 1, 2021	\$ 1,080,798	\$ 353,265	\$ 3,166	(\$ 302,001)	(\$ 27,320)	\$ 1,107,908
C7	Changes in amounts of associates and joint ventures accounted for using the equity method	-	(172)	-	-	-	(172)
D1	Net profit for 2021	-	-	-	50,834	-	50,834
D3	Other comprehensive income (loss) for 2021, net of income tax	-	-	-	(2,146)	(7,799)	(9,945)
D5	Total comprehensive income for 2021	-	-	-	48,688	(7,799)	40,889
Z1	Balance on December 31, 2021	1,080,798	353,093	3,166	(253,313)	(35,119)	1,148,625
C7	Changes in amounts of associates and joint ventures accounted for using the equity method	-	2,520	-	-	-	2,520
C11	Capital reserve to offset losses	-	(253,312)	-	253,312	-	-
D1	Net profit for 2022	-	-	-	(33,476)	-	(33,476)
D3	Other comprehensive income (loss) for 2022, net of income tax	-	-	-	(3,839)	23,085	19,246
D5	Total comprehensive income for 2022	-	-	-	(37,315)	23,085	(14,230)
Z1	Balance on December 31, 2022	<u>\$ 1,080,798</u>	<u>\$ 102,301</u>	<u>\$ 3,166</u>	<u>(\$ 37,316)</u>	<u>(\$ 12,034)</u>	<u>\$ 1,136,915</u>

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit (loss) before tax for the current year	(\$ 28,290)	\$ 63,403
A20010	Income and expense items		
A20100	Depreciation expenses	51,825	50,187
A20200	Amortization expenses	1,959	1,427
A20300	Expected credit impairment (reversal of gains) losses	(1,425)	5,661
A20400	Net loss on financial assets and liabilities at fair value through profit or loss	1,723	-
A20900	Financial cost	32,062	25,033
A21200	Interest income	(1,001)	(142)
A22300	Share of profit (loss) of subsidiaries and associates accounted for using the equity method	(62,065)	(71,936)
A22500	Gain (loss) on disposal and write-off of property, plant, and equipment	(312)	441
A22800	Intangible assets transfer expense	-	654
A23700	Gain from price recovery of inventory	(4,669)	(2,574)
A23900	Unrealized gains with subsidiaries	638	5,253
A24000	Realized gains with subsidiaries	(5,474)	(1,899)
A24100	Loss (gain) on foreign currency exchange	312	(1,088)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	1,042	(1,285)
A31150	Accounts receivable	59,350	(56,598)
A31180	Other receivables	4,480	(4,720)
A31200	Inventories	(28,745)	(3,747)
A31230	Prepayments	(1,010)	2,625
A31240	Other current assets	1,038	(714)
A31250	Other financial assets	109,085	(6,118)
A31990	Other non-current assets	(916)	(929)
A32130	Notes payable	(315)	(2,348)
A32150	Accounts payable	(9,087)	(9,213)
A32180	Other payables	10,521	(2,623)
A32200	Provision for liabilities	46	(105)
A32230	Other current liabilities	4,963	273
A32240	Accrued pension liabilities	(7,597)	(21)
A33000	Cash generated from (used in) operations	\$ 128,138	(\$ 11,103)
A33100	Interest received	818	148
A33300	Interest paid	(31,363)	(25,677)
A33500	Income tax (paid) received	(32)	13
AAAA	Net cash generated from (used in) operating activities	<u>97,561</u>	<u>(36,619)</u>

CASH FLOWS FROM INVESTING ACTIVITIES			
B00100	Acquisition of financial assets measured at fair value through profit or loss	(15,330)	-
B01800	Acquisition of long-term equity investments accounted for using the equity method	-	(16,517)
B02700	Acquisition of property, plant and equipment	(46,288)	(34,624)
B02800	Disposal of property, plant and equipment	353	-
B03700	Increase in refundable deposits	-	(6,500)
B03800	Decrease in refundable deposits	39,700	-
B04500	Payments for intangible assets	(966)	(1,289)
B07100	(Increase) decrease in prepayments for equipment	(1,606)	2,939
B07600	Dividends received	<u>1,538</u>	<u>-</u>
BBBB	Net cash used in investing activities	(<u>22,599</u>)	(<u>55,991</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase in short-term borrowings	124,615	52,589
C01200	Issuance of corporate bonds	250,000	-
C01300	Repayment of corporate bonds	(250,000)	-
C01600	Proceeds from long-term borrowings	515,300	60,112
C01700	Repayment of long-term loans	(676,865)	-
C04020	Repayment of the principal portion of lease liabilities	(<u>1,084</u>)	(<u>1,051</u>)
CCCC	Net cash generated from (used in) financing activities	(<u>38,034</u>)	<u>111,650</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>637</u>	(<u>737</u>)
EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	37,565	18,303
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>59,056</u>	<u>40,753</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 96,621</u>	<u>\$ 59,056</u>

