Stock Code:6127

九豪精密陶瓷股份有限公司

LEATEC FINE CERAMICS CO., LTD.

Annual Report

2022

Printed on May 26, 2023
Enquiry URL: http: //mops.tse.com.tw
Company website: http: //www.leatec.com

1. Spokesperson and Acting Spokesperson:

Spokesperson:
Name: CHEN, YONG-CANG
Title: CFO
Phone: (03)450-7531
Email: france.chen@leatec.com

Acting Spokesperson:
Name: SHI, MIN-XIU
Title: Deputy Manager, Finance Department
Phone: (03)450-7531
Email: michelle.shih@leatec.com

2. Addresses and Phone Numbers of Headquarters, Branches, and Factories:

Headquarters: No. 160, Section 1, Pingdong Road, Pingzhen District, Taoyuan City, Taiwan
Phone: (03) 450-7531
Pingzhen Factory: No. 160, Section 1, Pingdong Road, Pingzhen District, Taoyuan City, Taiwan
Phone: (03) 450-7531

3. Stock Transfer Agency:

Name: Grand Fortune Securities Co., Ltd. Shareholder Services Department
Address: 6F, No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng District, Taipei City, Taiwan
Website: www.gfortune.com.tw
Phone: (02) 2371-1658

4. Recent Year's Financial Report Certified Public Accountants:

Certified Public Accountants: XU, JIN-MING, XU, WEN-YA
Firm Name: Deloitte & Touche
Address: 20F, No. 100, Songren Rd., Xinyi District, Taipei City, Taiwan
Website: www.deloitte.com.tw
Phone: (02) 2725-9988

5. Overseas Securities Listing and Trading Venue Information: Not applicable.

6. Company Website: www.leatec.com

LEATEC FINE CERAMICS CO., LTD.

Table of Contents

I. Letter to Shareholders

1. 2022 Business Report

1. Implementation of Business Plan:

In 2022, the Company achieved net operating revenue of NT$783,512 thousand, gross profit of NT$168,983 thousand, and a gross profit margin of 21%. Compared to 2021, which had operating revenue of NT$1,033,429 thousand and gross profit of NT$322,158 thousand, there was a 24% decline in operating revenue and a decrease of NT$153,175 thousand in gross profit. This decline was primarily due to the ongoing impact of the pandemic and worsening economic conditions, requiring careful product selection and compliance with environmental policies. In the short term, equipment migration and installation are crucial for maintaining production scale, but there will also be investments in automation and yield improvement to overcome bottlenecks. While the Company expects a positive trend in revenue growth, market changes will continue to be monitored, and the goal of profitability will be pursued through continuous growth. Transformation and evolution of products into high-value-added processing products are currently a focus. The market is still in a growth phase, and the Company's profitability is expected to continue to improve in the coming year.

The Company will leverage its human and material resources, evaluate industry advantages, and move towards planned market directions and high-value-added products to maximize profits, expand the application of new ceramic materials, and provide quality engineering services. Research and development in ceramic materials for the green energy industry are expected to contribute to revenue growth and improved profitability in 2023.

2. Budget Execution Status:

Unit: NT$1,000

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

3. Financial Income and Profitability Analysis

Analysis Items / Year		Financial Analysis 2020	2021	2022
Financial Structure (%)	Liability to Asset Ratio	64.96	64.06	66.97
	Long-term Capital to Fixed Asset Ratio	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)
	Pre-tax Profit (Loss) to Paid-in Capital Ratio (%)	(4.94)	9.18	(2.26)
	Net Profit Margin (%)	(11.74)	4.92	(4.27)
	Earnings Per Share (NTD) (Notes)	(0.95)	0.47	(0.31)

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

4. Research and Development Status

Ceramic materials science is the core focus of The Company's development. We produce high-precision ceramic substrates for resistors, heat dissipation substrates for LEDs, and aluminum nitride ceramic substrates. We combine the development of composite materials, roll-to-roll forming technology, dry pressing, and atmospheric sintering technology to develop ceramic composite materials. We are also actively expanding into the electric vehicle market within the energy industry, transforming our product structure and development direction. The Company is actively researching material specifications, addressing source management, and optimizing forming processes and sintering parameters. We collaborate with academic institutions to foster the development of relevant technologies and commercialize our products.

2. Summary of the 2023 Business Plan

1. Business Policies

(1) Break away from traditional resistor substrate thinking and develop new material applications to enhance business scale through resource optimization.

(2) Improve financial structure to stabilize long-term funding and increase self-owned capital.

(3) Establish a flexible management ladder and nurture successor management to facilitate corporate transformation and meet challenges.

(4) Design processes with automation equipment as the foundation to conserve resources and create management benefits.

(5) Prioritize the development of new materials or products based on market trends.

2. Important Production and Sales Policies

(1) Increase the scale of substrate processing to create product value and improve gross profit.

(2) Diversify suppliers of raw materials, materials, molds, and specialized equipment to decentralize supply sources and reduce costs.

(3) Establish production capacity for powder granulation and secure key material sources to stabilize production, reduce costs, and enhance competitiveness.

(4) Expand the ceramic market for electric vehicles, seek maximum value and price, and increase company profits.

(5) Base production processes on automation equipment to reduce dependence on labor and stabilize production process parameters.
(6) Develop automated equipment for production processes to reduce direct labor requirements and ensure quality stability.
(7) Select customers and shorten accounts receivable turnover to improve capital efficiency.

3. The estimated sales quantities for resistor substrates are 162,000 thousand pieces, and for non-resistor substrates are 17,000 thousand pieces. These estimates are based on information obtained from professional institutions and clients by our sales team.

Current external markets are still experiencing significant changes, but the consumer electronics and electric vehicle markets continue to evolve with increasing trends in new applications. However, these trends come with severe operational challenges such as environmental issues, cost considerations, and price competition. Internally, the Company continues to pursue various improvement initiatives and implement standardized production processes to enhance its cost competitiveness and marketing advantages. Despite the continuous rise in manufacturing costs and potential risks of price reduction in product sales, the primary focus remains on selecting products or evolving into deep processing products to pursue growth. The Company is moving towards the development of diversified substrate products, accelerating research and development efforts, expanding potential customer domains, increasing the breadth and depth of products in the automotive market, collaborating with customers to develop product specifications, extending the level of substrate processing to improve production efficiency, and seizing opportunities in the energy industry through ceramic material applications. The Company aims to maintain steady growth and a leading market position, expecting outstanding revenue and profitability performance this year.

Best Regards.

Chairman and President: CHEN, QING-JIN

II. Company Profile

1. Date of Incorporation

Registered and established on December 2, 1991.

2. Company History

(1) Recent acquisitions, reinvestments in related enterprises, and restructuring activities up to the printing date of the annual report: None.

(2) Significant transfers or changes in ownership of directors, supervisors, or major shareholders holding over 10% of the company's shares, changes in management rights, significant changes in business scope or content, and other important matters that may affect shareholders' rights and interests and their impact on the company: None.

(3) Other Information:

1991	◆ The Company was approved and established on December 2, 1991.
1992	◆ Purchased land and constructed factory buildings.
1993	◆ Started mass production of aluminum oxide ceramic substrates (resistor, thick film, and variable resistor substrates).
1995	◆ Expanded production lines and developed aluminum oxide chip resistor substrates.
1996	◆ Developed aluminum oxide chip array resistor substrates. ◆ Obtained ISO-9002 international quality certification.
1997	◆ Started mass production of aluminum oxide chip array resistor substrates. ◆ Developed ceramic substrates such as ZrO_2 zirconium oxide, microwave, porous, and high-K high dielectric constant materials.
1998	◆ Developed ZrO_2 zirconium oxide solid oxide fuel cell electrolyte substrates.
1999	◆ Started mass production of laser-processed substrates.
2000	◆ Invested in LEATEC FINE CERAMICS (SAMOA) CO., LTD. ◆ Invested in Leatec Fine Ceramics (Kunshan) Co., Ltd.
2001	◆ Invested in China Development Hi-Tech Investment Corporation. ◆ Invested in COSMOS HARVEST INTERNATIONAL LIMITED. ◆ Invested in WISETRADE CORPORATION. ◆ Approved for stock listing by the Taiwan Stock Exchange.

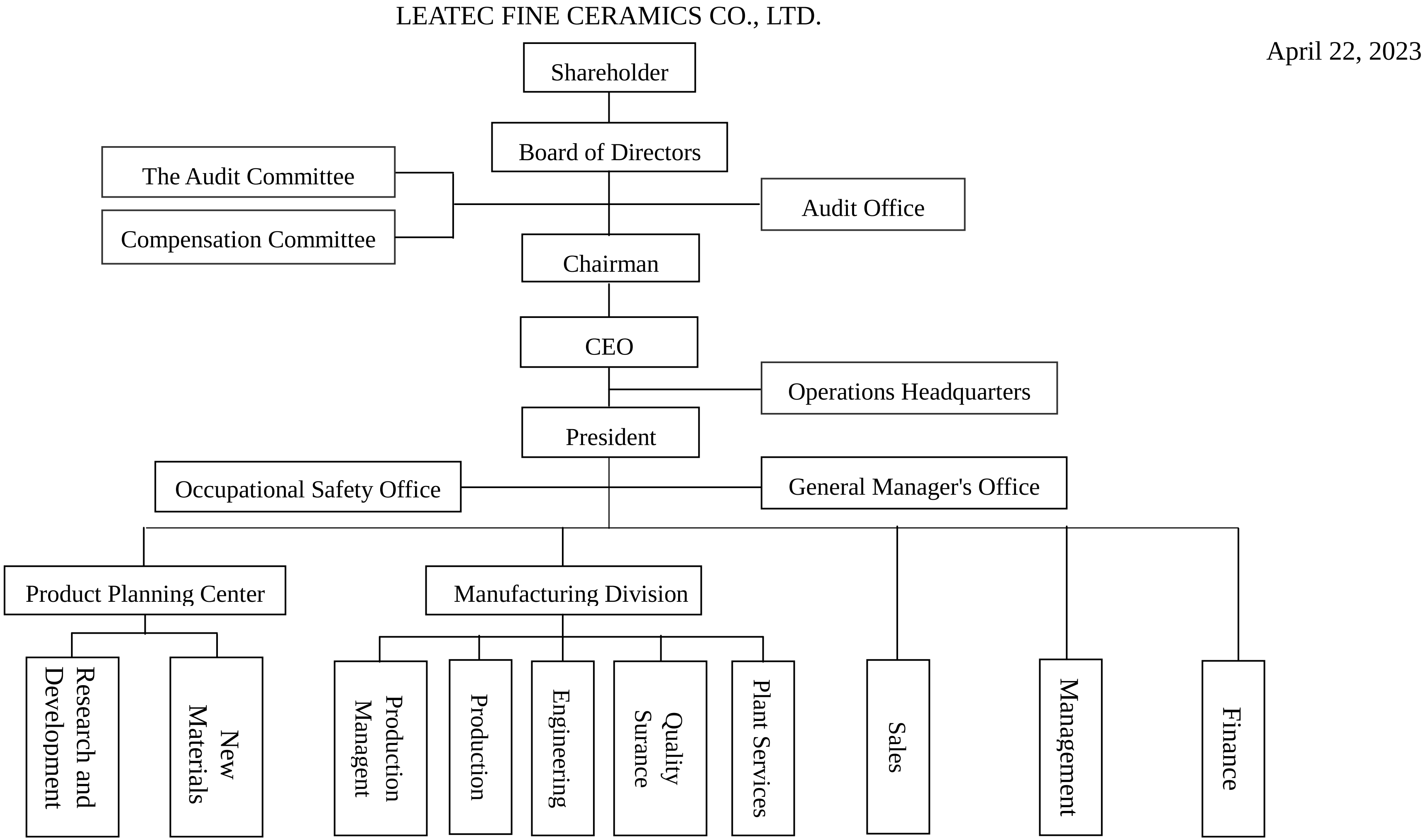
2002	◆ Stock listed on January 10th. ◆ Invested in Kunshan factory in Mainland China for mass production of aluminum oxide chip resistor substrates.
2003	◆ Merger between COSMOS HARVEST INTERNATIONAL LIMITED and WISETRADE CORPORATION, with COSMOS HARVEST INTERNATIONAL LIMITED as the surviving company. ◆ Produced LED and CMOS IC assembly substrates.
2005	◆ Entered the field of automotive electronic materials.
2007	◆ Obtained TS-16949 international quality certification.
2008	◆ Entered the field of solar photovoltaic products. ◆ Obtained "CG6004 General Corporate Governance System Evaluation and Certification" from the Corporate Governance Association of the Republic of China.
2011	◆ Invested in ECOCERA OPTRONICS CO., LTD. ◆ Subsidiary Leatec Fine Ceramics (Kunshan) Co., Ltd. invested in DONGGUAN LEATEC SOLAR PV CO., LTD. ◆ Obtained qualification as an "Enterprise Operating Headquarters" approved by the Ministry of Economic Affairs.
2012	◆ Established Leatec Applied Materials (Kunshan) Co., Ltd., located in Kunshan High-Tech Industrial Park. ◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. obtained the status of a foreign-funded research institution in Jiangsu Province. ◆ Completion and inauguration of the Taiwan headquarters building.
2013	◆ Authorized by the Atomic Energy Council's Nuclear Research Institute for the "Solid Oxide Fuel Cell Ceramic Substrate-Supported Unit Cell Manufacturing Technology." ◆ Started production of aluminum nitride (ALN) ceramic substrates.
2014	◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. obtained the "Jiangsu High-Tech Enterprise" certification in 2014. ◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. liquidated its investment in DONGGUAN LEATEC SOLAR PV CO., LTD. ◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. invested in KUNSHAN LEATEC SOLAR PV CO., LTD.
2015	◆ Phase 1 of Leatec Applied Materials (Kunshan) Co., Ltd.: Construction of research office building, dormitory building began.
2016	◆ Phase 2 of Leatec Applied Materials (Kunshan) Co., Ltd.: Construction of Plant 1, Class A plant, solvent warehouse, etc. began. ◆ Authorized by the Atomic Energy Council's Nuclear Research Institute for the "Solid Oxide Fuel Cell-Stack Technology."
2017	◆ Obtained ISO14001 certification in September.
2018	◆ Taiwan LEATEC obtained IATF16949 certification in February.

2019	◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. obtained IATF16949 certification in April. ◆ Obtained ISO45001 certification and obtained CNS45001 inspection
2021	◆ The Company's board of directors underwent a comprehensive election and established an audit committee. ◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. signed a house demolition and
2022	◆ Leatec Fine Ceramics (Kunshan) Co., Ltd. started the relocation process to the new factory site of Leatec Applied Materials (Kunshan) Co., Ltd. in July. ◆ Issued secured corporate bonds with a total amount of NT$250 million due in December 2023.

III. Corporate Governance Report

1. Organization

(1) Organization chart



(2) Operations implemented by major departments

Department	Responsibilities
President's Office	1. Company's medium to long-term strategic planning. 2. Tracking and auditing the implementation of projects assigned by the board of directors. 3. Planning and tracking of company's management meetings, execution of legal affairs, and operations.
Audit Office	1. Formulation and execution of annual audit plans. 2. Issuance of audit reports and subsequent improvement tracking. 3. Leading the revision of internal control and internal audit. 4. Annual self-assessment operations. 5. Completion of various reporting operations in accordance with laws and regulations. 6. Execution of project audits assigned by the board of directors.
Occupational Safety Office	Development and maintenance of the occupational health and safety system for all factory workers.
Research and Development Department	1. Setting the direction for the company's product and technology development. 2. Designing processes, technologies, and related developments. 3. Planning and setting goals for manufacturing, testing, and other technologies.
New Materials Development Department	1. Initial development, feasibility, and benefit evaluation of new products/materials. 2. Establishment of key technologies and patent applications. 3. Analysis of advanced product applications and technology trends.
Project Promotion Department	1. Project development, research, and experiment scheduling. 2. Education and training on group material projects and academic materials. 3. Project-based process improvement and yield enhancement.
Production Department	1. Human resource allocation, equipment, cost budgeting, and evaluation of new product introduction in the annual production plan. 2. Production management, personnel scheduling planning, and education training. 3. Production process improvement, analysis of process issues, and recommendations.
Engineering Department	1. Establishing the basic framework of manufacturing processes for new products, including sample prototyping, mass production transfer, and guidance. 2. Development of derivative aluminum oxide substrate products. 3. Assisting the Production Department in diagnosing process issues and process improvement. 4. Planning and promoting the transformation of common processes for group ceramic products. 5. Technical or product support across different factory areas. 6. Preparation of standard work hours, equipment, material cost calculation data for new products. 7. Evaluation and implementation of alternative raw materials/components.

Quality Assurance Department	1. Maintenance and operation of ISO/IATF16949 quality systems. 2. Maintenance and operation of quality control and inspection. 3. Enhancement of business operations related to product quality.
Plant Services Department	1. Production scheduling, capacity planning, providing production value, and manpower analysis data. 2. Management of material and finished goods warehouses, as well as shipment management and related operations. 3. Maintenance and management of electrical/fire/public facilities in the factory area. 4. Dedicated handling and prevention of air pollution, wastewater treatment equipment, and waste disposal. 5. Supervision and acceptance of factory repair projects and construction fire permits. 6. Maintenance of company infrastructure and facilities.
Sales Department	1. Overall coordination, supervision, and review of marketing and sales plans, as well as pricing of products. 2. Development of new customers and markets, and coordination between customers and other departments of the company. 3. Establishment and improvement of sales procedures and methods.
Management Department	1. Personnel appointments, promotions, attendance, performance evaluations, retirement, insurance, education and training, and employee relations. 2. Execution and operation of procurement activities for equipment, raw materials, general affairs, and other items. 3. Execution, operation, and maintenance of computer equipment, network connections, electronic operating systems, and related tasks.
Finance Department	1. Execution and operation of fund allocation, financial accounting, cost accounting, tax accounting, and stock affairs. 2. Execution of various tasks related to investment. 3. Control and review of expense budgets.

2. DIRECTOR, SUPERVISOR, PRESIDENT, VICE PRESIDENT, ASSISTANT MANAGER AND HEADS OF DEPARTMENTS AND BRANCH ORGANIZATIONS

(1) Directors and Supervisors

1. Information on Directors and Supervisors

2023.4.22

Title	Nationality / Country of Origin	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	CHEN, QING-JIN	M 71-80	2021.07.22	3	1991.11.26	5,211,045	4.82	5,211,045	4.82	1,304,450	1.21	0	0	˙Graduated from Keelung Senior High School of Commerce ˙Chairman of YETI ELECTRONICS CO., LTD.	˙Chairman and President of LEATEC FINE CERAMICS CO., LTD. ˙Person in Charge of COSMOS HARVEST INTERNATIONAL LIMITED. ˙Person in Charge of LEATEC FINE CERAMICS(SAMOA) CO., LTD. ˙Chairman and President of Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Person in Charge of Leatec Applied Materials (Kunshan) Co., Ltd.	Vice Chairman	CHEN, JUAN-TING	First degree relative	Also serve as President
Vice Chairman	ROC	CHEN, JUAN-TING	M 41-50	2021.07.22	3	2005.06.09	2,234,184	2.07	2,314,184	2.14	0	0	0	0	˙Graduated from the Department of Materials Engineering, New Jersey University ˙Manager of East Asia Office, Proxim International Operations, Inc.	˙Director of Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Director of Leatec Applied Materials (Kunshan) Co., Ltd. ˙Chief Operating Officer of LEATEC FINE CERAMICS CO., LTD.	Chairman	CHEN, QING-JIN	First degree relative	Also serve as COO
Director	ROC	WU, ZE-YAO	M 71-80	2021.07.22	3	2003.06.16	855,000	0.79	855,000	0.79	1,045,073	0.97	0	0	˙Graduated from the Department of Agricultural Machinery, National Taiwan University ˙Vice Chairman of YETI ELECTRONICS CO., LTD.	˙Supervisor of Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Supervisor of Leatec Applied Materials (Kunshan) Co., Ltd.	None	None	None	None

Title	Nationality / Country of Origin	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	HUANG, LIAN-CHENG	M 61-70	2021.07.22	3	2021.07.22	886,000	0.82	1,356,000	1.25	0	0	0	0	˙Graduated from the Department of Business Administration, Tamkang University ˙Manager of Underwriting at Kinghua Securities (Stock) Company ˙Specialist at CTBC Bank Co., Ltd.	˙Director of TAIWAN CAN CORPORATION ˙Supervisor of Typhone Inc.	None	None	None	None
Director	ROC	ALPIN INTERNATIONAL CO., LTD.	N/A	2021.07.22	3	2015.05.19	1,535,000	1.42	1,535,000	1.42	0	0	0	0	N/A	N/A	None	None	None	None
Corporate Director	ROC	LIU, JING-RONG	F 51-60	2021.07.22	3	2021.07.22	991	0	991	0	125,163	0.12	0	0	˙Graduated from Fengyuan Senior High School of Commerce	˙Finance of GEE CHEN INDUSTRIAL CO., LTD.	None	None	None	None

Title	Nationality / Country of Origin	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	GUO XIAN ZHANG	M 61-70	2021.07.22	3	2015.05.19	0	0	0	0	0	0	0	0	˙Ph.D. in Management Sciences, National Chiao Tung University ˙Chair Professor at the College of Management, Ming Chi University of Technology ˙Chair Professor at the Department of Accounting, Shih Chien University ˙President and Professor of Finance at Takming University of Science and Technology ˙Professor/Head of the Department of Financial and Business Economics, National Jinan University ˙President of Taiwan Financial Engineering Association ˙Recipient of K.T. Li Medal from Chinese Society of Management Science ˙Certified Management Expert by the Ministry of Economic Affairs	˙Honorary Chair Professor at Ming Chi University of Technology ˙Honorary Professor at Shih Chien University ˙Adjunct Professor in the Department of Finance at National Jinan University ˙Member of the Remuneration Committee of Yuan High-Tech Development Co.,Ltd. ˙Director of First Financial Holding Co., Ltd. ˙Honorary President of Taiwan Financial Engineering Association ˙Independent Director of HUNG CHOU FIBER INDUSTRIAL CO., LTD.	None	None	None	None

Title	Nationality / Country of Origin	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Other officers, directors or supervisors who are spouses or within two degrees of kinship.			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	LAI, SHAN-GUI	M 61-70	2021.07.22	3	2017.06.16	0	0	0	0	0	0	0	0	˙Ph.D. in Business Administration, National Taipei University ˙Chairman of TOPCO SCIENTIFIC Co., Ltd. ˙Chairman of CSBC CORPORATION, TAIWAN ˙Director of Small and Medium Enterprise Administration, Ministry of Economic Affairs ˙Deputy Director of the Commercial Department, Ministry of Economic Affairs	˙Vice Chairman and Chief Sustainability Officer of the TOPCO SCIENTIFIC Group ˙Chairman of Chien Yueh Technology Engineering Co., Ltd. ˙Chairman of Unitech New Energy Engineering Co., Ltd. ˙Independent Director of Yi Jinn Industrial Co., Ltd. ˙Independent Director of PHYTOHEALTH CORPORATION ˙Independent Director of Metaage Corporation	None	None	None	None
Independent Director	ROC	CHEN, MENG-WU	M 71-80	2021.07.22	3	2021.07.22	0	0	0	0	0	0	0	0	˙Master's Degree from the Graduate Institute of Economics, Chinese Culture University ˙Chief Operating Officer of Deloitte & Touche ˙Adjunct Associate Professor at Chinese Culture University ˙Adjunct Associate Professor at Fu Jen Catholic University	˙Director of Yi Jinn Industrial Co., Ltd. ˙Director of Taiwan Management Association ˙Director of The Cheng Teng Small and Medium Enterprise Foundation	None	None	None	None
Independent Director	ROC	CHEN, JIA-RONG	M 61-70	2021.07.22	3	2021.07.22	0	0	0	0	0	0	0	0	˙Ph.D. in Resources and Energy Economics, West Virginia University ˙Deputy Dean of College of Engineering, National Cheng Kung University	˙Honorary Professor in the Department of Resources Engineering, National Cheng Kung University ˙Independent Director of China Ecotek Corporation	None	None	None	None

2. Major shareholders of coporate shareholder 2023.4.22

Name of coporate shareholder	Major shareholders of the coporate shareholder
ALPIN INTERNATIONAL CO., LTD.	CHEN, SHU-MEI(38%)、LAN, SHU-FONG (20%)、CHEN, WEI-ZHEN(20%)、CHEN, ZHI-MIN(10%)、XIE, WEN-LING (10%)、LIU JING RONG(1%)、ZHENG, QIU-PING (1%)

3. Disclosure of professional qualifications of directors and supvervisors and information on the independence of independent directors:

Criteria Name	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman CHEN, QING-JIN	Must have at least five years of work experience in business, finance, or company operations. There is no occurrence of any circumstances provided in Article 30 of the Company Act.	1. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director of the Company under Article 27 of the Company Act. 2.Not a director, supervisor, or employee of another company who controls more than half of the Company’s director seats or voting rights. 3.Not a director, supervisor, manager, or shareholder of 5% or more of specific companies or institutions that have financial or business transactions with the Company. 4. Not a professional, sole proprietor, partner, owner, director, supervisor, manager, or spouse who provides business, legal, financial, accounting, or related services to the Company or its affiliated companies and has not received a cumulative amount of compensation exceeding NT$500,000 in the past two years. 5. Not a government, legal entity, or representative as specified in Article 27 of the Company Law.	0
Vice Chairman CHEN, JUAN-TING	Must have at least five years of work experience related to company operations. There is no occurrence of any circumstances provided in Article 30 of the Company Act.	1. Not a director or supervisor of the Company or its affiliated companies (except for independent directors who concurrently hold positions as directors or supervisors of the Company's parent company, subsidiaries, or subsidiaries established under the Company Act or local laws and regulations). 2. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director of the Company under Article 27 of the Company Act. 3.Not a director, supervisor, or employee of another company who controls more than half of the Company’s director seats or voting rights. 4.Not a director, supervisor, or employee of another company or organization who is the same person as or the spouse of the Chairman or President of the Company or holds an equivalent position. 5.Not a director, supervisor, manager, or shareholder of 5% or more of specific companies or institutions that have financial or business transactions with the Company. 6. Not a professional, sole proprietor, partner, owner, director, supervisor, manager, or spouse who provides business, legal, financial, accounting, or related services to the Company or its affiliated companies and has not received a cumulative amount of compensation exceeding NT$500,000 in the past two years. 7. Not a government, legal entity, or representative as specified in Article 27 of the Company Law.	0

Criteria Name	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director WU, ZE-YAO	Must have at least five years of work experience related to company operations. There is no occurrence of any circumstances provided in Article 30 of the Company Act.	1. Not an employee of the Company or its affiliated companies. 2. Not a director or supervisor of the Company or its affiliated companies (except for independent directors who concurrently hold positions as directors or supervisors of the Company's parent company, subsidiaries, or subsidiaries established under the Company Act or local laws and regulations). 3. Not a spouse, relative up to the second degree, or direct blood relative up to the third degree of the individuals listed in 1. or 2. 4. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act. 5.Not a director, supervisor, or employee of another company who controls more than half of the Company's director seats or voting rights. 6.Not a director, supervisor, or employee of another company or organization who is the same person as or the spouse of the Chairman or President of the Company or holds an equivalent position. 7.Not a director, supervisor, manager, or shareholder of 5% or more of specific companies or institutions that have financial or business transactions with the Company. 8. Not a professional, sole proprietor, partner, owner, director, supervisor, manager, or spouse who provides business, legal, financial, accounting, or related services to the Company or its affiliated companies and has not received a cumulative amount of compensation exceeding NT$500,000 in the past two years. 9.Not a spouse or a relative within the second degree of kinship or a direct blood relative within the third degree of the other directors. 10.Not elected by the government, a legal entity, or its representative as specified in Article 27 of the Company Act.	0
Director LIU JING RONG	Must have at least five years of work experience in finance or company operations. There is no occurrence of any circumstances provided in Article 30 of the Company Act.	1. Not an employee of the Company or its affiliated companies. 2.Not a director or supervisor of the Company or its affiliated companies. 3.Not the individual, spouse, minor children, or natural person shareholder holding 1% or more of the total issued shares of the Company or one of the top ten shareholders using another person's name. 4.Not the spouse, relative up to the second degree, or direct blood relative up to the third degree of the individuals listed in 1. or 2. 5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act. 6.Not a director, supervisor, or employee of another company who controls more than half of the Company's director seats or voting rights. 7.Not a director, supervisor, or employee of another company or organization who is the same person as or the spouse of the Chairman or President of the Company or holds an equivalent position. 8.Not a director, supervisor, manager, or shareholder of 5% or more of specific companies or institutions that have financial or business transactions with the Company. 9. Not a professional, sole proprietor, partner, owner, director, supervisor, manager, or spouse who provides business, legal, financial, accounting, or related services to the Company or its affiliated companies and has not received a cumulative amount of compensation exceeding NT$500,000 in the past two years. 10.Not a spouse or a relative within the second degree of kinship or a direct blood relative within the third degree of the other directors.	0

Criteria Name	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director HUANG, LIAN-CHENG	Must have at least five years of work experience in business, finance, or company operations. There is no occurrence of any circumstances provided in Article 30 of the Company Act.	1. Not an employee of the Company or its affiliated companies. 2.Not a director or supervisor of the Company or its affiliated companies. 3.Not the individual, spouse, minor children, or natural person shareholder holding 1% or more of the total issued shares of the Company or one of the top ten shareholders using another person's name. 4.Not the spouse, relative up to the second degree, or direct blood relative up to the third degree of the individuals listed in 1. or 2. 5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director or supervisor of the Company under Article 27, Paragraph 1 or 2 of the Company Act. 6.Not a director, supervisor, or employee of another company who controls more than half of the Company's director seats or voting rights. 7.Not a director, supervisor, or employee of another company or organization who is the same person as or the spouse of the Chairman or President of the Company or holds an equivalent position. 8.Not a director, supervisor, manager, or shareholder of 5% or more of specific companies or institutions that have financial or business transactions with the Company. 9. Not a professional, sole proprietor, partner, owner, director, supervisor, manager, or spouse who provides business, legal, financial, accounting, or related services to the Company or its affiliated companies and has not received a cumulative amount of compensation exceeding NT$500,000 in the past two years. 10.Not a spouse or a relative within the second degree of kinship or a direct blood relative within the third degree of the other directors. 11.Not elected by the government, a legal entity, or its representative as specified in Article 27 of the Company Act.	0
Independent Director GUO XIAN ZHANG	Holds a Ph.D. in Management Sciences from National Chiao Tung University. He previously served as the President and Professor in the Department of Finance of Takming University of Science and Technology. Was also a Professor and Department Head in the Department of Finance at National Jinan University, Chair Professor at the College of Management at Ming Chi University of Technology, and Chair Professor at the Department of Accounting at Shih Chien University. There is no occurrence of any circumstances provided in Article 30 of the Company Act.	All independent directors meet the following conditions: 1. Comply with the relevant provisions of Article 14-2 of the Securities and Exchange Act and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 3) issued by the Financial Supervisory Commission. 2. Neither the individual (or using another person's name), spouse, nor minor children hold any shares of the Company. 3. Have not received any compensation from the Company or its affiliated companies for business, legal, financial, accounting, or related services in the past two years.	1

Criteria / Name	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director LAI, SHAN-GUI	Holds a Ph.D. in Business Administration from National Taipei University and an MBA from Indiana University, Pennsylvania, USA. Previously served as Deputy Director of the Commercial Department at the Ministry of Economic Affairs, Director of Small and Medium Enterprise Administration at the Ministry of Economic Affairs, Chairman of CSBC CORPORATION, TAIWAN, and Chairman of TOPCO SCIENTIFIC Co., Ltd. There is no occurrence of any circumstances provided in Article 30 of the Company Act.		3
Independent Director CHEN, MENG-WU	Holds a Master's Degree from the Graduate Institute of Economics, Chinese Culture University, and is a qualified accountant. Has served as Chief Operating Officer of Deloitte & Touche, and Adjunct Associate Professor at Chinese Culture University and Fu Jen Catholic University. There is no occurrence of any circumstances provided in Article 30 of the Company Act.		0

Criteria / Name	Professional Qualifications and Experiences	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director CHEN, JIA-RONG	Holds a Ph.D. in Resources and Energy Economics from West Virginia University. Previously served as the Vice Dean of the College of Engineering at National Cheng Kung University, a department relevant to the company's business. Is currently an Honorary Professor in the Department of Resources Engineering at National Cheng Kung University. There is no occurrence of any circumstances provided in Article 30 of the Company Act.		1

Note 1: The provisions of Article 30 of the Company Act are as follows:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:1. Not a government, legal entity, or representative as specified in Article 27 of the Company Law.

2. Holds no more than three positions as an independent director in other publicly traded companies.
3. During the two years prior to selection and the term of office, none of the following apply:
   (1) Employee of the Company or its affiliated companies.

(2) Director or supervisor of the Company or its affiliated companies.

(3) The individual, spouse, minor children, or any other person holding 1% or more of the total issued shares or ranking among the top ten natural person shareholders of the Company.

(4) Spouse, relatives up to the second degree of kinship, or direct lineal relatives up to the third degree of kinship of the individuals listed in (1) or (2).

(5) Director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director of the Company under Article 27 of the Company Law.

(6) Directors or supervisors of other companies who control more than half of the voting shares of the Company's board of directors.

(7) Directors (trustees), supervisors (directors), or employees of other companies or organizations who are the same person as, or the spouse of, the Chairman, President, or equivalent position of the Company.

(8) Directors (trustees), supervisors (directors), managers, or shareholders holding 5% or more of the shares of specific companies or organizations with financial or business transactions with the Company.

(9) Professionals, sole proprietors, partners, owners, partners, directors (trustees), supervisors (directors), managers, or their spouses who provide business, legal, financial, accounting, or related services to the Company or its affiliated companies, with a cumulative remuneration not exceeding NT$500,000 in the past two years. However, this does not apply to members of the Company's remuneration committee.

4. Diversity and Independence of Board of Directors

(1) Diversity of Directors:

Based on the policy of diversification, strengthening corporate governance, and promoting a sound composition and structure of the board of directors, the nomination of director candidates for the 11th term of the board of directors in 2021 was adopted through a candidate nomination system in accordance with the company's articles of incorporation. The evaluation included the candidates' education, professional background, integrity, and relevant qualification review. After approval by the board of directors, the candidates were submitted for election at the shareholders' meeting.

In order to achieve the ideal goal of corporate governance, Article 20 of the "Practical Guidelines for Corporate Governance" stipulates that the board of directors as a whole should possess eight capabilities, including operational judgment, accounting and financial analysis, management, crisis handling, industry knowledge, international market perspective, leadership, and decision-making. The implementation of the policy for board of directors' diversity is as follows:

Dicersity Item / Name	Nationality	Gender	Employee status	Age				Years of service as an independent director			Operational judgment capability	Accounting and financial analysis capability	Management capability	Crisis handling capability	Industry knowledge	International market perspective	Leadership capability	Decision-making capability
				41-50	51-60	61-70	71 or more	Less than 3 years	3-9 years	9 years or more								
CHEN, QING-JIN	ROC	M	✓				✓				✓	✓	✓	✓	✓	✓	✓	✓
CHEN, JUAN-TING		M	✓	✓							✓	✓	✓	✓	✓	✓	✓	✓
WU, ZE-YAO		M					✓				✓	✓	✓	✓	✓	✓	✓	✓
HUANG, LIAN-CHENG		M				✓					✓	✓	✓	✓	✓	✓	✓	✓
LIU JING RONG		F			✓						✓	✓			✓	✓		
GUO XIAN ZHANG		M				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
LAI, SHAN-GUI		M				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓
CHEN, MENG-WU		M					✓	✓			✓	✓	✓	✓	✓	✓	✓	✓
CHEN, JIA-RONG		M				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓

The current board of directors of the Company consists of nine directors. The management goals and achievements of the board of directors' diversity policy are as follows:

Management Goals:	Achievements:
Independent directors occupy more than one-third of the board seats.	44%, Achieved
The number of directors who also serve as company executives should not exceed one-third of the board seats.	One female director, representing 11% of the board, Achieved
The tenure of independent directors should not exceed three terms.	All four directors have not exceeded three terms, Achieved
At least one female director should be included.	One female director,

	Achieved
Sufficient diversity in professional knowledge and skills.	Achieved

(2) Independence of Directors:

The current board of directors of the Company consists of 9 directors, including 4 independent directors, accounting for 44% of the board. All 4 directors comply with the regulations of the Financial Supervisory Commission's Securities and Futures Bureau regarding independent directors. There are no circumstances among the directors, including the independent directors, that violate Article 26-3 and Article 26-4 of the Securities and Exchange Act. The Chairman, CHEN, QING-JIN, and the Vice Chairman are first-degree relatives, while the other seven directors (including four independent directors) have no spousal or second-degree or closer blood relationship.