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

INDEPENDENT AUDITORS' REVIEW REPORT

To LEATEC Fine Ceramics Co., Ltd.:

Audit opinion

We have audited the financial statements of LEATEC Fine Ceramics Co., Ltd. And its subsidiaries (LEATEC Group), which comprise the Consolidated Statement of Financial Position as of December 31, 2022 and December 31, 2021, the Consolidated Statement of Comprehensive Income from January 1 to December 31, 2022 and from January 1 to December 31, 2021, Consolidated Statement of Change in Equity, Consolidated Statement of Cash Flows, and Notes to Consolidated Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as IFRSs) recognized and announced effectiveness by Financial Supervisory Commission (hereinafter referred to as FSC) so as to give a true and fair view of the consolidated financial position of the LEATEC Group as of December 2022 and 2021 and of the financial performance, changes in equity and cash flows of the LEATEC Group from January 1 to December 31, 2022 and 2021.

Basis for audit opinion

We conducted our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the financial statements' section of our report. We are independent of the LEATEC Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

The key audit matter is which that, in our professional judgment, is most significant to our review of the consolidated financial statements of the LEATEC Group for 2022. Such matter has been considered in the process of examining the consolidated financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.

The following is the description of the key audit matter in the consolidated financial statements of the LEATEC Group for 2022:

Authenticity of revenue from specific sales targets

The LEATEC Group's sales revenue for the year 2022 amounted to \$407,761 thousand, a decrease of 22% compared to the same period last year. The auditor, based on factors such as changes in sales amount and ratio, considered the authenticity of the sales revenue of some specific customers as key audit matters.

The auditor performed the following main audit procedures for the authenticity of the revenue from the aforementioned specific sales targets:

1. Understand the internal control process related to revenue recognition and evaluate whether the design of the relevant controls is effective and implemented;
2. Review and inspect the shipping documents, records, and collections of these customers to test the authenticity of the sales;
3. Review the subsequent sales returns and allowances of these customers to confirm the reasonableness of sales revenue recognition.

Other matters

LEATEC Fine Ceramics Co., Ltd. has prepared parent company only financial statements for 2022 and 2021, which have been audited by our accountants and issued unqualified opinions on file for reference.

Responsibilities of management and directors for the consolidated financial statements

Management's responsibility is to prepare the consolidated financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as well as maintain necessary internal control related to the preparation of the consolidated financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

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

The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of the LEATEC Group.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with GAAS, 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 audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the internal control effectiveness of the LEATEC Group.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 ability of the LEATEC Group. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the LEATEC Group. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the relevant notes), and whether the consolidated financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. We have obtained sufficient and appropriate evidence to audit the consolidated financial information of the LEATEC Group. to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on the LEATEC Group.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have also provided the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence, and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

We have determined the key audit matter for the audit of the Consolidated Financial Statements of the LEATEC Group. for the year ended December 31, 2021 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche
CPA: XU, JIN-MING

CPA: XU, WEN-YA

SFB Approval Number:
Tai-Cai-Zheng-Liu-Zi
No. 0930128050

SFB Approval Number:
Tai-Cai-Zheng-Liu-Zi
No. 0920123784

March 24, 2023

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
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)	\$ 180,036	5	\$ 122,600	4
1110	Financial assets at fair value through profit or loss – current (Note 4, 7, 32 & 34)	13,607	-	-	-
1136	Financial assets measured at amortized cost - current (Note 4 & 8)	66,142	2	-	-
1150	Notes receivable (Note 4, 9, 26 & 27)	14,763	-	16,813	1
1170	Accounts receivable (Note 4, 9, 26, 27 & 34)	238,532	7	371,089	12
1180	Accounts receivable - related parties net amount (Note 4, 9, 26 & 33)	1,191	-	424	-
1200	Other receivables	19,314	1	6,175	-
130X	Inventories (Note 4, 10, 27 & 35)	307,855	9	198,874	6
1460	Non-current assets held for sale (Note 11, 14 & 15)	124,326	4	-	-
1476	Other financial assets - current (Note 34)	265,858	8	230,070	7
1479	Other current assets (Note 4, 18 & 28)	27,348	1	31,058	1
11XX	Total current assets	<u>1,258,972</u>	<u>37</u>	<u>977,103</u>	<u>31</u>
	NON-CURRENT ASSETS				
1550	Investments accounted for using the equity method (Note 4 & 13)	74,725	2	78,519	2
1600	Property, plant and equipment (Note 4, 14, 27, 30 & 34)	1,379,412	40	1,468,044	46
1755	Right-of-use assets (Note 4, 15, 27 & 34)	149,248	4	165,661	5
1760	Investment properties net amount (Note 4, 16, 27 & 34)	371,197	11	378,688	12
1780	Other intangible assets (Note 4, 17 & 27)	4,109	-	5,102	-
1840	Deferred tax assets (Note 4 & 28)	28,215	1	20,039	1
1915	Prepayments for equipment	111,891	3	36,091	1
1980	Other financial assets - non-current (Note 34)	5,045	-	-	-
1990	Other non-current assets (Note 4 & 18)	59,326	2	66,826	2
15XX	Total non-current assets	<u>2,183,168</u>	<u>63</u>	<u>2,218,970</u>	<u>69</u>
1XXX	TOTAL	<u>\$ 3,442,140</u>	<u>100</u>	<u>\$ 3,196,073</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term loans (Note 19, 34 & 35)	\$ 409,507	12	\$ 373,378	12
2150	Notes payable (Note 21)	2,403	-	2,718	-
2170	Accounts payable (Note 21)	36,404	1	34,662	1
2200	Other payables (Note 22 & 30)	112,244	4	151,676	5
2230	Current income tax liabilities (Note 4 & 28)	2,174	-	4,363	-
2280	Lease liabilities - current (Note 4 & 15)	1,118	-	1,084	-
2320	Long-term borrowings and corporate bonds payable within one year or operating cycle (Note 19, 34 & 35)	140,165	4	532,242	17
2399	Other current liabilities (Note 22)	417,685	12	4,871	-
21XX	Total current liabilities	<u>1,121,700</u>	<u>33</u>	<u>1,104,994</u>	<u>35</u>
	NON-CURRENT LIABILITIES				
2530	Corporate bonds payable (Note 20)	250,000	7	-	-
2540	Long-term loans (Note 19, 34 & 35)	782,219	23	807,216	25
2550	Provision for liabilities - non-current (Note 4 & 23)	930	-	884	-
2570	Deferred tax liabilities (Note 4 & 28)	113,572	3	100,343	3
2580	Lease liabilities - non-current (Note 4 & 15)	2,042	-	3,160	-
2640	Net defined benefit liability - non-current (Note 4, 24 & 27)	21,137	1	23,935	1
2670	Other non-current liabilities - other	13,625	-	6,916	-
25XX	Total non-current liabilities	<u>1,183,525</u>	<u>34</u>	<u>942,454</u>	<u>29</u>
2XXX	Total liabilities	<u>2,305,225</u>	<u>67</u>	<u>2,047,448</u>	<u>64</u>
	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (Note 25)				
3110	Ordinary shares	1,080,798	31	1,080,798	34
3200	Capital surplus	102,301	3	353,093	11
	Retained earnings				
3310	Legal reserve	3,166	-	3,166	-
3350	Losses to be compensated	(37,316)	(1)	(253,313)	(8)
3300	Total retained earnings	(34,150)	(1)	(250,147)	(8)
3400	Other equity	(12,034)	-	(35,119)	(1)
31XX	Total equity attributable to the owners of the Company	<u>1,136,915</u>	<u>33</u>	<u>1,148,625</u>	<u>36</u>
3XXX	Total equity	<u>1,136,915</u>	<u>33</u>	<u>1,148,625</u>	<u>36</u>
	TOTAL	<u>\$ 3,442,140</u>	<u>100</u>	<u>\$ 3,196,073</u>	<u>100</u>

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

CODE		2022		2021	
		AMOUNT	%	AMOUNT	%
4000	OPERATING REVENUE (Note 4, 26 & 33)	\$ 783,512	100	\$ 1,033,429	100
5000	OPERATING COSTS (Note 10 & 27)	(614,529)	(79)	(711,271)	(69)
5900	GROSS PROFIT	168,983	21	322,158	31
	OPERATING EXPENSES (Note 9, 24, 27 & 34)				
6100	Selling expenses	(14,454)	(2)	(15,779)	(1)
6200	Administrative expenses	(232,726)	(29)	(144,605)	(14)
6300	Research and development expenses	(54,457)	(7)	(57,112)	(5)
6450	Expected credit impairment gains (losses)	1,871	-	(5,482)	(1)
6000	Total operating expenses	(299,766)	(38)	(222,978)	(21)
6900	PROFIT (LOSS) FROM OPERATIONS	(130,783)	(17)	99,180	10
	NON-OPERATING INCOME AND EXPENSES (Note 13 & 27)				
7100	Interest income	7,585	1	652	-
7010	Other income	105,382	14	52,332	5
7020	Other gains and losses	48,369	6	(14,307)	(1)
7050	Financial cost	(49,654)	(6)	(47,745)	(5)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	(5,317)	(1)	(5,446)	(1)
7000	Total non-operating income and expenses	106,365	14	(14,514)	(2)
7900	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(\$ 24,418)	(3)	\$ 84,666	8
7950	INCOME TAX EXPENSE (Note 4 & 28)	(9,058)	(1)	(33,832)	(3)
8200	NET PROFIT (LOSS) FOR THE YEAR	(33,476)	(4)	50,834	5