(2) President, Vice President, Associate Managers, Heads of Departments and Branches

2023.4.22

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	ROC	CHEN, QING-JIN	M	2012.10.03	5,211,045	4.82	1,304,450	1.21	0	0	˙Graduated from Keelung Senior High School of Commerce ˙Chairman of YETI ELECTRONICS CO., LTD.	˙Chairman and President of LEATEC FINE CERAMICS CO., LTD. ˙Person in Charge of COSMOS HARVEST INTERNATIONAL LIMITED. ˙Person in Charge of LEATEC FINE CERAMICS(SAMOA) CO., LTD. ˙Chairman and President of Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Person in Charge of Leatec Applied Materials (Kunshan) Co., Ltd.	COO	CHEN, JUAN-TING	First degree relative	Same person as Chairman
Chief Operating Officer	ROC	CHEN, JUAN-TING	M	2020.08.04	2,314,184	2.14	0	0	0	0	˙Graduated from the Department of Materials Engineering, New Jersey University ˙Manager of East Asia Office, Proxim International Operations, Inc. ˙Business Director of Greater China and Asia Pacific Region, Industrial Safety Division, Honeywell International, Inc.	˙Vice Chairman at LEATEC FINE CERAMICS CO., LTD. ˙Director of Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Director of Leatec Applied Materials (Kunshan) Co., Ltd.	President	CHEN, QING-JIN	First degree relative	None
Chief Financial Officer and Spokesperson	ROC	CHEN, YONG-CANG	M	2021.12.20	280,000	0.26	0	0	0	0	˙Graduated from the Department of Business Administration, Chung Yuan Christian University	˙Special Assistant at Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Principal at KUNSHAN LEATEC SOLAR PV CO.,LTD ˙Director of Leatec Fine Ceramics (Kunshan) Co., Ltd. ˙Director of Leatec Applied Materials (Kunshan) Co., Ltd. ˙Corporate Director at ECOCERA OPTRONICS CO.,LTD. ˙Corporate Director at Jiangsu Yongsheng New Energy Technology Co., Ltd.	None	None	None	None

Senior Director of Manufacturing	ROC	WU, WANG-QI	M	2021.12.20	30,000	0.03	0	0	0	0	˙Graduated from the Department of Textile Science, Southern Asia Institute of Technology ˙Engineer at Far Eastern Textile Ltd.	None	None	None	None	None
Director of Management	ROC	ZHAO, ZHENG-HUI	M	2022.02.15	0	0	10,000	0.01	0	0	˙Graduated from the Department of Electronic Engineering, Vanung University ˙R&D Director at Lien Chang Electronic Enterprise Co., LTD. ˙President at Wuxi Zhide Energy Technology Co., Ltd.	None	None	None	None	None
Deputy Director of the Enterprise Center	ROC	ZHU, ZHI-HONG	M	2021.12.20	0	0	0	0	0	0	˙Ph.D. in Resources Engineering from National Cheng Kung University	None	None	None	None	None
Plant Manager of Pingzhen Factory	ROC	ZHONG, ZHEN-HUI	M	2021.12.20	60,000	0.06	0	0	0	0	˙Graduated from the Department of Mechanical Engineering, Chien Hsin University of Science and Technology ˙Bio-engineer at Crown Yuet Industrial Co., Ltd.	None	None	None	None	None
Manager of Production Department	ROC	YE, ZUO-QIN	M	2013.01.06	0	0	0	0	0	0	˙Graduated from the Department of Industrial Engineering and Management, Ching Yun University ˙Group Leader at Chilisin Electronics Corp. ˙Manufacturing Engineer at Yeh-Chiang Technology Corp.	None	None	None	None	None

Note: The Chairman and the President of the Company are the same person. For the reasons, rationale, necessity, and measures taken, please refer to the explanation in section (3).

(3) The Chairman and the President (or equivalent position) being the same person or being spouses or first-degree relatives, the reasons, rationale, necessity, and corresponding measures:

In recent years, the Company has undergone a severe operational challenge during the development of advanced ceramic materials, coinciding with the transformation of LEATEC into a high-level ceramic material producer. The planning of product offerings and establishment of production sites require close coordination. The company's operational responsibilities and strategies must be aligned and executed with consistency. In order to effectively implement the decisions made by the board of directors, after careful evaluation, the Chairman has assumed the role of President to swiftly execute the company's strategies.

The current Chairman has been an integral part of the company's most important management team and one of the founders since the establishment of LEATEC. They have a comprehensive understanding of the company's limited resources, including human resources and market conditions. Their understanding and insight into the company's future development and industry characteristics make them the most suitable manager at present. LEATEC is a unique production facility in the field of applied materials science, and the manager must possess specialized material knowledge and market sensitivity. Consistency in implementing the company's strategies with determination is crucial, especially during LEATEC's current industrial transformation. Thus, it is necessary for the Chairman to also hold the position of President.

The board of directors and supervisors of LEATEC include independent directors who are industry professionals and academic experts. More than half of the directors do not hold positions as employees or managers in the company. However, they fully exercise their powers in supervising the implementation of the company's strategies and providing guidance on corporate governance. The cultivation of the subsequent management team is actively ongoing, with several departmental professionals gradually showcasing their strengths. The company's management team will become stronger as a result.

3. Remuneration of Directors, Supervisors, President and Vice Presidents

(1) Compensation of Directors and Independent Directors

2022.12.31 Unit: NT$1,000

Title	Name	Compensation to Directors								Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Relevant Compensation Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation from ventures other than subsidiaries or from the parent company
		Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Professional Practice (D)				Salary, Bonus, and Special Allowance (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
																Cash	Stock	Cash	Stock			
Chairman	CHEN, QING-JIN	240	240	0	0	0	0	30	30	270 -0.81	270 -0.81	2,309	5,377	29	29	0	0	0	0	2,608 -7.79	5,676 -16.96	None
Director	CHEN, JUAN-TING	240	240	0	0	0	0	25	25	265 -0.79	265 0.79	5,017	6,720	0	0	0	0	0	0	5,282 -15.78	6,985 -20.87	None
Director	ALPIN INTERNATIONAL CO., LTD. Rep: LIU JING RONG	240	240	0	0	0	0	30	30	270 -0.81	270 -0.81	0	0	0	0	0	0	0	0	270 -0.81	270 -0.81	None
Director	WU, ZE-YAO	240	240	0	0	0	0	30	30	270 -0.81	270 -0.81	0	0	0	0	0	0	0	0	270 -0.81	270 -0.81	None
Director	HUANG, LIAN-CHENG	240	240	0	0	0	0	20	20	260 -0.78	260 -0.78	0	0	0	0	0	0	0	0	260 -0.78	260 -0.78	None
Independent Director	GUO XIAN ZHANG	600	600	0	0	0	0	70	70	670 -2.00	670 -2.00	0	0	0	0	0	0	0	0	670 -2.00	670 -2.00	None
Independent Director	LAI, SHAN-GUI	600	600	0	0	0	0	70	70	670 -2.00	670 -2.00	0	0	0	0	0	0	0	0	670 -2.00	670 -2.00	None
Independent Director	CHEN, MENG-WU	600	600	0	0	0	0	70	70	670 -2.00	670 -2.00	0	0	0	0	0	0	0	0	670 -2.00	670 -2.00	None
Independent Director	CHEN, JIA-RONG	600	600	0	0	0	0	70	70	670 -2.00	670 -2.00	0	0	0	0	0	0	0	0	670 -2.00	670 -2.00	None

Note 1: Additionally, the Chairman's driver is provided with a compensation of NT$611,000.

(2) Compensation of Supervisors: The Audit Committee is established as a substitute for supervisors, so it is not applicable.

(3) Compensation to Presidents and Vice Presidents and Top Five Executives

2022.12.31 Unit: NT$1,000

Title	Name	Salary (A) (Note 1)		Severance Pay (B) (Note 2)		Bonus and Special Allowance (C)		Employee Compensation (D) (Note)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation from ventures other than subsidiaries
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash	Stock	Cash	Stock			
Chief Operating Officer	CHEN, JUAN-TING	2,242	3,353	0	0	2,775	3,367	0	0	0	0	5,017 -14.99	6,720 -20.07	None
CEO and President	CHEN, QING-JIN	1,442	3,875	29	29	867	1,502	0	0	0	0	2,338 -6.98	5,406 -16.15	None
Deputy Director of the Enterprise Center	ZHU, ZHI-HONG	1,250	1,250	0	0	810	810	0	0	0	0	2,060 -6.15	2,060 -6.15	None
Senior Director of Manufacturing	WU, WANG-QI	1,428	2,058	0	0	396	714	0	0	0	0	1,824 -5.45	2,772 -8.28	None
Chief Financial Officer	CHEN, YONG-CANG	1,192	1,526	0	0	314	631	0	0	0	0	1,506 -4.50	2,157 -6.44	None

Note 1: Additionally, the Chairman's driver is provided with a compensation of NT$611,000.

(4) Name of the manager who distributes the employee's compensation and the distribution status:

2022.12.31 Unit: NT$1,000

Item	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	CEO and President	CHEN, QING-JIN	0	0	0	0
	Chief Operating Officer	CHEN, JUAN-TING				
	Chief Financial Officer	CHEN, YONG-CANG				
	Senior Director of Manufacturing	WU, WANG-QI				

(5) Names, positions, and total number of employees receiving remuneration among the top 10 employees in the past two years:

1. In the fiscal year 2021, with a net profit after tax of NT$50,834,000, it was resolved by the board of directors in 2022 and proposed to the shareholders' meeting for approval to first offset the losses and not distribute employee remuneration.
2. In the fiscal year 2022, with a net loss after tax of NT$33,476,000, it is proposed not to distribute employee remuneration.

(6) Comparatively explain the analysis of the proportion of the total remuneration paid to the company's directors, supervisors, presidents and vice presidents by the company and all companies in the financial report in the recent two fiscal years after tax net profit, and explain the policy, standards, and combination of paying remuneration, the procedure for determining remuneration, and its correlation with operating performance and future risks:

1. The analysis of the proportion of the total remuneration paid to the company's directors, supervisors, presidents and vice presidents in the most recent two fiscal years after tax net profit is as follows:

Unit: NT$1,000

Item	Proportion of total remuneration paid in 2022 to net profit after tax		Proportion of total remuneration paid in 2021 to net profit after tax	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Net Income (Loss) after Tax	(33,476)	(33,476)	50,834	50,834
Director	4,015	4,015	1,675	1,675
Supervisor	-	-	710	710
President and Vice President	7,356	12,126	8,117	13,003
Total	11,371	16,141	10,502	15,388
%	(33.97)%	(48.22)%	20.66%	30.27%

2. Policies, standards, and composition of remuneration, establishment of remuneration procedures, and their correlation with operational performance and future risks:

(A) Directors:

Remuneration is primarily based on director's remuneration. If the Company generates profits in a given year, the board of directors may decide to allocate an amount not exceeding 5% of the pre-tax earnings as director and supervisor remuneration. The distribution of director and supervisor remuneration should be reported to the shareholders' meeting. In the fiscal year 2022, with a net loss after tax, no director remuneration was granted.

(B) President and Executives:

The remuneration for the President is determined at the time of appointment, taking into account similar positions in the industry. The fixed salary is determined and approved by the Remuneration Committee and reported to the board of directors for approval. The salary is paid on a monthly basis. The variable portion consists of employee remuneration, which is determined based on the annual operating performance. The board of directors will allocate employee remuneration from pre-tax earnings and distribute it based on the performance of each business unit.

The remuneration policy for directors is based on the regulations of company laws and is subject to the operational performance. In the event of poor business conditions, director remuneration will not be distributed to reflect the operational performance. The salary of the President is determined based on the approval of the Remuneration Committee and the resolution of the board of directors, taking into account the industry's remuneration levels. Employee remuneration is handled according to the specified regulations. As both the directors and the President are professionals with a deep understanding of the company's industry, they will not engage in activities that exceed the company's risk in pursuit of short-term remuneration. Therefore, the risk to the company's operational conditions is limited.

4. Corporate Governance Operations

(1) Board of Directors Operations

1. The 11th Board of Directors held six meetings in 2022, and the attendance of directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (Note)	Remarks
Chairman	CHEN, QING-JIN	6	0	100%	None
Director	CHEN, JUAN-TING	4	0	67%	None
Director	WU, ZE-YAO	6	0	100%	None
Director	HUANG, LIAN-CHENG	4	0	67%	None
Director	ALPIN INTERNATIONAL CO., LTD. Rep: LIU JING RONG	6	0	100%	None
Independent Director	GUO XIAN ZHANG	6	0	100%	None
Independent Director	LAI, SHAN-GUI	6	0	100%	None
Independent Director	CHEN, MENG-WU	6	0	100%	None
Independent Director	CHEN, JIA-RONG	6	0	100%	None

Other matters to be recorded:

1. If the following circumstances occur during the operation of the board of directors, the date of the board of directors, the session, the agenda, the opinions of all independent directors, and the company's handling of the opinions of independent directors should be stated:
   (a) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, and the provisions of Article 14-3 of the Securities and Exchange Act do not apply. Please refer to the operation of the Audit Committee (Page 23) for an explanation of the matters listed in Article 14-5 of the Securities and Exchange Act.
   (b) Other resolutions of the board of directors opposed or reserved by independent directors with recorded or written statements: None.
2. The implementation of directors' recusal from interested party transactions should state the name of the director, the content of the resolution, the reasons for recusal, and the participation in voting:

In the 11th board of directors in 2022, a total of six meetings were held. In the first meeting on

March 25, 2022, the eighth agenda item was "2022 Manager's Performance Bonus." The President (who is also the Chairman) and the CFO were required to recuse themselves. Independent director GUO XIAN ZHANG was designated as the acting chairman to discuss the agenda. The two managers did recuse themselves as required during the discussion of the agenda.

3. Listed and OTC companies are required to disclose information about the self-evaluation of the board of directors (or peer evaluation), including the evaluation period, scope, methods, and contents. Please refer to section (2) for the implementation of the board of directors' evaluation.
4. Evaluation of the goals and implementation of strengthening the functions of the board of directors in the current year and the most recent years:
   1. The Company has established the "Rules of Board Meetings" to adhere to, and the attendance status of the board of directors and their continuing education are inputted into the Market Observation Post System (MOPS).
   2. In accordance with Article 14-4 of the Securities and Exchange Act, the Company has established an Audit Committee to replace the supervisor. The Audit Committee consists of all independent directors and meets at least once every quarter. The committee is responsible for reviewing the appropriate expression of the company's financial statements, the appointment and independence of the auditing accountants, the effective implementation of internal controls, compliance with relevant laws and regulations, and the management of existing or potential risks.
   3. The Company's Compensation Committee for the fifth term consists of all independent directors and meets at least twice a year. The committee is responsible for regularly reviewing the regulations and making recommendations for amendments, establishing and periodically reviewing the policies, standards, and structures for the evaluation of directors and executives' performance and compensation.

2. Implementation of the Board of Directors' evaluation:

Evaluation Frequency	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
Once a year	From January 1, 2022, to December 31, 2022	Evaluation of the board of directors' performance	Internal self-evaluation of the board of directors	A. Participation in company operations. B. Enhancing the quality of board decision-making. C. Composition and structure of the board of directors. D. Selection and continuous education of directors. E. Internal controls.

Once a year	From January 1, 2022, to December 31, 2022	Evaluation of individual directors' performance	Self-evaluation of individual directors	A. Understanding of company goals and tasks. B. Awareness of director responsibilities. C. Participation in company operations. D. Management of internal relationships and communication. E. Professionalism and continuous education of directors. F. Internal controls.
Once a year	From January 1, 2022, to December 31, 2022	Evaluation of the Audit Committee and Compensation Committee	Self-evaluation of functional committees	A. Participation in company operations. B. Awareness of functional committee responsibilities. C. Enhancing the quality of functional committee decision-making. D. Composition and member selection of functional committees. E. Internal controls.

Evaluation Results:

1. The evaluation results of this assessment are divided into five levels: "Strongly Agree" (5 points), "Agree" (4 points), "Neutral" (3 points), "Disagree" (2 points), and "Strongly Disagree" (1 point).
2. The self-evaluation results of the Board of Directors for the year 2021 are as follows: (1) Board of Directors' Performance Evaluation - 4.67 points, (2) Individual Director Performance Evaluation - 4.71 points, (3) Audit Committee and Remuneration Committee Performance Evaluation - 4.97 points.
3. The evaluation results fall between "Strongly Agree" (5 points) and "Agree" (4 points), indicating that the overall operation of the Board of Directors is "good."

(2) Involvement of the Audit Committee in Board Operations:

1. In the 11th Board of Directors meeting in 2022, the attendance of the audit committee (independent directors) is as follows:

Title	Name	Attendance in Person	Attendance Rate (%)	Remarks
Audit Committee Member	LAI, SHAN-GUI	6	100%	Chairman
Audit Committee Member	GUO XIAN ZHANG	6	100%	None
Audit Committee Member	CHEN, MENG-WU	6	100%	None
Audit Committee Member	CHEN, JIA-RONG	6	100%	None

Composition and Responsibilities of the Audit Committee:

(1) Composition of the Audit Committee:

The Audit Committee of the Company consists of all independent directors, with four members. The Chairman of the first term is independent director LAI, SHAN-GUI.