OTHER COMPREHENSIVE INCOME					
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement amounts of defined benefit plans	(4,799)	(1)	(2,682)	-
8349	Income tax related to items not reclassified	960	-	536	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	<u>23,085</u>	<u>3</u>	(<u>7,799</u>)	(<u>1</u>)
8300	Other comprehensive income (net amount)	<u>19,246</u>	<u>2</u>	(<u>9,945</u>)	(<u>1</u>)
8500	TOTAL COMPREHENSIVE INCOME	(<u>\$ 14,230</u>)	(<u>2</u>)	<u>\$ 40,889</u>	<u>4</u>
	Net loss attributable to:				
8610	Owners of the parent company	(\$ 33,476)	(4)	\$ 50,834	5
8620	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8600		(<u>\$ 33,476</u>)	(<u>4</u>)	<u>\$ 50,834</u>	<u>5</u>
	Total comprehensive income (loss) attributable to:				
8710	Owners of the parent company	(\$ 14,230)	(2)	\$ 40,889	4
8720	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8700		(<u>\$ 14,230</u>)	(<u>2</u>)	<u>\$ 40,889</u>	<u>4</u>
	EARNINGS PER SHARE (Note 29)				
9710	Basic	(<u>\$ 0.31</u>)		<u>\$ 0.47</u>	
9810	Diluted	(<u>\$ 0.31</u>)		<u>\$ 0.47</u>	

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		Equity attributable to the owners of the Company					Other equity Exchange differences on translation of the financial statements of foreign operations	Total equity
		Share capital		Capital surplus	Retained earnings			
		Shares (in thousands)	Amount		Legal reserve	Losses to be compensated		
A1	Balance on January 1, 2021	108,080	\$ 1,080,798	\$ 353,265	\$ 3,166	(\$ 302,001)	(\$ 27,320)	\$ 1,107,908
C7	Changes in amounts of associates and joint ventures accounted for using the equity method	-	-	(172)	-	-	-	(172)
D1	Net profit for 2021	-	-	-	-	50,834	-	50,834
D3	Other comprehensive income (loss) for 2021, net of income tax	-	-	-	-	(2,146)	(7,799)	(9,945)
D5	Total comprehensive income for 2021	-	-	-	-	48,688	(7,799)	40,889
Z1	Balance on December 31, 2021	108,080	1,080,798	353,093	3,166	(253,313)	(35,119)	1,148,625
C7	Changes in amounts of associates and joint ventures accounted for using the equity method	-	-	2,520	-	-	-	2,520
C11	Capital reserve to offset losses	-	-	(253,312)	-	253,312	-	-
D1	Net profit for 2022	-	-	-	-	(33,476)	-	(33,476)
D3	Other comprehensive income (loss) for 2022, net of income tax	-	-	-	-	(3,839)	23,085	19,246
D5	Total comprehensive income for 2022	-	-	-	-	(37,315)	23,085	(14,230)
Z1	Balance on December 31, 2022	108,080	\$ 1,080,798	\$ 102,301	\$ 3,166	(\$ 37,316)	(\$ 12,034)	\$ 1,136,915

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	CASH FLOWS FROM OPERATING		
	ACTIVITIES		
A10000	Profit (loss) before tax for the current year	(\$ 24,418)	\$ 84,666
A20010	Income and expense items		
A20100	Depreciation expenses	113,565	112,056
A20200	Amortization expenses	1,959	1,427
A20300	Expected credit impairment (reversal of gains) losses	(1,871)	5,482
A20400	Net loss on financial assets and liabilities at fair value through profit or loss	1,723	-
A20900	Financial cost	49,654	47,745
A21200	Interest income	(7,585)	(652)
A22300	Share of profit (loss) of associates and joint ventures accounted for using the equity method	5,317	5,446
A22500	Gain (loss) on disposal and write-off of property, plant, and equipment	(113)	588
A22600	Property, plant, and equipment transfer expense	1,372	-
A22800	Intangible assets transfer expense	-	654
A23000	Gains on disposal of non-current assets held for sale	(68,852)	-
A23700	Gain from price recovery of inventory	(9,841)	(9,913)
A24100	Loss (gain) on foreign currency exchange	4,584	(1,148)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	2,055	14,678
A31150	Accounts receivable	133,850	(46,357)
A31180	Other receivables	(9,940)	(6,087)
A31200	Inventories	(99,685)	(9,223)
A31240	Other current assets	4,595	(1,392)
A31250	Other financial assets	(40,833)	(46,020)
A31990	Other non-current assets	(14,455)	(7,761)
A32130	Notes payable	(315)	(2,348)
A32150	Accounts payable	1,779	(7,027)
A32180	Other payables	(4,328)	16,404
A32200	Provision for liabilities	46	(105)
A32230	Other current liabilities	(8,529)	(4,342)
A32240	Accrued pension liabilities	(7,597)	(21)
A33000	Cash generated from (used in) operations	22,137	146,750
A33100	Interest received	4,378	658
A33300	Interest paid	(\$ 48,869)	(\$ 48,674)
A33500	Income tax (paid) received	(6,001)	(20,591)
AAAA	Net cash generated from (used in) operating activities	(28,355)	78,143

CASH FLOWS FROM INVESTING ACTIVITIES			
B00040	Acquisition of financial assets measured at amortized cost	(66,142)	-
B01800	Acquisition of long-term equity investments accounted for using the equity method	-	(16,517)
B00100	Acquisition of financial assets measured at fair value through profit or loss	(15,330)	-
B02600	Proceeds from disposal of non-current assets held for sale	73,386	-
B02700	Acquisition of property, plant and equipment	(144,292)	(170,257)
B02800	Disposal of property, plant and equipment	353	-
B02900	Advance payments increase - disposal of assets	421,343	-
B03700	Increase in refundable deposits	-	(116)
B03800	Decrease in refundable deposits	21,955	-
B04500	Payments for intangible assets	(966)	(1,289)
B07100	(Increase) decrease in prepayments for equipment	(75,800)	(18,988)
BBBB	Net cash generated from (used in) investing activities	<u>214,507</u>	<u>(207,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase (decrease) in short-term borrowings	36,575	(71,237)
C01200	Issuance of corporate bonds	250,000	-
C01300	Repayment of corporate bonds	(250,000)	-
C01600	Proceeds from long-term borrowings	568,126	40,908
C01700	Repayment of long-term loans	(743,518)	-
C04020	Repayment of the principal portion of lease liabilities	(1,084)	(1,051)
C03000	Increase in deposits received	<u>6,709</u>	<u>238</u>
CCCC	Net cash generated from (used in) financing activities	<u>(133,192)</u>	<u>(31,142)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>4,476</u>	<u>(1,800)</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,436	(161,966)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>122,600</u>	<u>284,566</u>
E00200	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>\$ 180,036</u>	<u>\$ 122,600</u>

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

【 Attachment 4 】**LEATEC FINE CERAMICS CO., LTD.****List of Independent Director Candidates**

Type	Name	Education	Experience	Current Job	Amount of shares held (shares)	Name of the government or legal entity represented	Other related information
Independent Director	WANG, JIN-YAN	Master of Human Resources Management, National	KPMG CPA	HAOYU CPAs, CPA	0	None	None

【Appendix 1】

LEATEC FINE CERAMICS CO., LTD. Rules of Procedure for Shareholders Meetings

Article 1

This Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 2

Shareholders or their proxies attending the shareholders' meeting should wear their attendance badges and hand in their sign-in cards as proof of attendance. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in. Attendance and voting at shareholders meetings shall be calculated based on numbers of shares.

Article 3

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 4

Except as otherwise provided in the Company Act, when the time for the meeting arrives and the shareholders present exceed half of the total issued shares, the chairperson should immediately announce the commencement of the meeting and simultaneously disclose relevant information such as the number of non-voting rights and the number of shares represented. If the required quorum is still not met after the scheduled time, the chairperson may announce a postponement of the meeting, limited to twice, with the total delay not exceeding one hour. If it's still not sufficient after two delays, but the attending shareholders exceed one-third of the total issued shares, the meeting can proceed according to Article 175 of the Company Act, making a "provisional resolution by more than half of the attending voting rights". During the provisional resolution, if the number of shares represented by the attending shareholders meets the legal quantity, the chairperson can announce the formal commencement of the meeting and submit the provisional resolution to the assembly for

ratification.