(2) Responsibilities of the Audit Committee:

The Audit Committee aims to assist the Board of Directors in overseeing the appropriate presentation of financial statements, the selection and independence of auditing accountants, the effective implementation of internal controls, the company's compliance with relevant laws and regulations, and the management of existing or potential risks. The matters under deliberation include the following:

1. Formulating or amending internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
2. Assessing the effectiveness of internal control systems.
3. Establishing procedures for significant financial transactions, including the acquisition or disposal of assets, engaging in derivative transactions, lending funds to others, endorsing or providing guarantees for others.
4. Matters related to conflicts of interest of directors.
5. Significant asset or derivative transactions.
6. Significant lending of funds, endorsement, or provision of guarantees.
7. Fundraising, issuance, or private placement of equity securities.
8. Appointment, dismissal, or remuneration of auditing accountants.
9. Appointment or dismissal of financial, accounting, or internal audit supervisors.
10. Annual financial reports signed or sealed by the Chairman, management personnel, and accounting supervisor, as well as the second-quarter financial report subject to auditing certification by an accountant.

11. Other significant matters prescribed by the company or competent authorities.

Other items to be recorded:

1. If the operation of the Audit Committee falls into one of the following situations, the date, session, agenda, opposing opinions, reserved opinions, or significant recommendations of the Audit Committee, the decision of the Audit Committee, and the company's handling of the opinions of the Audit Committee shall be specified.
   (1) Matters listed in Article 14-5 of the Securities and Exchange Act: Please refer to Note 1.
   (2) Other decisions not approved by the Audit Committee but approved by more than two-thirds of the directors: No such case.
2. Execution of Independent Directors' Recusal in Conflict of Interest Matters: None.
3. Communication between Independent Directors and Internal Audit Supervisor and Accountant (including significant matters, methods, and results of communication regarding the company's finance and business conditions).
   1. The internal audit supervisor submits audit reports and follow-up reports to the independent directors on a monthly basis. Upon request, the independent directors may ask for additional explanations, information, or hold meetings with the internal audit supervisor.
   2. The internal audit supervisor attends the Audit Committee and Board of Directors meetings to report on internal audit activities.
   3. The accountant attends the Audit Committee and attended all six meetings in 2022, communicates with the independent directors regarding the audit status, provides explanations on the recent impact of legal revisions on the company, and adequately answers questions raised by the independent directors.
   4. Communication between independent directors, internal audit supervisor, and accountant in the year 2022 (Note 2).
   5. As of now, there is good communication between the independent directors, internal audit supervisor, and accountant of the company.

Note 1：

Audit Committee Meeting Date	Agenda Content	Independent Director's Opinion	Audit Committee Resolution Results	Company's Response to the Audit Committee's Opinion
2022.03.25 The first time in 2022 Term 1-Meeting 6	1. Financial Statements and Business Report for the year 2021. 2. Profit and Loss Appropriation Proposal for the year 2021. 3. Convening the Annual Shareholders' Meeting of the	All independent directors did not raise any objection, reservation or significant	After the Chairman consulted all the members of the Board, the proposal	After the Chairman consulted all the directors, the resolution was passed without

	company for the year 2022. 4. Loan Agreement with the associated bank to support financial arrangements of the company. 5. Amendment of "Asset Acquisition or Disposal Procedures" of the company. 6. Results of the internal control system self-assessment conducted by the company for the year 2021. 7. Submission of a loan proposal from Leatec Fine Ceramics (Kunshan) Co., Ltd. to Leatec Applied Materials (Kunshan) Co., Ltd. 8. 2022 Performance Bonus Proposal for the company's management personnel.	recommendation.	was approved without objection and sent to the Board of Directors for resolution.	objection.
2022.05.12 The second time in 2022 Term 1-Meeting 7	1. Examination of Shareholder Proposals and Meeting Agenda for the company's 2022 Annual Shareholders' Meeting. 2. Loan Agreement with the associated bank to support financial arrangements of the company. 3. Annual self-assessment of the independence of the certifying accountant.	All independent directors did not raise any objection, reservation or significant recommendation.	After the Chairman consulted all the members of the Board, the proposal was approved without objection and sent to the Board of Directors for resolution.	After the Chairman consulted all the directors, the resolution was passed without objection.
2022.06.23 The third time in 2022 Term 1-Meeting 8	1. Loan Agreement with the associated bank to support financial arrangements of the company. 2. Endorsement and guarantee by the company for its subsidiary.	All independent directors did not raise any objection, reservation or significant recommendation.	After the Chairman consulted all the members of the Board, the proposal was approved without objection and sent to the Board of	After the Chairman consulted all the directors, the resolution was passed without objection.

			Directors for resolution.	
2022.08.11 The fourth time in 2022 Term 1-Meeting 9	1. Amendment of the "Retirement and Resignation Regulations for Senior Management" of the company. 2. Loan provided by Leatec Fine Ceramics (Samoa) Co., Ltd. (a subsidiary) to a third party.	All independent directors did not raise any objection, reservation or significant recommendation.	After the Chairman consulted all the members of the Board, the proposal was approved without objection and sent to the Board of Directors for resolution.	After the Chairman consulted all the directors, the resolution was passed without objection.
2022.11.10 The fifth time in 2022 Term 1-Meeting 10	1.Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements. 2. Loan provided by Cosmos Harvest International Limited (a subsidiary) to Leatec Fine Ceramics (Samoa) Co., Ltd. (a subsidiary) to a third party. 3. Endorsement and guarantee by the company for its subsidiary, Leatec Fine Ceramics (Samoa) Co., Ltd. 4. Proposed issuance of secured general corporate bonds for the year 2022. 5. Audit fees for the certifying accountant.	All independent directors did not raise any objection, reservation or significant recommendation.	After the Chairman consulted all the members of the Board, the proposal was approved without objection and sent to the Board of Directors for resolution.	After the Chairman consulted all the directors, the resolution was passed without objection.
2022.12.29 The sixth time in 2022 Term 1-Meeting 11	1.Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements. 2. Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements. 3. Loan provided by Leatec Fine Ceramics (Kunshan) Co., Ltd. (a	All independent directors did not raise any objection, reservation or significant recommendation.	After the Chairman consulted all the members of the Board, the proposal was approved without objection and sent to the	After the Chairman consulted all the directors, the resolution was passed without objection.

	subsidiary) to Leatec Applied Materials (Kunshan) Co., Ltd. 4. Submission of the 2023 annual audit plan for internal audit by the company.		Board of Directors for resolution.	

Note 2

Meeting Date	Communication Situation	
2022.03.25	Attendees	LAI, SHAN-GUI, Independent Director; GUO XIAN ZHANG, Independent Director; CHEN, MENG-WU, Independent Director; CHEN, JIA-RONG, Independent Director; XU, JIN-MING, Accountant; CHEN, YONG-CANG, Chief Financial Officer; WENG, XUE-PAN, Audit Director
	Summary of key points	1.2021 Q4 internal audit report and questions and answers. 2. 2021 financial report audit focus.
	Communication results	No comments for this meeting.
2022.05.12	Attendees	LAI, SHAN-GUI, Independent Director; GUO XIAN ZHANG, Independent Director; CHEN, MENG-WU, Independent Director; CHEN, JIA-RONG, Independent Director; XU, JIN-MING, Accountant; CHEN, YONG-CANG, Chief Financial Officer; WENG, XUE-PAN, Audit Director
	Summary of key points	1. First quarterly report on internal audit business and responses to questions in 2022. 2. The possible impact of the significant events disclosed in the first quarterly financial report on the financial report. 3. Significant review adjustments for the first quarter. 4. Recent legal updates.
	Communication results	No comments for this meeting.
2022.08.11	Attendees	LAI, SHAN-GUI, Independent Director; GUO XIAN ZHANG, Independent Director; CHEN, MENG-WU, Independent Director; CHEN, JIA-RONG, Independent Director; XU, JIN-MING, Accountant; CHEN, YONG-CANG, Chief Financial Officer; WENG, XUE-PAN, Audit Director
	Summary of key points	1. Q2 2022 internal audit report and responses to questions. 2. Significant review adjustments for the third quarter.
	Communication results	No comments for this meeting.
2022.11.10	Attendees	LAI, SHAN-GUI, Independent Director; GUO XIAN ZHANG, Independent Director; CHEN, MENG-WU, Independent Director; CHEN, JIA-RONG, Independent Director; XU, JIN-MING, Accountant; CHEN, YONG-CANG, Chief Financial Officer; WENG, XUE-PAN, Audit Director
	Summary of key points	1. Report on internal audit operations and responses to questions for the third quarter of 2022. 2.The third quarter income statement changes. 3. Significant review adjustments for the third quarter.
	Communication results	No comments for this meeting.
2022.12.29	Attendees	LAI, SHAN-GUI, Independent Director; GUO XIAN ZHANG,

		Independent Director; CHEN, MENG-WU, Independent Director; CHEN, JIA-RONG, Independent Director; XU, JIN-MING, Accountant; CHEN, YONG-CANG, Chief Financial Officer; WENG, XUE-PAN, Audit Director
	Summary of key points	1. Internal audit annual plan for 2023. 2. The accountant audited the asset impairment, inventory control, and land acquisition of Kunshan plant.
	Communication results	No comments for this meeting.

(3) Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Explanation	
1. Has the Company formulated and disclosed the Code of Corporate Governance Practices in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has formulated a "Code of Corporate Governance Practices" and has been implementing it in accordance with the prescribed norms; please refer to the Company's website at http://www.leatec.com→Investor Zone→Corporate Governance for the relevant norms.	No difference
2. Shareholding structure and shareholders' rights				
(1) Has the Company established internal procedures to deal with shareholders' proposals, questions, disputes and litigation matters, and implemented them in accordance with the procedures?	✓		(1) The Company has a dedicated e-mail address for handling shareholders' suggestions and disputes.	No difference
(2) Does the Company have a list of the major shareholders and the ultimate controllers of the major shareholders who actually control the Company?	✓		(2) The Company maintains a shareholders' register and has set up a person to manage the relevant information, and keeps track of the list of major shareholders who actually control the Company and the ultimate controllers of major shareholders; and reports the number of shares held by directors, supervisors and major shareholders on a monthly basis in accordance with the Securities and Exchange Act.	No difference
(3) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?	✓		(3) The Company has established supervisory practices for subsidiaries and related party transactions.	No difference
(4) Has the Company established internal regulations to prohibit insiders from trading marketable securities using undisclosed information in	✓			No difference

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
the market?			(4) The Company has established "Procedures for Prevention of Insider Trading Management" and conducts annual insider education, and no insider trading violations occurred in 2022.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors formulated a diversity policy, specific management objectives and implemented them with respect to the composition of its members? (2) Has the Company voluntarily established any functional committees other than the Compensation Committee and Audit Committee in accordance with the law? (3) Has the Company established a method for evaluating the performance of the Board of Directors and its assessment methods, and conducts performance evaluation annually and regularly, and reports the results of performance evaluation to the Board of Directors and uses them as reference for individual directors' salary and compensation and nomination for reappointment?	✓ ✓ ✓ ✓		(1) The members of the Board of Directors have been selected with due consideration to the diversity policy and specific management objectives, and have been implemented to meet the Company's development plan. (2) The Company has established a Compensation Committee and an Audit Committee in accordance with the law, and has not established any other functional members. (3) The 2022 board performance evaluation includes board performance evaluation, individual director performance evaluation, and functional committee (compensation committee and audit committee) performance evaluation. It is conducted based on performance evaluation criteria provided by the regulatory authorities. The self-assessment results are as follows: (1) Board performance evaluation - 4.67 points, (2) Individual director performance evaluation - 4.71 points, (3) Audit and Compensation Committee	No difference No difference No difference No difference

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Explanation	
(4) Does the Company regularly evaluate the independence of the certified public accountants?			performance evaluation - 4.97 points. These scores fall between 5 points for "strongly agree" and 4 points for "agree," indicating a good overall functioning of the board. (4) The Board of Directors' Office completed the evaluation of the independence of the certified public accountants on March 15 and submitted the evaluation results to the Audit Committee and the Board of Directors for consideration on March 24, 2023. Deloitte & Touche XU, JIN-MING, CPA and XU, WEN-YA, CPA have been evaluated to meet the Company's independence evaluation criteria (Note 1) and are qualified to serve as the Company's certified public accountants and to obtain the CPA's independence statement.	
4. Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board meetings and shareholders' meetings in accordance with the law, and preparing minutes of board meetings	✓		The President's Office Treasurer is responsible for corporate governance-related matters, and the Treasurer also holds the position of Head of Corporate Governance.	No difference

Evaluation Item	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
and shareholders' meetings, etc.)?				
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), set up a stakeholders' area on the Company's website, and responded appropriately to important CSR issues of concern to stakeholders?	✓		1. Stakeholders can communicate with company personnel through telephone, mail, internal meetings, external meetings, email, and the company's website. 2. The company has established a website, www.leatec.com, as a communication channel: (1) Investor Relations section → Investor Contacts, providing the names, extension numbers, and emails of company spokespersons and authorized spokespersons. (2) Investor Relations section → Stakeholders, providing contact email addresses for different types of stakeholders. 3. There is also a dedicated email address, public@leatec.com, for stakeholders to directly convey messages, which will be handled by designated personnel.	No difference
6. Does the Company appoint a professional stockbroker to conduct the shareholders' meeting?	✓		The company has entrusted Grand Fortune Securities Co., Ltd., Shareholder Services Department, with handling matters related to shareholders' meetings.	No difference
7. Information Disclosure (1) Has the Company set up a website to disclose financial and corporate governance information?	✓		(1) The website address is http://www.leatec.com, featuring an Investor Relations section that includes areas such as Shareholder Relations, Corporate Governance, Financial Information, and Stakeholders, disclosing relevant	No difference

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Explanation	
(2) Has the Company adopted other means of information disclosure (e.g., setting up an English website, designating a person responsible for the collection and disclosure of corporate information, implementing a spokesperson system, placing the proceedings of the corporate presentation on the Company's website, etc.)? (3) Does the Company announce and report its annual financial statements within two months after the end of the fiscal year, and announce and report its first, second and third quarterly financial statements and monthly operating conditions well in advance of the prescribed deadline?	✓ ✓		information. (2) The company's website is available in both Chinese and English, with dedicated personnel responsible for information gathering and regular updates on financial and business conditions. There is one spokesperson and one authorized spokesperson, with their relevant information disclosed. (3)1. Although the company's 2022 annual financial report was not announced and filed within two months after the end of the fiscal year, it was duly filed by the end of March, in compliance with the law. The 2022 financial report was discussed and approved by the board of directors on March 24, 2023, and filed within the deadline. 2. The financial reports for the first, second, and third quarters of 2022, as well as the monthly operating performance, were all duly announced and filed within the prescribed legal deadlines.	No difference No difference
8. Does the Company have any other important information that would be helpful to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of interested parties, the training of directors and supervisors, the implementation of risk	✓		1. The Company has always valued employee rights and provides channels for employee feedback through an employee suggestion box, monthly all-staff meetings, periodic educational training, a library, and the regular issuance of an electronic newsletter that provides information on employee health, leisure, and personal growth. A welfare committee has been established to ensure employee	No difference

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Explanation	
management policies and risk measurement standards, the implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?			rights. 2. The establishment of a company website facilitates communication with stakeholders at any time. 3. The Company has established a proposal improvement system, a labor-management committee, and spokespersons. It has also engaged lawyers, share registrars, accountants, and other consultants to respect and safeguard the rights of all stakeholders. 4. The Company adheres to the principle of integrity and honors commitments to suppliers and stakeholders. There have been no instances of delayed payments, thus maintaining good relationships with suppliers and stakeholders. 5. The directors of the Company periodically participate in professional development related to finance, business, and other fields. The following are noted: (1) The nine directors (including independent directors) have fulfilled the minimum requirement of at least 6 hours of professional development in 2022, as stipulated by the law. Please refer to Note 2 for details. (2) The details of directors' professional development in 2022 have been disclosed on the "Market Observation Post System (MOPS)" (website:	

Evaluation Item	Implementation Status			Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Explanation	
			http://mops.twse.com.tw). 6. The Company adheres to the principle of stable and sustainable management, focusing on core business operations. All business strategies and investments are made with the ability to control and withstand risks as a prerequisite. 7. The Company designs and produces high-quality products to meet customer demands in terms of quality and quantity. 8. The Company has purchased directors' liability insurance with a coverage amount of US$5,000,000.	
9. Please provide information on the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, as well as priorities and measures for improvement for those that have not been improved.	✓		The Company values the results of the corporate governance assessment and is conducting a detailed review of each item. It is committed to making improvements and implementing changes to the fullest extent possible with the existing resources of the company. Currently, the primary focus is on enhancing the company's profitability. The latest governance perspectives and systems will be thoroughly reviewed and incorporated into the company's regulations and management principles for effective implementation.	Areas for improvement and systems will be reviewed and incorporated into regulations and management principles.

Note 1: Standards for assessing auditor independence

Item	Evaluation Item/Conclusion		Results	Independence
1	Item	Whether the auditor has a direct or significant indirect financial interest in the Company.	N	Y
	Conclusion	No direct or significant indirect financial interest was found.		
2	Item	Whether the auditor has financing or guarantee transactions with the Company or its directors.	N	Y
	Conclusion	No financing or guarantee transactions were found.		
3	Item	Whether the auditor has a close business relationship or potential employment relationship with the Company.	N	Y
	Conclusion	The auditor has a purely financial reporting audit and certification relationship with the Company.		
4	Item	Whether the auditor or members of their audit team have served as directors, executives, or had influential positions in relation to the audit work at the Company in the current or past two years.	N	Y
	Conclusion	1. In 2022, the auditor and audit team have issued an independent statement verifying that none of their personnel have served as directors, executives, or in any position at the Company.		
		1. In 2022, the auditor and audit team have issued an independent statement verifying that none of their personnel have served as directors, executives, or in any position at the Company.		
5	Item	Whether the auditor has provided non-audit services that may directly affect the audit work for the Company.	N	Y
	Conclusion	No non-audit services were found.		
6	Item	Whether the auditor has acted as an intermediary for the Company's issuance of stocks or other securities.	N	Y
	Conclusion	No stocks or other securities were issued in 2022.		
7	Item	Whether the auditor has acted as a defense attorney for the Company or represented the Company in resolving conflicts with third parties.	N	Y
	Conclusion	The Company has not been involved in any conflicts with third parties from 2022 to the present.		
8	Item	Whether the auditor has a familial relationship with directors, supervisors, or individuals in significant positions that may influence the audit cases at the Company.	N	Y
	Conclusion	In 2022 and 2023, the auditor has no familial relationship with the Company's directors, supervisors, executives, etc.		

Conclusion:

1. In 2022, the auditing firm remains as Deloitte & Touche, with no changes in the engagement.
2. The auditors for 2022 are Mr. XU, JIN-MING and Ms. XU, WEN-YA, who have both provided independent statements.
3. Based on the assessment, both auditors, Mr. XU, JIN-MING and Ms. XU, WEN-YA, have demonstrated independence.

Note 2: The directors of the Company participated in professional development in finance and business, etc., as follows for the year 2022:

Title	Name	Date	Organizer	Course	Hrs
Chairman	CHEN, QING-JIN	8/25	Taipei Exchange	Briefing for Insiders on Equity in OTC Emerging Companies	3
		9/14	Securities and Futures Institute	The Risks and Opportunities of Climate Change and Net Zero Emission Policy on Business Operation	3
Director	CHEN, JUAN-TING	9/21	Accounting Research and Development Foundation	Concept Analysis of ISSB S1 Standard "General Requirements for Disclosure of Sustainability-Related Financial Information	3
		10/28		Promoting Green Transformation: Towards Net-Zero Carbon Emissions	3
Director	WU, ZE-YAO	9/6	Securities and Futures Institute	Global Risk Awareness - Opportunities and Challenges for the Next Decade	3
		913		Wafer Foundry and Advanced Packaging Technologies and Supply Chain Opportunities	3
Director	HUANG, LIAN-CHENG	8/24	Securities and Futures Institute	Recent Trends and Responses to International Carbon Tariffs	3
		9/6		Global Risk Awareness - Opportunities and Challenges for the Next Decade	3
Director	LIU JING RONG	9/16	Securities and Futures Institute	Financial information that directors are most likely to overlook	3
		9/16		Circular Economy Benefits and Business Models	3
Independent Director	GUO XIAN ZHANG	8/11	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Anti-Money Laundering and Fair Treatment Principles	3
		11/25	Taiwan Corporate Governance Association	Legal Restrictions and Judgment Analysis of Directors' Shareholding	3
Independent Director	LAI, SHAN-GUI	6/30	Taiwan Corporate Governance Association	ESG Reporting Trends and Business Implications of Information Disclosure	3
		10/19	Securities and Futures Institute	2022 Legal Compliance Briefing on Insider Equity Transactions	3
Independent Director	CHEN, MENG-WU	8/30	Corporate Operating and Sustainable Development Association	Corporate Governance and Independent Director Practices	3
		9/30		Independent Directors and Functional Committees	3
Independent Director	CHEN, JIA-RONG	8/8	Taiwan Investor Relations Institute	Corporate Sustainability Risks and Opportunities	3
		11/8		Important Civil and Criminal Liability of Directors and Supervisors and Case Studies	3

(4) Operation of the Remuneration Committee:

Title (Note 1)	Name	Professional Qualifications and Experiences	Independence	Number of members of other public companies' Remuneration Committees
Independent Director Convenor	GUO XIAN ZHANG	The Compensation Committee of the Company consists of all independent directors. For the qualifications and experience of committee members, please refer to pages 8-10 of this year's annual report under section (I) Director Information.	Please refer to the disclosure of independence information of independent directors on pages 11-14 of this year's annual report.	1
Independent Director	CHEN, MENG-WU			0
Independent Director	LAI, SHAN-GUI			0
Independent Director	CHEN, JIA-RONG			0

1. Members of the Compensation Committee: In the fifth term, there are four members: GUO XIAN ZHANG, LAI, SHAN-GUI, CHEN, MENG-WU, CHEN, JIA-RONG. Their term is from July 22, 2021, to July 21, 2024 (term ending with the eleventh Board of Directors).

2. Responsibilities of the Compensation Committee:
   (A) The scope of responsibilities of the Compensation Committee includes proposing recommendations on the following matters and submitting the proposals to the Board of Directors for discussion and resolution:
      A. Establishing and periodically reviewing policies, systems, standards, and structures for performance evaluation and compensation of directors, supervisors, and executives.
      B. Conducting regular evaluations and setting compensation for directors, supervisors, and executives.
      C. Other matters assigned by the Board of Directors.
   (B) When performing the above-mentioned duties, the Compensation Committee should adhere to the following principles:
      A. Performance evaluations and compensation for directors, supervisors, and executives should be based on industry norms and take into account individual performance, company performance, and the reasonable correlation with future risks.
      B. The Committee should not encourage directors and executives to engage in risk-taking behavior solely for the purpose of pursuing compensation.
      C. The proportions of short-term performance-based compensation and the timing of variable compensation payments for directors and senior executives should be determined based on industry characteristics and the nature of the company's business.

D. When the Board of Directors discusses the recommendations of the Compensation Committee, it should consider the amount, payment methods, and future risks related to compensation comprehensively.
E. If the Board of Directors does not adopt or amends the recommendations of the Compensation Committee, it should be approved by a two-thirds majority of the attending directors and a majority of the attending directors, and the resolution should explain in detail the reasons for deviating from the recommendations of the Compensation Committee.
F. If the compensation approved by the Board of Directors is superior to the recommendations of the Compensation Committee, the differences and reasons should be recorded in the minutes of the Board of Directors' meeting, and an announcement should be made within two days from the date of the Board's approval on the designated information disclosure website specified by the competent authority.
G. For the compensation matters of directors and executives of subsidiaries that require approval by the Board of Directors of the parent company, the recommendations of the Compensation Committee of the parent company should be sought first before submitting them for discussion at the Board of Directors.

3. Information on the operation of the Compensation Committee:

The fifth term is from July 22, 2021, to July 21, 2024. In 2022, the Compensation Committee held 2 meetings. The qualifications and attendance of committee members are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance	Remark
Convener	GUO XIAN ZHANG	2	0	100%	None
Committee Member	CHEN, MENG-WU	2	0	100%	None
Committee Member	LAI, SHAN-GUI	2	0	100%	None
Committee Member	CHEN, JIA-RONG	2	0	100%	None

Additional items to be recorded:

1. If the Board of Directors does not adopt or amend the recommendations of the Compensation Committee, it should state the date, term, agenda content, Board resolution, and the Company's handling of the Compensation Committee's opinions: No such cases.
2. For decisions of the Compensation Committee where members have dissenting or reserved opinions and there are records or written statements, it should state the date, term, agenda content, all members' opinions, and the handling of the members' opinions: No such cases.

(5) Implementation of Sustainable Development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons:

Items	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
1. Has the Company established a governance framework to promote sustainable development, set up a dedicated department for promoting sustainable development, authorized senior management to handle it, and supervised by the Board of Directors?	✓		The Company operates based on the principles of sustainable management: 1. Measures taken for employee health and safety include: conducting hazard identification and risk assessment education and training to ensure environmental and employee safety, obtaining ISO45001 certification and CNS45001 inspection certificates, and focusing on environmental health and safety protection by implementing relevant risk management policies and strategies. 2. Promotion of ISO14064	The Company promotes various issues and reviews them progressively, aligning with the intended spirit.
2. Has the Company conducted risk assessments related to environmental, social, and corporate governance issues relevant to its operations based on materiality principles and established relevant risk management policies or strategies?	✓		The President's Office drives the initiatives, and the Management Department executes various issues. Important conclusions are communicated to the Board of Directors' meeting unit for data consolidation and reporting.	The spirit is consistent with the Corporate Social Responsibility Practice Guidelines.
3. Environmental Issues (1) Has the Company established appropriate environmental management systems based on its industry characteristics?	✓ ✓		(1) The Company has established an environmental management system that is suitable for its industry characteristics and has obtained ISO140001 and ISO45001 certifications, as well as CNS45001	The spirit is consistent with the Corporate Social

Items	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
(2) Is the Company committed to improving energy efficiency, using low-impact renewable materials, and minimizing environmental impacts? (3) Has the Company assessed the potential risks and opportunities of climate change for its current and future business and taken relevant measures? (4) Has the Company measured greenhouse gas emissions, water usage, and total waste weight in the past two years and developed policies for greenhouse gas reduction, water conservation, or other waste management?	✓ ✓		inspection certificates. (2) Production units have implemented solvent recycling and material recycling in production processes to fully recycle and reduce the environmental burden. The Company constantly adjusts production equipment parameters and implements improvement measures to save energy. (3) The Company manages and reports gas and water emissions in compliance with legal regulations and collects and reuses materials and gases that can be recycled using appropriate equipment. (4) The Company has routine management in place for energy usage such as electricity and water.	Responsibility Practice Guidelines.
4. Social Issues (1) Has the Company established relevant management policies and procedures in accordance with relevant regulations and international human rights conventions? (2) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave, and other benefits) and appropriately reflected business performance or results in employee compensation? (3) Does the Company provide a safe and healthy working environment for employees and regularly	✓ ✓ ✓ ✓		(1) Links with government websites regarding labor laws and regulations are established to maintain company rules and regulations in accordance with the latest legal requirements, ensuring the protection of employees' legal rights. (2) Statutory employee benefits are specified, and additional non-statutory employee benefits are introduced, with employee bonuses based on the Company's annual performance. (3) Regular health checks and special operation personnel inspections are conducted. Communication channels within the company, including the employee portal website, internal newsletters, monthly meetings,	The spirit is consistent with the Corporate Social Responsibility Practice Guidelines.

Items	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
conduct safety and health education? (4) Has the Company established effective career development and training programs for employees? (5) Does the Company comply with relevant regulations and international guidelines regarding customer health and safety, customer privacy, marketing and labeling, and have policies and complaint procedures to protect consumer or customer rights? (6) Has the Company established a supplier management policy that requires suppliers to comply with relevant regulations and standards on environmental protection, occupational health and safety, or labor rights, and implemented it?	✓ ✓		bulletin boards, and electronic bulletin boards, are used to enhance dialogue and exchange of opinions between labor and management. The goal is to maintain the existing harmonious labor-management relationship and further enhance it. (4) The Company has an internal newsletter and an occupational health and safety management system. Based on the results of employee health checks, health seminars are conducted. Occupational health and safety, fire prevention, and emergency response (including power outages, fires, and evacuations) are incorporated into general education and training for all employees, which is conducted regularly. (5) Monthly meetings are held to provide direct face-to-face communication between employees and management. This allows employees to understand the Company's management philosophy, operational status, and presentations by senior executives on specific projects. It enables employees to grasp the Company's operations and development dynamics. (6) The Company has established contractor management procedures and "third-party liability insurance" to regulate the entry of contractors into the Company's premises and ensure compliance with safety, health, and environmental management regulations. Contractors engaged by the Company must meet the qualifications specified for bidding and waste removal responsibilities. Before engaging in	

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>contracting work, contractors must complete the necessary applications and assessments. When entering the Company's premises, they need to be accompanied by Company personnel and comply with relevant entry regulations to ensure the safety of Company and contractor personnel.</td><td></td></tr>
<tr><td>5. Has the Company made reference to international standards or guidelines for the preparation of reports, such as perpetual reports, which disclose non-financial information about the Company? Has the Company obtained any assurance or guarantee from a third party?</td><td></td><td>✓</td><td>The Company is currently collecting information on various issues from each department and referencing industry-specific indicators as the basis for the upcoming Corporate Social Responsibility (CSR) report.</td><td>The spirit is consistent with the Corporate Social Responsibility Practice Guidelines.</td></tr>
<tr><td colspan="5">6. If the Ccompany has its own sustainable development practices based on the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe the differences between its operations and the established practices:
Content collection data is being developed.</td></tr>
<tr><td colspan="5">7. Other important information to help understand the implementation of sustainable development:
The company has a good management strategy and has made environmental protection, the source of product materials, and personnel health and safety management a key consideration before production activities, and has done a good job of protecting the rights and interests of investors and other basic work to further provide products of good quality and in compliance with environmental regulations, and to play a good role in the supply chain and to implement the spirit of honest management into the company's internal rules and systems for compliance.</td></tr>
</table>

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

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishing policies and programs for honest management (1) Has the Company established an honest management policy approved by the Board of Directors, and has the policy and practices of honest management been clearly stated in the Articles of Incorporation and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the management policy? (2) Has the Company established a mechanism to assess the risk of dishonest conduct, regularly analyze and evaluate the business activities within the scope of business that have a higher risk of dishonest conduct, and accordingly, formulate a plan to prevent dishonest conduct, and at least cover the preventive measures for the conducts mentioned in paragraph 2 of Article 7 of the "Code of Conduct for Listed Companies with Integrity"? (3) Does the company specify the operating procedures, guidelines for conduct, disciplinary and complaint	✓ ✓ ✓		(1) All procedures and methods required for the Company's operations and supplier management are in compliance with governmental laws and regulations and the spirit of integrity, and sales contracts and product specifications are in compliance with laws and regulations. (2) The Company's personnel rules and regulations regulate the behavior of employees not to violate the principle of integrity, and all new employees are instructed to conduct themselves. (3) The Company strictly enforces employee rewards and punishment management as an employee vigilance, and makes strict ethical regulations for senior management to make integrity the highest business practice, and regularly performs internal control system audits.	The Company upholds the code of ethics and operates with integrity. Integrity is the entrepreneurial spirit of the Company, and the execution of business plans and daily management activities is guided by the principle of integrity.

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
systems for non-compliance in the plan for preventing dishonest conduct, and implement them, and regularly review and revise the aforementioned plan?				
2. Implementation of honest management (1) Does the Company evaluate the integrity records of its customers and specify the terms of integrity behavior in the contracts signed between the Company and its customers? (2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policies and plans to prevent dishonest practices and monitor their implementation? (3) Does the Company have a policy on the prevention of conflict of interest, provide appropriate channels of representation, and implement them? (4) Has the Company established an effective accounting system and internal control system for the implementation of honest management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of dishonest acts, and checked the compliance of the dishonest act	✓ ✓ ✓ ✓ ✓		(1) The company has established a customer credit management system, in which the principle of integrity is incorporated, and supplier credit management is positioned and evaluated, with the spirit of basic laws and regulations as conditions such as environment, quality certification, and source of raw materials. (2) The Board of Directors is the core of the Company, and the President's Office and Management Department are instructed to promote the implementation of corporate integrity management, and to report any deviation immediately. (3) The Board of Directors has explicitly recused itself from the Board of Directors' meetings, and has established an internal personnel review committee that can serve as a channel for presentation. (4) The Company has established a complete accounting system and amended it in accordance with the law, and has a complete internal audit plan that is systematically implemented, and the conclusions of the audits are reported to the Audit Committee and the Board of Directors in accordance with the regulations, and audits are regularly	No difference

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
prevention plan accordingly, or has the Company appointed an accountant to perform the audit? (5) Does the Company regularly conduct internal and external education and training on integrity management?			performed by the accountants. (5) The Company holds regular monthly meetings where senior executives review operating results and announce future operating policies for compliance, and encourages relevant employees to participate in appropriate external training if available.	
3. Operation of the Company's whistleblower system (1) Has the Company established a specific whistleblower and reward system, established a convenient whistleblower channel, and assigned appropriate staff to receive whistleblowers? (2) Has the Company established standard operating procedures for the investigation of whistleblowing matters, follow-up measures to be taken after the completion of the investigation and the related confidentiality mechanism? (3) Does the Company take measures to protect whistleblowers from improper treatment as a result of whistleblowing?	✓ ✓ ✓		(1) The Company has a Personnel Review Board to enforce grievances and discipline and to request discipline in accordance with the Reward and Punishment Management System, which is handled by a dedicated staff in the Management Department. (2) The Company will conduct audits in accordance with the relevant handling procedures, and will maintain confidentiality during the auditing period. (3) Employees who file reports in accordance with the Company's management rules will not be affected by their actions.	No difference

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
4. Enhancement of information disclosure (1) Does the Company disclose the contents and effectiveness of its Code of Conduct on Integrity on its website and Market Observation Post System (MOPS)?	✓		(1) The Company has a corporate website and a dedicated unit to maintain relevant information at all times. The Company upholds the concept of honest management and discloses actual operating conditions in the Company's annual report, website and Market Observation Post System (MOPS) to facilitate investors' evaluation.	No difference
5. If the Company has its own code of ethics based on the "Code of Conduct for Listed and OTC Companies," please describe the differences between its operation and the established code: The Company upholds a code of ethics and integrity in its operations, with integrity being the core value of the company's entrepreneurial spirit. The execution of business plans and daily management activities are guided by the principle of integrity.				
6. Other important information that contributes to understanding the Company's operation with integrity: (such as the Company's review and amendment of its established code of ethics) The Company timely discloses information about its actual operational activities. It prioritizes environmental protection and quality assurance as fundamental criteria for suppliers. The Company engages in transactions with fully compliant enterprises and ensures that its business activities comply with relevant laws and regulations. The spirit of integrity is integrated into the Company's internal rules and regulations for adherence.				

(7) If the company has established corporate governance rules and related regulations, the method for inquiry should be disclosed:

The Company has established the "Corporate Governance Best Practice Guidelines," and the relevant regulations can be found on our company website at http://www.leatec.com→Investor Relations→Corporate Governance.

(8) Other important information that can enhance understanding of the company's governance operations may also be disclosed:

Please refer to the summary explanation of the company's governance practices in section (3) Corporate Governance Operations, point 8 (page 29).