Article 5

If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. After the meeting adjourns, unless otherwise provided by law, shareholders cannot elect another chairperson to continue the meeting at the same place or another location.

Article 6

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

Article 7

When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

Article 8

Shareholders' inquiries about the reported items on the agenda should only be made after all reported items have been read or reported by the chairperson or the person designated by them. Each person can speak no more than twice without the chairperson's consent, and each speech should not exceed five minutes.

Shareholders, regarding each proposal listed in the agenda and each proposal raised during the ad-hoc motion procedure, except with the consent of the chair, may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. However, with the permission of the chair, this can be extended by 3 minutes, with a limit of one extension. If

the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech. If a shareholder continues to speak or disrupts the meeting process, the chairperson can make necessary arrangements to maintain order and ensure the smooth progress of the meeting. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 9

When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote. Except as otherwise provided in the Company Act, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. If the chairperson solicits and receives no objections, it is considered passed by resolution, with the same effect as a vote. However, the election of directors should be carried out according to the director election method.

Article 10

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

Article 11

When a meeting is in progress, the chair may announce a break based on time considerations. During the meeting, if there is an air raid alarm or other reasons preventing the meeting from proceeding, the meeting should be immediately suspended, and everyone should evacuate. The meeting can continue one hour after the alarm is lifted or the event ends.

Article 12

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 13

This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

Article 14

The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

Article 15

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. This Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results. The minutes shall be retained for the duration of the existence of this Corporation.

Article 16

The company should record or videotape the entire process of the shareholders' meeting and retain it for at least one year.

Article 17

These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

[Appendix 2]

LEATEC FINE CERAMICS CO., LTD.

Procedures for Election of Directors

Article 1

The election, re-election, and by-election of the directors of this company (including independent directors, the same below) shall be conducted in accordance with these rules.

Article 2

The directors of this company are elected by the shareholders' meeting from those who have the capacity to act.

Article 3

The Cumulative Single-Record Voting Method shall be used for election of the directors at this Corporation. The name of the elector is replaced by the attendance number printed on the ballot. The directors at this Corporation, each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 4

Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel.

Article 5

The number of directors will be as specified in this Corporation's articles of incorporation. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

If a director elected at the same time is found to have inaccurate personal information, or is found to be unfit according to relevant laws and regulations, the vacancy shall be filled by the candidate with the next highest votes.

Article 6

The election ballot is issued by the person with the right to convene. It should be distributed according to the attendance certificate number and the number of people to be elected. Each ballot paper should list the number of votes of each shareholder.

Article 7

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Article 8

A ballot is invalid under any of the following circumstances:

1. A ballot not in accordance with the provisions of Article 6 of these rules.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. If the candidate listed is a shareholder, the account name, shareholder account number, and shareholder register do not match; if the candidate listed is not a shareholder, the account name, ID card number, or unified number do not match after verification.
5. The ballot paper includes other characters in addition to the information that should be filled in according to the provisions of Article 7 of these rules.
6. The ballot is not filled in accordance with the provisions of Article 7 of these rules.
7. Two or more candidates are listed on the same ballot. Article 9: The director's election is conducted with a ballot box, which is opened after voting by the ballot inspectors and vote counters.

Article 10

Note taking is monitored by the scrutinizer and the results of the calculation shall be announced by the chair on the site.

Article 11

The board of directors of this Corporation shall issue notifications to the persons elected as directors.

Article 12

Matters not covered in these rules shall be handled in accordance with the Company Law and relevant laws and regulations.

Article 13

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

【 Appendix3 】

LEATEC FINE CERAMICS CO., LTD. Articles of Incorporation

Chapter 1 General Provisions

Article 1

This company is organized in accordance with the Company Law and is named as LEATEC FINE CERAMICS CO., LTD.

Article 2

The business of this company includes:

- 1.The manufacturing, processing, and trading of alumina ceramic substrates.
- 2.The manufacturing, design, processing, and trading of ceramic assembly substrates.
- 3.The manufacturing, design, processing, and trading of structural ceramic components.
- 4.The manufacturing, design, processing, and trading of electronic functional ceramic components.
- 5.The manufacturing, design, processing, and trading of thick film circuit components.
- 6.The manufacturing, design, processing, and trading of thin film circuit components.
- 7.Import and export trade of the above products.
- 8.F106030 Wholesale of Molds
- 9.F206030 Retail Sale of Molds
- 10.F107100 Wholesale of Chemical Materials
- 11.F207100 Retail Sale of Chemical Materials
- 12.F107170 Wholesale of Industrial Catalyst
- 13.F207170 Retail Sale of Industrial Catalyst
- 14.F107190 Wholesale of Plastic Sheets & Bags
- 15.F207190 Retail Sale of Plastic Sheets & Bags
- 16.F120010 Wholesale of Refractory Materials
- 17.F220010 Retail Sale of Refractory Materials
- 18.F601010 Intellectual Property Rights
- 19.I501010 Product Designing
- 20.ZZ9999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1

The company may provide external guarantees and invest in other businesses as needed for business. The total amount of investment can exceed 40% of the company's paid-up capital.