(9) The following matters should be disclosed regarding the implementation of the internal control system:

1. Internal Control Statement:

LEATEC FINE CERAMICS CO., LTD.

Internal Control System Statement

Date: March 24, 2023

The Company hereby declares the following based on the self-assessment of its internal control system for the year 2022:

1. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors and management. The Company has already established this system. Its purpose is to achieve the goals of operational effectiveness and efficiency (including profitability, performance, and asset security), reliable reporting, timeliness, transparency, and compliance with relevant regulations and laws, providing reasonable assurance.
2. The internal control system has inherent limitations, and no matter how well-designed, an effective internal control system can only provide reasonable assurance in achieving the above three goals. Moreover, the effectiveness of the internal control system may change due to changes in the environment and circumstances. However, the Company's internal control system has a self-supervision mechanism, and any deficiencies identified will be promptly addressed.
3. The Company evaluates the effectiveness of the internal control system based on the criteria set forth in the "Guidelines for Public Companies to Establish Internal Control Systems" (hereinafter referred to as the "Guidelines"). The internal control system criteria adopted in the "Guidelines" divide the internal control system into five components: 1) Control Environment, 2) Risk Assessment, 3) Control Activities, 4) Information and Communication, and 5) Monitoring Activities. Each component consists of several items. Please refer to the provisions of the "Guidelines" for the aforementioned items.
4. The Company has used the above internal control system criteria to assess the design and effectiveness of the internal control system.
5. Based on the assessment results mentioned above, the Company believes that its internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, including the design and implementation of understanding the degree of achievement of operational effectiveness and efficiency goals, reliable and timely reporting, transparency, and compliance with relevant regulations and laws, is effective in reasonably ensuring the achievement of the aforementioned goals.
6. This statement will become a major content of the Company's annual report and public disclosure statement, and will be made publicly available. Any fraudulent or concealed information in the disclosed content may incur legal liability under the Securities and Exchange Act Articles 20, 32, 171, and 174.
7. This statement was approved by the Company's Board of Directors on March 24, 2023. Out of 8 attending directors, 0 held opposing views, and the remaining directors agreed to the content of this statement.

LEATEC FINE CERAMICS CO., LTD.

Chairman: CHEN, QING-JIN

President: CHEN, QING-JIN

2. For the appointment of an accountant to review the internal control system, the accountant's review report should be disclosed: Not applicable.

(10) In the most recent year and up to the date of the annual report printing, the company and its insiders were punished according to law, the company's punishment for its insiders violating internal control system regulations, major deficiencies, and improvement situation: None.

(11) Important resolutions of the shareholders meeting and the board of directors in the most recent year and up to the date of the annual report printing:

1. Important resolutions and execution of the shareholders' meeting in the most recent year and up to the date of the annual report printing:

Date	Summary	Result	Implementaion
2022.6.23	1. Approval of the 2021 Business Report and Financial Statements. 2. Approval of the 2021 Loss Offset Statement. 3. Approval of the revision of the "Asset Acquisition or Disposal Procedure" of the Company.	1. Unanimous approval by all attending shareholders. 2. Unanimous approval by all attending shareholders. 3. Unanimous approval by all attending shareholders.	1. In accordance with the resolution, the 2021 loss will be offset. 2. Implementation of the revised "Asset Acquisition or Disposal Procedure".

2. Important resolutions of the Board of Directors.

Board Meeting	Agenda Content and Follow-up Actions	Matters listed in the Securities and Exchange Act §14-3	Opinions of Independent Directors
Term11 Meeting 6 2022.3.25	1. Financial Statements and Business Report for the year 2021.		
	2. Profit and Loss Appropriation Proposal for the year 2021.		
	3. Convening the Annual Shareholders' Meeting of the company for the year 2022.		
	4. Loan Agreement with the associated bank to support financial arrangements of the company.	V	None
	5. Amendment of "Asset Acquisition or Disposal Procedures" of the company.	V	None

Board Meeting	Agenda Content and Follow-up Actions	Matters listed in the Securities and Exchange Act §14-3	Opinions of Independent Directors
	6. Results of the internal control system self-assessment conducted by the company for the year 2021.		
	7. Submission of a loan proposal from Leatec Fine Ceramics (Kunshan) Co., Ltd. to Leatec Applied Materials (Kunshan) Co., Ltd.	V	None
	8. 2022 Performance Bonus Proposal for the company's management personnel.		
	Independent Director's opinion: Not applicable.		
	Company's handling of the independent director's opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		
Term11 Meeting 7 2022.5.12	1. Examination of Shareholder Proposals and Meeting Agenda for the company's 2022 Annual Shareholders' Meeting.		
	2. Loan Agreement with the associated bank to support financial arrangements of the company.	V	None
	3. Submission of the Company's annual self-assessment of the independence of the signing certified public accountant.		
	Independent Director's opinion: Not applicable.		
	Company's handling of the independent director's opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		
Term11 Meeting 8 2022.6.23	1. Loan Agreement with the associated bank to support financial arrangements of the company.	V	None
	2. Endorsement and guarantee by the company for its subsidiary.	V	None
	Independent Director's opinion: Not applicable.		
	Company's handling of the independent director's opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		
Term11 Meeting 9 2022.8.11	1. Amendment of the "Retirement and Resignation Regulations for Senior Management" of the company.		
	2. Loan provided by Leatec Fine Ceramics (Samoa) Co., Ltd. (a subsidiary) to a third party.	V	None
	Independent Director's opinion: Not applicable.		
	Company's handling of the independent director's opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		
Term11 Meeting 10 2022.11.10	1.Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements.	V	None
	2. Loan provided by Cosmos Harvest International Limited (a subsidiary) to Leatec Fine Ceramics (Samoa) Co., Ltd. (a subsidiary) to a third party.	V	None

Board Meeting	Agenda Content and Follow-up Actions	Matters listed in the Securities and Exchange Act §14-3	Opinions of Independent Directors
	3. Endorsement and guarantee by the company for its subsidiary, Leatec Fine Ceramics (Samoa) Co., Ltd.	V	None
	4. Proposed issuance of secured general corporate bonds for the year 2022.	V	None
	Independent Director’s opinion: Not applicable.		
	Company’s handling of the independent director’s opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		
Term11 Meeting 11 2022.12.29	1.Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements.	V	None
	2. Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements.	V	None
	3. Loan provided by Leatec Fine Ceramics (Kunshan) Co., Ltd. (a subsidiary) to Leatec Applied Materials (Kunshan) Co., Ltd.		
	4. Submission of the 2023 annual audit plan for internal audit by the company.		
	Independent Director’s opinion: Not applicable.		
	Company’s handling of the independent director’s opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		
Term11 Meeting 12 2023.3.24	1. Approval of the 2022 Financial Statements and Business Report of the Company.		
	2. Approval of the 2022 Profit and Loss Offset Statement.		
	3. Election of Independent Directors of the Company.		
	4. Proposed endorsement guarantee for Leatec Fine Ceramics (Kunshan) Co., Ltd., a subsidiary of the Company.	V	None
	5. Revision of the "Standard Operating Procedure for Handling Director Requests" of the Company.		
	6. Execution results of the Company's 2022 internal control system self-inspection.		
	7. Short-term loan agreements between the company and its subsidiaries and associated banks for financial arrangements.	V	None
	8. Performance bonus for the Company's management for the year 2022.		
	9. Calling the 2023 Shareholders' Annual General Meeting of the Company.		
	10. Annual self-assessment of the independence of the certifying accountant.		
	Independent Director’s opinion: Not applicable.		

Board Meeting	Agenda Content and Follow-up Actions	Matters listed in the Securities and Exchange Act §14-3	Opinions of Independent Directors
	Company's handling of the independent director's opinion: Not applicable.		
	Resolution result: For agenda item 8, Chairman CHEN, QING-JIN designated Independent Director GUO XIAN ZHANG as the acting chairman to discuss the item. Chairman CHEN, QING-JIN and CFO CHEN, YONG-CANG abstained due to conflicts of interest. After consulting the attending directors, the acting chairman, Independent Director GUO XIAN ZHANG, obtained unanimous agreement for the proposed "2022 Performance Bonus" from the Compensation Committee. All other agenda items were unanimously approved as well.		
Term11 Meeting 13 2023.4.28	1. Examination of shareholder proposals and shareholder meeting agenda for the Company's 2023 Shareholders' Meeting.		None
	2. Nomination and review of the list of candidates for independent directors.		None
	Independent Director's opinion: Not applicable.		
	Company's handling of the independent director's opinion: Not applicable.		
	Resolution result: Unanimous approval by all attending directors.		

(12) For the recent fiscal year and up until the date of printing of the annual report, there were no records or written statements of differing opinions from the directors or supervisors on important resolutions passed by the board of directors: None.

(13) For the recent fiscal year and up until the date of printing of the annual report, the resignation and dismissal status of positions including the Chairman of the Board, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Governance Officer, and Research and Development Officer: None.

5. CPA Fee Information

Fees and details of non-audit services paid to the signing certified public accountant and its affiliated firm and related entities:

Unit: NT$1,000

Name of Accounting Firm	Name of CPA	Period Covered by CPAs' Audit	Audit Fee	Non-audit Fee	Total	Remark
Deloitte & Touche	XU, JIN-MING XU, WEN-YA	2022.1.1~ 2022.12.31	4,070	660	4,730	None

Non-audit service fees paid to the signing certified public accountant and its affiliated firm and related entities amounted to NT$660,000, primarily for tax certification-related expenses and auditor travel expenses.

6. Information on Changing CPA:

(1) Regarding the former accountant:

<table>
<tr><td>Replacement Date</td><td colspan="4">August 2021</td></tr>
<tr><td>Reasons and Explanation for the Change</td><td colspan="4">Adjustments and arrangements in Deloitte & Touche's internal work resulted in the replacement of Accountants CHEN, WEN-XIANG and XU, JIN-MING with Accountants XU, JIN-MING and XU, WEN-YA.</td></tr>
<tr><td rowspan="3">Clarification whether it's due to the principal or the accountant terminating or not accepting the appointment</td><td colspan="2">Party
Situation</td><td>Accountant</td><td>Appointer</td></tr>
<tr><td colspan="2">Termination of appointment (voluntary)</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">No longer accepting (continuing) appointment</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Opinions and Reasons for Issuing Other Than Unqualified Audit Report in the Last Two Years</td><td colspan="4">None</td></tr>
<tr><td rowspan="3">Whether there are Disagreements with the Issuer</td><td rowspan="3">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Scope or procedures of audit</td></tr>
</table>

<table>
<tr><td rowspan="4"></td><td rowspan="2"></td><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>None</td><td colspan="2">V</td></tr>
<tr><td colspan="3">N/A</td></tr>
<tr><td>Other Disclosures (As required by the fourth point of the first item of paragraph 5 in Article 10 of this Standard)</td><td colspan="3">(1) The former accountant previously notified the Company of the lack of sound internal control systems, resulting in unreliable financial statements: Not applicable.
(2) The former accountant previously notified the Company that they are unwilling to be associated with the Company's financial statements or statements of the Company: Not applicable.
(3) The former accountant previously notified the Company of the need to expand the scope of the audit or indicated that expanding the scope of the audit may compromise the reliability of previously issued or soon-to-be-issued financial statements. However, due to a change of accountants or other reasons, the former accountant did not expand the scope of the audit: Not applicable.
(4) The former accountant previously notified the Company that, based on the collected information, the reliability of the issued or soon-to-be-issued financial statements may be compromised. However, due to a change of accountants or other reasons, the former accountant did not address this matter: Not applicable.</td></tr>
</table>

(2) Regarding the successor accountant:

Firm	Deloitte & Touche
Name	XU, JIN-MING and XU, WEN-YA
Date of Appointment	August 2021
Consultation Matters and Results Prior to Appointment Regarding Specific Transaction Accounting Treatment Methods or Accounting Principles and Possible Opinions on Financial Statements	N/A
Written Opinion of the Successor Accountant on Matters of Disagreement with the Predecessor Accountant	N/A

(3) Response from the former accountant regarding the provisions of Article 10, Sections 5.1 and 5.2 of the "Guidelines for Items to be Disclosed in Annual Reports of Publicly Traded Companies": None.

7. In the past year, the Chairman of the Company, the President, the person in charge of financial or accounting affairs, has not worked in the office of the certified accountant or its affiliated enterprise: None.

8. Recent years and up until the date of printing of the annual report, changes in equity transfer and equity pledge of directors, supervisors, managers, and shareholders with more than 10% stake:

(1) Changes in the shareholding of directors, managers, and major shareholders (holding more than 10% shares)

Title	Name	2022		As of April 22, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and President	CHEN, QING-JIN	0	0	0	0
Vice Chairman	CHEN, JUAN-TING	0	0	0	0
Director	WU, ZE-YAO	0	0	0	0
Director	HUANG, LIAN-CHENG	148,000	0	0	0
Director	ALPIN INTERNATIONAL CO., LTD.	0	0	0	0
Independent Director	GUO XIAN ZHANG	0	0	0	0
Independent Director	LAI, SHAN-GUI	0	0	0	0
Independent Director	CHEN, MENG-WU	0	0	0	0
Independent Director	CHEN, JIA-RONG	0	0	0	0
Chief Financial Officer	CHEN, YONG-CANG	4,000	0	0	0

Note: There are no major shareholders holding more than 10% of the total company shares.

(2) Share transfer information: None

(3) Share pledge information: None

9. Shareholding proportion of the top ten shareholders, their relationships with each other or spouses, or information on the relationship within the second degree of kinship:

2023.4.22

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
CHEN, QING-JIN	5,211,045	4.82%	1,304,450	1.26%	0	0%	CHEN, SHU-MEI CHEN, JUAN-TING LAN, SHU-FENG CHEN, WEI-ZHEN CHEN, ZHI-MIN	Spouse First-degree relative First-degree relative First-degree relative First-degree relative	None
CHEN, ZHI-MIN	4,299,000	3.98%	3,361,905	3.11%	0	0%	CHEN, WEI-ZHEN CHEN, QING-JIN CHEN, SHU-MEI CHEN, JUAN-TING LAN, SHU-FENG	Spouse First-degree relative First-degree relative Second-degree relative Second-degree relative	None
CHEN, WEI-ZHEN	3,361,905	3.11%	4,299,000	3.98%	0	0%	CHEN, ZHI-MIN CHEN, QING-JIN CHEN, SHU-MEI CHEN, JUAN-TING LAN, SHU-FENG	Spouse First-degree relative First-degree relative Second-degree relative Second-degree relative	None
LAN, SHU-FENG	2,387,355	2.21%	0	0.00%	0	0%	CHEN, QING-JIN CHEN, SHU-MEI CHEN, JUAN-TING CHEN, WEI-ZHEN CHEN, ZHI-MIN	First-degree relative First-degree relative Second-degree relative Second-degree relative Second-degree relative	None
CHEN, JUAN-TING	2,314,184	2.14%	0	0%	0	0%	CHEN, QING-JIN CHEN, SHU-MEI LAN, SHU-FENG CHEN, WEI-ZHEN CHEN, ZHI-MIN	First-degree relative First-degree relative Second-degree relative Second-degree relative Second-degree relative	None
ALPIN INTERNATIONAL CO., LTD.	1,535,000	1.42%	0	0%	0	0%	None	None	None
ALPIN INTERNATIONAL CO., LTD.	991	0%	0	0%	0	0%	None	None	None

Rep: LIU JING RONG									
HUANG, LIAN-CHENG	1,356,000	1.26%	0	0%	0	0%	None	None	None
CHEN, SHU-MEI	1,304,450	1.26%	5,211,045	4.82%	0	0%	CHEN, QING-JIN CHEN, JUAN-TING LAN, SHU-FENG CHEN, WEI-ZHEN CHEN, ZHI-MIN	Spouse First-degree relative First-degree relative First-degree relative First-degree relative	None
WEN, SHI-KUN	1,048,000	0.97%	0	0%	0	0%	None	None	None
HOU, YUE-JIAO	1,045,073	0.97%	855,000	0.79%	0	0%	None	None	None

10. Overall Holding Ratio

2023.3.31 Unit: Shares; %

Investment in Subsidiaries	Investment by the Company		Investment by Directors, Supervisors, Managers and Directly or Indirectly Controlled Enterprises		Comprehensive Investment	
	Shares	%	Shares	%	Shares	%
LEATEC FINE CERAMICS(SAMOA) CO., LTD.	26.7 million shares	100.00%	0	0.00%	26.7 million shares	100.00%
COSMOS HARVEST INTERNATIONAL LIMITED.	2 million shares	100.00%	0	0.00%	2 million shares	100.00%
Leatec Fine Ceramics (Kunshan) Co., Ltd.	0	0.00%	(Note 1)	100.00%	(Note 1)	100.00%
Leatec Applied Materials (Kunshan) Co., Ltd.	0	0.00%	(Note 1)	100.00%	(Note 1)	100.00%
KUNSHAN LEATEC SOLAR PV CO.,LTD	0	0.00%	(Note 1)	100.00%	(Note 1)	100.00%
Jiangsu Yongsheng New Energy Technology Co., Ltd.	0	20.25%	(Note 1)	0.00%	(Note 1)	20.25%
ECOCERA OPTRONICS CO.,LTD.	3.16 million shares	12.00%	0	0.00%	3.16 million shares	12.00%

Note 1: In Mainland China, equity is not categorized as shares.

IV. Fundraising Situation

1. Capital and Shares

(1) Sources of Capital

Unit: Shares / Amount: NT$

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1991.12	10	8,000,000	80,000,000	2,000,000	20,000,000	Initial investment: 20,000,000	None	None
1992.03	10	8,000,000	80,000,000	4,000,000	40,000,000	Cash capital increase: 20,000,000	None	None
1992.07	10	8,000,000	80,000,000	8,000,000	80,000,000	Cash capital increase: 27,750,000	Debt Repayment with Creditors: 12,250,000	None
1993.05	10	10,000,000	100,000,000	10,000,000	100,000,000	Cash capital increase: 20,000,000	None	None
1994.08	10	13,600,000	136,000,000	13,600,000	136,000,000	Cash capital increase: 36,000,000	None	None
1995.04	10	18,632,000	186,320,000	18,632,000	186,320,000	Cash capital increase: 40,800,000 Capital surplus transfer for capital increase: 9,520,000	None	None
1995.09 (Note 1)	10	50,000,000	500,000,000	26,632,000	266,320,000	Cash capital increase: 80,000,000	None	None
1995.10 (Note 2)	10	50,000,000	500,000,000	30,626,800	306,268,000	Cash capital increase: 13,316,000 Capital surplus transfer for capital increase: 26,632,000	None	None
1999.09 (Note 3)	10	50,000,000	500,000,000	33,689,480	336,894,800	Retained earnings transfer for capital increase: 30,626,800	None	None
2000.07 (Note 4)	10	50,000,000	500,000,000	47,100,000	471,000,000	Retained earnings transfer for capital increase: 14,486,480 Capital surplus transfer for capital increase: 19,203,010 Employee bonus transfer for capital increase: 415,710 Cash capital increase: 100,000,000	None	None
2001.06 (Note 5)	10	90,000,000	900,000,000	62,486,000	624,860,000	Retained earnings transfer for capital increase: 141,300,000 Employee bonus transfer for capital increase: 12,560,000	None	None
2002.07 (Note 6)	10	90,000,000	900,000,000	74,880,000	748,800,000	Retained earnings transfer for capital increase: 62,486,000 Capital surplus transfer for capital increase: 49,988,800 Employee bonus transfer for capital increase: 11,465,200	None	None

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2003.04 (Note 7)	10	117,000,000	1,170,000,000	79,167,537	791,675,370	Convertible corporate bonds: 42,875,370	None	None
2003.07 (Note 8)	10	117,000,000	1,170,000,000	79,180,811	791,808,110	Convertible corporate bonds: 132,740	None	None
2003.08 (Note 9)	10	117,000,000	1,170,000,000	83,132,551	831,325,510	Retained earnings transfer for capital increase: 3,951,740 Capital surplus transfer for capital increase: 35,565,660	None	None
2006.08 (Note 10)	10	117,000,000	1,170,000,000	83,092,551	830,925,510	Cancellation of treasury shares: 40,000 shares	None	None
2006.11 (Note 11)	10	117,000,000	1,170,000,000	81,147,551	811,475,510	Cancellation of treasury shares: 1,945,000 shares	None	None
2010.5 (Note 12)	10	117,000,000	1,170,000,000	81,029,551	810,295,510	Cancellation of treasury shares: 118,000 shares	None	None
2010.10 (Note 13)	10	117,000,000	1,170,000,000	85,677,394	856,773,940	Convertible corporate bonds: 46,478,430	None	None
2011.1 (Note 14)	10	117,000,000	1,170,000,000	87,968,466	879,684,660	Convertible corporate bonds: 22,910,720	None	None
2011.5 (Note 15)	10	117,000,000	1,170,000,000	89,705,546	897,055,460	Convertible corporate bonds: 17,370,800	None	None
2011.11 (Note 16)	10	117,000,000	1,170,000,000	88,841,546	888,415,460	Cancellation of treasury shares: 864,000 shares	None	None
2012.1 (Note 17)	10	117,000,000	1,170,000,000	86,541,546	865,415,460	Cancellation of treasury shares: 2,300,000 shares	None	None
2012.3 (Note 18)	10	117,000,000	1,170,000,000	85,041,546	850,415,460	Cancellation of treasury shares: 1,500,000 shares	None	None
2017.12 (Note 19)	10	117,000,000	1,170,000,000	85,963,698	859,636,980	Convertible corporate bonds: 9,221,520	None	None
2018.6 (Note 20)	10	117,000,000	1,170,000,000	109,414,751	1,094,147,510	Convertible corporate bonds: 23,451,053	None	None
2018.11 (Note 21)	10	117,000,000	1,170,000,000	108,079,751	1,080,797,510	Cancellation of treasury shares: 1,335,000 shares	None	None

Note 1: Approval document for capital increase on July 21, 1995: (84) TAI-CAI-ZHENG(I) No. 39293

Note 2: Approval document for capital increase on July 10, 1996: (85) TAI-CAI-ZHENG(I) No. 41573

Note 3: Approval document for capital increase on July 8, 1999: (88) TAI-CAI-ZHENG(I) No. 62110

Note 4: Approval document for capital increase on May 24, 2000: (89) TAI-CAI-ZHENG(I) No. 45582

Note 5: Approval document for capital increase on May 8, 2001: (90) TAI-CAI-ZHENG(I) No. 124263
Note 6: Approval document for capital increase on June 25, 2002: TAI-CAI-ZHENG(I) No. 0910134623
Note 7: Approval document on May 22, 2003: JING-SHOU-SHANG-ZI No. 09201149460
Note 8: Approval document on September 18, 2003: JING-SHOU-SHANG-ZI No. 09201272170
Note 9: Approval document for capital increase on July 11, 2003: TAI-CAI-ZHENG(I) No. 0920131035
Note 10: Approval document on August 15, 2006: JING-SHOU-SHANG-ZI No. 09501174810
Note 11: Approval document on November 23, 2006: JING-SHOU-SHANG-ZI No. 09501264740
Note 12: Approval document on May 31, 2010: JING-SHOU-SHANG-ZI No. 09901107780
Note 13: Approval document on October 8, 2010: JING-SHOU-SHANG-ZI No. 09901225830
Note 14: Approval document on January 19, 2011: JING-SHOU-SHANG-ZI No. 10001011760
Note 15: Approval document on May 13, 2011: JING-SHOU-SHANG-ZI No. 10001097930
Note 16: Approval document on November 29, 2011: JING-SHOU-SHANG-ZI No. 10001272280
Note 17: Approval document on January 9, 2012: JING-SHOU-SHANG-ZI No. 10101004050
Note 18: Approval document on March 20, 2012: JING-SHOU-SHANG-ZI No. 10101048680
Note 19: Approval document on December 4, 2017: JING-SHOU-SHANG-ZI No. 10601164110
Note 20: Approval document on June 1, 2018: JING-SHOU-SHANG-ZI No. 10701060080
Note 21: Approval document on November 27, 2018: JING-SHOU-SHANG-ZI No. 10701149550

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered ordinary shares (Note 1)	108,079,751	41,920,249	150,000,000	-

Note 1: The Company was listed on the over-the-counter market on January 10, 2002.

(2) Shareholder Structure

2023.4.22

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	220	37,245	32	37,497
Shareholding	0	0	2,193,933	103,875,007	2,010,811	108,079,751
Percentage	0%	0%	2.03%	96.11%	1.86%	100%

(3) Shareholding Distribution Status

1. Shareholding Distribution Status:

2023.4.22

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1- 999	24,476	240,634	0.22%
1,000- 5,000	10,545	21,828,293	20.20%
5,001- 10,000	1,398	11,757,716	10.88%
10,001- 15,000	300	3,905,305	3.61%
15,001- 20,000	238	4,523,409	4.19%
20,001- 30,000	172	4,583,993	4.24%
30,001- 40,000	85	3,103,598	2.87%
40,001- 50,000	51	2,399,435	2.22%
50,001- 100,000	123	8,757,141	8.10%
100,001- 200,000	62	8,615,775	7.97%
200,001- 400,000	22	6,046,209	5.59%
400,001- 600,000	11	5,360,231	4.96%
600,001- 800,000	2	1,271,000	1.18%
800,001-1,000,000	2	1,825,000	1.69%
1,000,001 or more	10	23,862,012	22.18%
Total	37,497	108,079,751	100.00%

2. Preferred shares: Not issued.

(4) List of Major Shareholders

2023.4.22

Shares / Shareholding	Shareholding	Percentage
CHEN, QING-JIN	5,211,045	4.82%
CHEN, ZHI-MIN	4,299,000	3.98%
CHEN, WEI-ZHEN	3,361,905	3.11%
LAN, SHU-FENG	2,387,355	2.21%
CHEN, JUAN-TING	2,314,184	2.14%
ALPIN INTERNATIONAL CO., LTD.	1,535,000	1.42%
HUANG, LIAN-CHENG	1,356,000	1.26%
CHEN, SHU-MEI	1,304,450	1.21%
WEN, SHI-KUN	1,048,000	0.97%
HOU, YUE-JIAO	1,045,073	0.97%

(5) The market price, net asset value, earnings, dividends per share, and related information for the past two years:

Item \ Year			2021	2022	As of March 31, 2023
Market Price per Share	Highest Market Price		37.25	32.05	19.50
	Lowest Market Price		21.70	12.20	15.90
	Average Market Price		28.99	24.71	17.77
Net Worth per Share	Before Distribution (Note 1)		10.63	10.52	10.10
	After Distribution (Note 2)		10.63	Not distributed	Not distributed
Earnings per Share	Weighted Average Shares		108,079,751	108,079,751	108,079,751
	Earnings per share (after retrospection)		0.47	(0.31)	(0.48)
Dividends per Share (Note 3)	Cash Dividends (Note 3)		0	0	0
	Bonus shares	Profit distribution	0	0	0
		Capital reserve distribution	0	0	0
	Accumulated unpaid dividends		0	0	0
Return on Investment	P/E Ratio (Note 4)		61.68	(79.71)	(37.02)
	P/B Ratio (Note 5)		0	0	0
	Cash dividend yield rate (Note 6)		0	0	0

Note 1: Net value per share = Shareholders' equity / (Number of common shares + Number of preferred shares - Number of treasury shares of the parent company).

Note 2: Filled in based on the distribution approved at the following year's shareholders' meeting.

Note 3: The allocation of 2022 retained earnings for deficit coverage is pending shareholders' meeting approval as of April 30, 2023.

Note 4: P/E ratio = Average closing price per share for the year / Earnings per share.

Note 5: P/B ratio = Average closing price per share for the year / Cash dividends per share.

Note 6: Dividend yield = Cash dividends per share / Average closing price per share for the year.

(6) Company's Dividend Policy and Implementation Status

1. Dividend Policy

The dividend policy of the Company is as follows:

The Company is in a stage of business growth, and the dividend policy is determined based on the Company's capital requirements, financial structure, and earnings. If the Company has a surplus in its annual financial statements, it will pay taxes and donations in accordance with the law, offset accumulated deficits, and allocate 10% as legal retained earnings. However, when the legal retained earnings reach the Company's paid-in capital, no further allocation is required. The remaining surplus will be allocated or reversed as specified by laws and regulations. If there is still a balance, it will be combined with accumulated undistributed earnings, and the Board of Directors will propose a profit distribution resolution to the shareholders' meeting for the distribution of dividends to shareholders.

The Company considers a balanced and stable dividend policy and will appropriately distribute dividends in the form of stock dividends or cash dividends, taking into account capital needs and dilution of earnings per share.

2. Proposed Distribution at the Shareholders' Meeting:

The Company had a net loss of NT$33,475,562 in 2022, including an actuarial loss of NT$4,799,234 from the welfare plan and income tax recognized benefit of NT$959,847 related to components of other comprehensive income. Adding the beginning balance of undistributed losses of NT$0, the total undistributed losses for 2022 amount to NT$37,314,949. It is proposed not to distribute director and supervisor remuneration, employee compensation, and shareholder dividends, resulting in a total ending balance of undistributed losses of NT$37,314,949.

(7) The impact of this shareholders' meeting's proposed free distribution of stocks on the company's business performance and earnings per share: None.

(8) Employee, director, and supervisor compensation

1. The percentage or range of compensation for employees, directors, and supervisors as stipulated in the Company's Articles of Incorporation:

According to the current provisions of the Articles of Incorporation, if there is a surplus in the annual financial statements, after paying income tax in accordance with the law, the previous year's losses should be offset first, and 10% should be allocated as legal retained earnings. If there is still a balance, it is allocated within the range of 1.5% to 15% of the pre-tax income before distributing employee and director/supervisor compensation, with a cap of 5% for employee and director/supervisor compensation. The remaining amount is determined by the Board of Directors and distributed based on a profit distribution resolution approved by the shareholders' meeting.

2. The basis for estimating the amount of employee, director, and supervisor compensation for the current period, the calculation basis for stock-based employee compensation, and the accounting treatment when the actual distribution amount differs from the estimated amount:

If there are changes to the estimated amount after the issuance of the annual financial statements, accounting adjustments will be made based on accounting estimates and reflected in the subsequent year's financial statements.

3. Information on the distribution of employee and director compensation for the year 2022 approved by the Board of Directors in 2023:

(1) The amount of employee and director/supervisor compensation distributed in cash or stock. If there is a difference compared to the estimated expense amount, the difference, reasons, and handling procedures should be disclosed:

The proposed 2022 financial statements of the Company, which were approved by the Board of Directors, do not include the distribution of director, supervisor, and employee compensation.

(2) The amount of employee compensation distributed in stock and the proportion to the current period's net profit and total employee compensation in the individual or separate financial statements: Not applicable.

4. Actual distribution of employee, director, and supervisor compensation for the previous year:

(1) Distribution of accrued employee and director/supervisor compensation for the year 2021: None.

(9) Share repurchase by the Company: None.

2. Handling of Corporate Bonds

(1) Corporate Bonds:

March 31, 2023

<table>
<tr><td colspan="2">Type of Corporate Bonds</td><td>2022 First Secured Corporate Bonds</td></tr>
<tr><td colspan="2">Issue Date</td><td>December 9, 2022</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$1,000,000</td></tr>
<tr><td colspan="2">Place of Issue and Trading</td><td>Listed for trading on the Taiwan Stock Exchange</td></tr>
<tr><td colspan="2">Issue Price</td><td>NT$100</td></tr>
<tr><td colspan="2">Total Amount</td><td>NT$250,000,000</td></tr>
<tr><td colspan="2">Interest Rate</td><td>Fixed annual interest rate: 2.03%</td></tr>
<tr><td colspan="2">Maturity</td><td>Maturity: December 9, 2025</td></tr>
<tr><td colspan="2">Guaranteed Institution</td><td>BANK OF KAOHSIUNG CO.,LTD.</td></tr>
<tr><td colspan="2">Trustee</td><td>Taipei Fubon Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>SinoPac Securities Corporation</td></tr>
<tr><td colspan="2">Signing Counsel</td><td>FAR EAST LAW OFFICE: Attorney QIU, YA-WEN</td></tr>
<tr><td colspan="2">Certified Public Accountant</td><td>Deloitte & Touche
CPA: XU, JIN-MING and XU, WEN-YA</td></tr>
<tr><td colspan="2">Repayment Method</td><td>Full principal repayment at maturity</td></tr>
<tr><td colspan="2">Outstanding Principal Amount</td><td>NT$250,000,000</td></tr>
<tr><td colspan="2">Terms of Redemption or Early Settlement</td><td>None</td></tr>
<tr><td colspan="2">Restrictions</td><td>None</td></tr>
<tr><td colspan="2">Name of Credit Rating Agency, Date of Rating, Results of Corporate Bond Rating</td><td>Guarantor rating: Moody's Taiwan AA-(twn)</td></tr>
<tr><td rowspan="2">Other Rights Attached</td><td>As of the date of printing the annual report, the amount of ordinary shares, American Depositary Receipts (ADRs), or other securities that have been converted (exchanged or subscribed)</td><td>N/A</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) method</td><td>Please refer to the attached issuance guidelines (pages 60-61).</td></tr>
<tr><td colspan="2">Issuance and conversion, exchange or subscription method, issuance conditions on the possible dilution of equity and the impact on existing shareholders' rights</td><td>N/A</td></tr>
<tr><td colspan="2">Name of Entrusted Custodian for Exchange Object</td><td>None</td></tr>
</table>

(2) Convertible Bonds Data: None

(3) Exchangeable Bonds Data: None

(4) Comprehensive Declaration of Issued Bonds Data: None

(5) Data on Bonds with Attached Warrants: None

3. Situation regarding preferred stock issuance: None.

4. Situation regarding overseas depositary receipts: None.

5. Situation regarding employee stock option issuance: None.

6. Situation regarding the issuance of new shares with restricted employee rights: None.

7. Situation regarding merger or acquisition of other companies' shares to issue new shares: None.

8. Execution of capital utilization plan:

(1) Uncompleted or recently completed cash capital increase, acquisition, or issuance of new shares or corporate bonds where the expected benefits have not yet materialized in the past three years: None

(2) Analysis of the Fund Utilization Plan for the current cash capital increase, issuance of corporate bonds, or issuance of employee stock options:

1. Details of the Fundraising Plan:

(1) Approval by the competent authority and document number: Taiwan Stock Exchange Corporation approval, Document ZHENG-GUI-ZHAI-ZI No. 11100129661, dated December 1, 2022.

(2) Total amount of funds required for this plan: NTD 250,000 thousand.

(3) Source of funds: Issuance of the 2022 First Secured Corporate Bonds.

(4) Project details, utilization progress, and expected benefits:

①Fund Utilization Plan and Expected Progress:

Unit: NT$1,000

Planned item	Expected completion date	Total amount of required funds	Scheduled capital usage progress
			Q4 2022
Repayment of Principal for the 2019 First Secured Corporate Bonds at Maturity	2022 Q4	250,000	250,000
Total		250,000	250,000

②Estimated Benefits:

The total amount raised in this fundraising is NT$250,000 thousand, which will be used to repay the principal of the 2019 First Secured Corporate Bonds at maturity. The main consideration is that issuing medium- to long-term corporate bonds can provide a fixed long-term funding cost and strengthen the financial structure. Although the coupon rate of the company's bonds is a fixed annual interest rate of 2.03%, which does not actually lower interest expenses, issuing fixed-rate corporate bonds denominated in New Taiwan Dollars eliminates exchange rate risks and allows for fixed long-term funding costs. This reduces the risk of future interest expense increases due to rising interest rates and provides positive assistance to the long-term operation and development of the company.

Items	Coupon Rate	Issuing Period	Original Use of Funds	Original Issuing Amount	Redemption Amount
Repayment of Debt for the 2019 First Secured Corporate Bonds at Maturity	0.90%	2019.12.13-2022.12.13	Repayment of Bank Loans and Reinforcement of Working Capital	2500,000	250,000

(5) Input Market Observation Post System (MOPS) date: December 9, 2022.