Article 3

The company's head office is located in Taoyuan City, and branches can be established at home and abroad as necessary with the resolution of the board of directors.

Article 4

The method of announcement of this company shall be handled in accordance with Article 28 of the Company Law.

Chapter 2 Shares

Article 5

The total capital of this company is set at NT\$ 1.5 billion, divided into 1500 million shares, each share is NT\$ 10, issued in installments. The total capital reserve of NT\$ 50 million is reserved for the issuance of employee stock options, each share is NT\$ 10, and can be issued in installments by the resolution of the board of directors.

Article 6

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Article 7

The stock of this company is generally registered. It is signed or sealed by the director representing the company and issued after being verified according to the law. The registered shares issued by this company may be exempted from printing the stock certificates as needed.

Article 8

The registration of the transfer of shares shall not be done within sixty days prior to the general meeting of shareholders, thirty days prior to the extraordinary meeting of shareholders, or five days prior to the base date when the company decides to distribute dividends and bonuses or other benefits.

Chapter 3 Shareholders' Meeting

Article 9

There are two types of shareholder meetings, regular and special. Regular meetings are held once a year and convened within six months after the end of each fiscal year. Extraordinary meetings are convened as necessary in accordance with relevant laws and regulations.

Article 10

When a shareholder is unable to attend a shareholder meeting for some reason, they may issue a proxy form issued by the company that states the scope of authorization and appoint a proxy to attend. The method of attendance by proxy of the shareholders, in addition to the provisions of Article 177 of the Company Law, shall be handled in accordance with the "Rules for Publicly Issued Companies to Use Proxy Forms to Attend Shareholders Meetings" promulgated by the competent authority.

Article 11

Each share of this company has one voting right, except as otherwise provided by the Company Law.

Article 12

The resolution of the shareholders' meeting, unless otherwise provided by the Company Law, should be attended by shareholders representing more than half of the total number of issued shares and approved by more than half of the voting rights of the attending shareholders.

Chapter 4 Directors and Supervisors

Article 13

The company sets up seven to nine directors and three supervisors, with a term of three years. They are nominated by the candidate nomination system and elected by the shareholders' meeting. They can be re-elected. After the election, they can purchase liability insurance for the directors and supervisors according to the scope of their business execution during their term of office through the resolution of the board of directors.

The number of directors stipulated in the preceding paragraph should set up independent directors. The number of independent directors should not be less than three and should not be less than one-fifth of the director seats. Independent directors are nominated by the candidate nomination system and are elected by shareholders from the list of independent director candidates. The independent directors and non-independent directors should be elected together, and the elected seats should be calculated separately. Regarding the professional qualifications, shareholding, part-time restrictions, nomination and other matters that independent directors should follow, they should be handled in accordance with relevant laws and regulations.

The company can set up an audit committee according to the provisions of Article 14-4 of the Securities Exchange Act, which is composed of all independent directors and the number of members should not be less than three.

The exercise of the powers of the audit committee and its members should be handled in accordance with the relevant provisions of the Securities Exchange Act. After the company sets up an audit committee, the provisions

of this charter regarding supervisors will no longer apply.

Article 14

The board of directors is organized by the directors, and the chairman of the board is elected by more than two-thirds of the directors present and with the consent of more than half of the directors present. A vice-chairman may also be elected. The chairman represents the company externally. If a director cannot attend the board meeting for any reason, they may issue a power of attorney and specify the scope of authorization for the meeting, but each director can only accept the proxy of one person. The board of directors' meeting should specify the purpose of the meeting and notify all directors and supervisors 7 days in advance, but in case of emergency, it can be convened at any time. The notice can be given in writing, by email, or by fax.

Article 15

When the chairman is absent or unable to exercise his powers, a representative will act in accordance with Article 208 of the Company Law. During the recess of the board of directors, the chairman is authorized to exercise the powers of the board of directors, and the specific scope of authorization is as defined in the board of directors' meeting rules.

Article 16

The remuneration of the directors and supervisors of the company is based on their participation in the company's operations and contributions. The board of directors is authorized to pay according to the usual level of the industry.

Chapter 5 Managers

Article 17

The company may appoint a general manager, deputy general manager, and chief financial officer. Their appointment, dismissal, and remuneration are handled in accordance with Article 29 of the Company Law.

Chapter 6 Accounting

Article 18

At the end of each fiscal year, the board of directors shall prepare the following documents for the shareholders' meeting 30 days in advance for the review of the supervisors and submit them to the shareholders' meeting for approval.

1. Business report.
2. Financial statements.
3. Proposals for distribution of profits or covering of losses.

Article 19

If the company makes a profit in the fiscal year, 1.5% to 15% should be set aside as employee remuneration, which can be distributed in the form of stock or cash according to the board's resolution. The recipients include employees of subsidiary companies that meet certain conditions. The company can set aside up to 5% of the profit as remuneration for directors and supervisors. The distribution plan for employee remuneration and remuneration for directors and supervisors should be reported to the shareholders' meeting. However, if the company still has accumulated losses, the amount should be reserved in advance, and then employee remuneration and remuneration for directors and supervisors should be set aside according to the above proportion.

Article 20

If the company makes a profit in the fiscal year, after paying taxes and covering accumulated losses, 10% should be set aside as a legal reserve. But when the legal reserve has reached the company's paid-in capital, it is no longer necessary to set it aside. The rest can be set aside or reversed as special surplus reserves according to legal provisions. If there is still a balance, along with accumulated undistributed profits, the board of directors will propose a profit distribution plan, and submit it to the shareholders' meeting for resolution to distribute dividends to shareholders.

Article 20-1

Dividend policy:

1. This company is in a growth phase, and the dividend policy is formulated considering factors such as the company's capital requirements, financial structure, and profits. The Board of Directors proposes a profit distribution plan, which is implemented after being approved by the shareholders' meeting.
2. The company considers a balanced and stable dividend policy and will distribute dividends in the form of stock or cash dividends, depending on capital needs and the dilution level of earnings per share.
3. The dividends mentioned in the previous item can be allocated based on the actual operating conditions of the current year and the capital budget planning for the following year, deciding the most appropriate distribution of dividends.

Chapter 7 Supplementary Provisions

Article 21

Any matter not covered in this charter will be handled in accordance with the Company Law.

Article 22

The Article was established on November 26, 1991.

The first revision was made on December 24, 1991.

The second revision was made on April 17, 1992.

The third revision was made on April 19, 1993.

The fourth revision was made on June 13, 1994.

The fifth revision was made on December 24, 1994.

The sixth revision was made on June 22, 1995.

The seventh revision was made on November 16, 1995.

The eighth revision was made on June 15, 1999.

The ninth revision was made on May 10, 2000.

The tenth revision was made on April 19, 2001.

The eleventh revision was made on June 5, 2002.

The twelfth revision was made on June 5, 2002.

The thirteenth revision was made on June 15, 2004.

The fourteenth revision was made on June 20, 2006.

The fifteenth revision was made on May 30, 2007.

The sixteenth revision was made on May 29, 2008.

The seventeenth revision was made on June 10, 2009.

The eighteenth revision was made on June 25, 2010.

The nineteenth revision was made on June 22, 2012.

The twentieth revision was made on June 20, 2014.

The twenty-first revision was made on May 19, 2015.

The twenty-second revision was made on June 16, 2016.

The twenty-third revision was made on June 18, 2020.

【 Appendix 4 】**LEATEC FINE CERAMICS CO., LTD.****Details of Directors' Shareholding**

Date of Share Transfer Suspension: April 22, 2023

Title	Name	Number of shares held on the date of share transfer suspension
		Shares
Chairman	CHEN, QING-JIN	5,211,045
Vice Chairman	CHEN JUN-TING	2,314,184
Director	WU, TSE-YAO	855,000
Director	HUANG LIEN-CHEN	1,356,000
Director	ALPIN INTERNATIONAL CO., LTD.	1,535,000
Independent Director	KUO, XIEN-CHANG	0
Independent Director	LAI, SHAN-KUEI	0
Independent Director	CHEN, MENG-WU	0
Independent Director	CHEN, JIA-RON	0
Total shares held by all directors		11,271,229
According to Article 26 of the Securities Exchange Act, the minimum number of shares that all directors must hold is stipulated.		8,000,000

Note 1: As of April 22, 2023, the company's paid-in capital is NT\$ 1,080,797,510, with 108,079,751 shares issued.

**LEATEC FINE CERAMICS CO.,
LTD.**

Chairman CHEN, QING-JIN