2. Execution Status

(1) The company has successfully completed the issuance of the 2022 First Secured Corporate Bonds according to the plan and received full payment on December 13, 2022. The execution status is as follows:

Unit: NT$1,000

Plan Items	Implementation Status			Reasons for being ahead or behind schedule and improvement plans
Repayment of Principal for the 2019 First Secured Corporate Bonds at Maturity	Utilized Amount	Planned	250,000	Already executed in the fourth quarter of 2022.
		Actual	250,000	
	Progress	Planned	100.00%	
		Actual	100.00%	

(2) When the capital increase plan is used to repay debts, an explanation should be provided comparing the changes in current assets, current liabilities, total liabilities,

interest expenses, operating income, and earnings per share. The financial structure should also be analyzed.:

In terms of the debt ratio, the issuance of the corporate bonds in this case allows obtaining long-term funding from the capital market to repay the soon-to-mature secured corporate bonds (current liabilities due within one year), which has no impact on the debt ratio but improves the liquidity and quick ratio, strengthening the ability to repay debts.

The coupon rate of the corporate bonds issued in this case is lower than the company's current average borrowing rate. Therefore, through this issuance, obtaining long-term funds from the capital market and using the entire fundraising amount to repay the soon-to-mature secured corporate bonds can reduce related interest expenses and alleviate financial burden compared to financing from financial institutions, which should have a positive impact on the company's financial leverage.

Benefit of the original loan purpose

Unit: NT$1,000

Item	2019	2020	2021
Operating Revenue	731,474	871,381	1,033,429
Operating Profit	(120,021)	28,083	99,180
Pre-tax Net Profit	(176,726)	(53,363)	84,666

Data source: Consolidated financial statements audited or reviewed by an accountant

The Company plans to repay the principal of the 2019 first secured ordinary corporate bonds in the amount of 250,000 thousand units. This repayment is primarily used to repay bank loans and enhance operating capital. The original loan purpose was to support the working capital needs of daily operations, lock in fixed funding costs, and mitigate future interest burdens due to rising interest rates. Additionally, a portion of the increased operating capital is allocated for future business development, maintaining the Company's competitive edge and ensuring long-term stable operations while optimizing the financial structure.

Based on the table above, the Company's operating revenue has grown steadily over the past three years, with improving operating profit and pre-tax net income, transitioning from losses to profits. This is mainly attributed to the impact of the China-U.S. trade negotiations on the electronic and automotive industries since 2019, followed by the significant impact of the global COVID-19 pandemic in 2020, which severely affected the Company's revenue and profitability. Therefore, the Company has been actively improving its operational capabilities, exercising prudence in product selection, and complying with environmental policy requirements, leading to improvements in revenue and profitability in 2021. Overall, the benefits generated are considered reasonable.

Item	2021	2022 (Estimated)	2023 (Estimated)
Financial Leverage (times)	(1.75)	2.51	1.65
Debt Ratio (%)	55.82%	55.4%	54.7%

Data source: The individual financial statements for 2021 are audited by an accountant, while the estimates for 2022 and 2023 are made by the Company.

The financial leverage ratio is used to measure the financial risk of debt-financed operations and assess the impact of changes in interest expenses on operating profit. A higher value indicates a greater financial risk borne by the Company. If the Company operates without debt, the financial leverage ratio is 1. The higher the value, the higher the financial risk. If the ratio is positive, it indicates that debt financing is still advantageous.

Since the face interest rate of the issued ordinary corporate bonds is lower than the Company's current average borrowing rate, issuing the bonds allows the Company to obtain long-term funding from the capital market. The full amount of the funds raised is used to repay the soon-to-mature secured ordinary corporate bonds. Compared to financing loans from financial institutions, this approach can save on interest expenses and alleviate the Company's financial burden, resulting in a positive impact on the financial leverage ratio.

LEATEC FINE CERAMICS CO., LTD.

Issuance Guidelines for the 2022 First Secured Ordinary Corporate Bonds

LEATEC FINE CERAMICS CO., LTD. (hereinafter referred to as the "Company") has received the letter of notification ZHENG-GUI-ZHAI-ZI No. 11100129661 from the Taiwan Stock Exchange (TWSE) and hereby establishes the following issuance guidelines for the corporate bonds:

1. Bond Name: LEATEC FINE CERAMICS CO., LTD. 2022 First Secured Ordinary Corporate Bonds (referred to as "Company Bonds").
2. Total Issuance Amount: The total issuance amount of the Company Bonds is NT$250 million.
3. Face Value: NT$1 million per bond.
4. Issuance Period: The Company Bonds have a three-year term, starting from December 9, 2022, and maturing on December 9, 2025.
5. Issuance Price: The Company Bonds will be issued at their full face value.
6. Coupon Rate: The coupon rate for the Company Bonds is a fixed annual rate of 2.03%.
7. Repayment Method: The Company Bonds will be repaid in full once at the end of three years from the issuance date.
8. Interest Payment Method: The Company Bonds will accrue interest at the coupon rate annually, based on simple interest. Interest payments for each NT$1 million bond will be rounded to the nearest dollar. If the repayment date coincides with a banking holiday, the payment will be made on the next business day without additional interest. If bondholders receive principal and interest after the due date, no additional interest will be paid.
9. Guarantee Institution: The Company Bonds are guaranteed by Kaohsiung Bank Co., Ltd.
10. Bond Form: The Company Bonds will be issued in dematerialized form and registered with the Taiwan Depository & Clearing Corporation.
11. Trustee: Taipei Fubon Commercial Bank Co., Ltd. will act as the trustee for the bondholders, representing their interests and exercising supervision over the Company's compliance with the issuance matters. A trust agreement will be established. All bondholders, whether subscribed at the time of issuance or acquired subsequently, agree to acknowledge and grant full authority to the trustee in accordance with the terms of the trust agreement and the issuance guidelines. This authorization cannot be revoked midway. Bondholders may review the content of the trust agreement at the Company's or trustee's business premises during business hours.
12. Principal and Interest Agent: The Company has entrusted Taoyuan Branch of Kaohsiung Bank Co., Ltd. to handle the repayment of principal and interest. The agent will process the allocation of principal and interest payments based on the bondholders' register provided by the Taiwan Depository & Clearing Corporation. The agent is responsible for withholding taxes in accordance with the law, preparing withholding certificates, and sending them to the bondholders.

13. Underwriter: The Company has appointed SinoPac Securities Corporation as the lead underwriter for public underwriting.
14. Notification Method: Except where otherwise stipulated by laws and regulations, all matters concerning the Company Bonds will be announced on the Market Observation Post System (MOPS) (https://mops.twse.com.tw).
15. Sales Target: Limited to professional investors as defined in the Rules Governing Issuance of Foreign Currency Denominated International Bonds by the Taiwan Stock Exchange.
16. Any matters not covered in these issuance guidelines shall be handled in accordance with relevant regulations of the competent authority.

V. Operation Overview

1. Operation Overview

(1) Business Scope

1. The main content of the Company's business includes:

(1) Manufacturing, processing, and trading of alumina ceramic substrates.

(2) Manufacturing, designing, processing, and trading of ceramic packaging substrates.

(3) Manufacturing, designing, processing, and trading of structural ceramic components.

(4) Manufacturing, designing, processing, and trading of electronic functional ceramic components.

(5) Manufacturing, designing, processing, and trading of thick film circuit components.

(6) Manufacturing, designing, processing, and trading of thin film circuit components.

(7) Import and export trading of the aforementioned products.

(8) Wholesale of molds.

(9) Retail of molds.

(10) Wholesale of basic chemical materials.

(11) Retail of basic chemical materials.

(12) Wholesale of industrial additives.

(13) Retail of industrial additives.

(14) Wholesale of plastic film bags.

(15) Retail of plastic film bags.

(16) Wholesale of refractory materials.

(17) Retail of refractory materials.

(18) Intellectual property rights.

(19) Product design services.

(20) In addition to licensed business, engaging in non-prohibited or restricted business activities under the law.

2. Business distribution ratio.

Unit: NT$1,000

Product	2022	
	Amount	%
Resistive Substrate	367,179	46.86
Non-resistive Substrate	405,701	51.78
Others	10,632	1.36
Total	783,512	100.00

3. Current product items include:
   (1) Ceramic substrates for chip resistors.
   (2) Ceramic substrates for chip resistors.
   (3) Thin film substrates for chip resistors.
   (4) Ceramic substrates for hybrid integrated circuits.
   (5) Ceramic raw materials for automotive oxygen sensors.
   (6) Ceramic substrates for automotive pressure sensors.
   (7) Ceramic substrates for lasers.
   (8) Grinding ceramic substrates.
   (9) Ceramic heat sinks for LEDs.
   (10) High thermal conductivity aluminum nitride heat sinks.
   (11) Aluminum nitride grinding substrates for 5G data centers.
   (12) ZTA (alumina toughened zirconia) substrates.
   (13) Dry-pressed/oil-pressed ceramic parts.
   (14) Ceramic substrates for power modules.
   (15) Thin film 98% alumina substrates.
   (16) Large-sized thick alumina substrates.

4. Planned development of new products:
   (1) High thermal conductivity/high strength aluminum nitride substrates.
   (2) Large-sized zirconia-toughened alumina substrates.
   (3) Silicon nitride grinding substrates.
   (4) High-purity 99.6% alumina substrates.

(2) Industry Overview

1. Industry status and development:

On January 31, 2023, the International Monetary Fund (IMF) updated its "World Economic Outlook" report, raising the global economic growth forecast for this year to 2.9%, an increase of 0.2%. At the same time, the organization raised its economic growth forecast for China in 2023 from 4.4% to 5.2%. The only country with higher growth expectations than this is India (6.1%).

IMF Chief Economist Pierre-Olivier Gourinchas stated at a press conference in Singapore that India and China together will account for half of global economic growth in 2023, while the United States and the Eurozone combined will only account for one-tenth. The reopening of China will stimulate economic activity, as the COVID-19 pandemic, which erupted in China in 2022, severely hindered economic activity. However, compared to the forecast for 2022 (3.4%), global economic growth in 2023 is expected to continue to slow to 2.9%, but there is a positive trend.

According to S&P Global Market Intelligence's prediction, economies in the Asia-Pacific region will dominate global economic growth in 2023, with China expected to grow by 4.4%, ASEAN by 4.3%, South Korea by 1.7%, and Japan by 1.2%. In contrast, an economic downturn is expected in Europe and the Americas.

S&P predicts a 3.5% real growth in the Asia-Pacific region in 2023, citing regional free trade agreements, efficient supply chains, and more competitive costs as driving factors for global economic growth.

Sara Johnson, Executive Director of Economic Research, stated that due to moderate economic growth in the Asia-Pacific, Middle East, and Africa regions, the global economy can avoid a recession, but the growth rate is limited. Johnson pointed out that with persistently high inflation and tightening financial market conditions, the global economic situation continues to deteriorate, and the European and American regions may face a recession in early 2023.

Fitch Ratings also expects the United States to enter a true recession in the second quarter of 2023, but considers it relatively mild compared to historical recessions. Many international institutions estimate that the US economic growth rate next year may remain at 1%, or even negative growth, resulting in an economic contraction. Whether the US dollar will strengthen further in the future will depend on whether inflation subsides, whether interest rates continue to rise, and the impact of emerging countries on debt.

China's nominal GDP was expected to surpass the United States and become the world's largest economy by 2029. However, factors such as "headwinds for Xi's administration," "zero-COVID policy," "decoupling between the US and China," and the US imposing a series of export controls on advanced chips and related manufacturing equipment to China have forced the estimated timeframe for the GDP reversal between the US and China to be postponed. It may be difficult for China to surpass the US and achieve the "largest economy" dream by 2029, and the mainland's economic growth is slower than originally anticipated.

Based on the economic analysis of the four major economies mentioned above, their leading indicators are declining, and the PMI indices are contracting. Furthermore, Taiwan's economy is also affected by the continuous destocking of global supply chains. Overall, the United States, China, and the Eurozone will still face significant challenges in early 2023. However, as inflation cools down, manufacturing inventories gradually decrease, and China achieves herd immunity, the probability of larger negative factors occurring in the second quarter and beyond is lower. However, the global economy in the first half of the year will generally face relatively challenging conditions, and improvement is expected in the second half of the year.

Despite the overall conservative outlook for the electronics industry this year (2023), customers such as WALSIN TECHNOLOGY CORPORATION, TA I TECHNOLOGY CO., LTD., THINKING ELECTRONIC INDUSTRIAL CO., LTD., YAGEO CORPORATION, and POLYTRONICS TECHNOLOGY CORPORATION are expected to achieve double-digit to marginal growth in their respective businesses. In addition to the automotive sector, which is considered one of the most important driving forces, each company has niche areas that contribute to the confidence of outperforming the performance of 2022.

Affected by factors such as inflation, war, and pandemic lockdowns, the overall environment is unfavorable. It is estimated that the PC industry market conditions may hit bottom in mid-2023. In addition to the consumer electronics base (PC), there will be a focus on strengthening the server, network communication (industrial control/infrastructure), automotive (electric vehicles) power components, energy storage, solar energy, 5G communications, and optical communications, which are several important future trends with continuous growth potential. The destocking of inventories is currently the key focus, and it was originally estimated that clients would return to normal levels and hit bottom in the second quarter, leading to market development and delivery in the first quarter.

The automotive industry in 2022 experienced various challenges such as the pandemic, logistics, chip shortages, the Russia-Ukraine war, and US-China confrontation. Amidst the disorder in production and supply chains, automakers struggled to cope with various variables. Although there was retaliatory car-buying demand from consumers in the post-pandemic era, global automotive sales in 2022 did not increase but barely maintained a scale of 80 million vehicles. Taiwan also suffered from the impact of insufficient new car supply, with new car sales in 2022 falling below 430,000 vehicles, a year-on-year decrease of about 4.5%.

Looking ahead to 2023, automakers are gradually finding ways to deal with an unstable supply chain, and new car production capacity is expected to gradually increase. Additionally, with a significant number of outstanding car orders from 2022 that have been postponed for delivery, the industry estimates that new car sales in 2023 will rebound compared to 2022. However, issues such as inflation and economic recession pose challenges, and significant price increases may suppress the industry's recovery momentum. With the recovery of Taiwan's new car supply in 2023, it is estimated that new car sales will increase slightly compared to 2022.

However, the challenges in the automotive industry in 2023 have shifted from the manufacturing end to the sales end. In the post-pandemic era, countries are gradually transitioning from retaliatory consumption to consumption contraction, establishing a downward trend in economic prosperity. To curb inflation, the significant interest rate hikes in the United States are impacting global stock and currency markets, reducing economic growth momentum, and affecting consumer confidence in car purchases.

The significant increase in car prices directly affects people's willingness to buy or replace cars. In the past two to three years, car manufacturers have gradually lost the price advantage they enjoyed due to car shortages. As outstanding car orders are gradually fulfilled, car manufacturers will directly face the challenge of an economic downturn.

The emerging electric vehicle market seems to have reached a turning point in the second half of 2022. Sales, which had been growing rapidly, noticeably slowed down in the second half of 2022. Even industry leader Tesla announced an unusual production halt during the Lunar New Year holiday in 2023 at its Shanghai super factory due to reduced output. The global electric vehicle industry is highly vigilant as the fourth-quarter 2022 global new car sales performance fell short of expectations.

According to the analysis by BloombergNEF (BNEF) on the global electric vehicle market in 2023, they have made five major predictions:

Prediction 1: Global electric vehicle sales will reach a new high in 2023, but the growth rate will slow down.

Prediction 2: BYD's pure electric vehicle sales may surpass Tesla.

Prediction 3: Battery prices will continue to rise, averaging US$152 per kilowatt-hour.

Prediction 4: The United States will officially enter the electric vehicle and battery manufacturing field.

Prediction 5: The electric vehicle industry will experience a wave of bankruptcies and mergers.

Another focus of attention is the ongoing semiconductor shortage in the automotive industry, despite some improvement in delivery times for certain automotive chips. Apart from automakers increasing production capacity, the increased quantity of chips required per vehicle is also a contributing factor to the overall higher chip demand in the automotive industry. An electric vehicle requires an estimated US$1,600 worth of semiconductors, which is significantly more than the US$500 worth of semiconductors required for a gasoline-powered vehicle.

Although there is an increased demand for automotive chips, analysts expect a tight supply of power semiconductors used for current control and analog semiconductors for power supply management throughout 2023.

According to data from the U.S. chip supplier Sourcengine, the estimated delivery time for power semiconductors has increased from 31 weeks to 51 weeks as of the end of May last year and from 39 weeks to 64 weeks as of the end of November last year.

Due to the chip shortage, Toyota and Honda fell short of their production plans in December last year, and both companies will adjust the operations of some of their Japanese plants this month. Several major automakers have stated that they do not expect parts supply to return to normal levels until 2024.

If the global economic slowdown worsens, it will take longer to clear the inventory, posing a stronger headwind risk for the chip market.

2. Outlook, Development, and Relationships with Upstream, Midstream, and Downstream Industries for the Whole Year

The Company primarily engages in the production of ceramic substrates and other ceramic products, which are essential materials for electronic components, automotive parts, and heat dissipation products. The relationship between the Company's products and the industries can be summarized as shown in the following diagram:

Precision Ceramic Substrate Industry Chain			
Role in the Industry Chain	Upstream	Midstream	Downstream
Industry Categories	Aluminum oxide powder materials Aluminum nitride powder materials	Ceramic substrates Structural ceramics Energy-saving ceramics	Chip resistors, automotive components, LED heat sinks, thick/thin-film integrated circuits, power modules, IGBT power modules, 5G communications, optical communications, medical and industrial control components

3. Product Development Trends and Competitive Situation

Smartphone technology continues to innovate, with constantly improving features such as retina or voice recognition, 3D facial recognition, 32-core processors, mobile computational cameras, battery life, and more. Major smartphone manufacturers are accelerating the development of related technologies and components, driving the demand for high thermal conductivity insulation materials and various passive components. It is anticipated that ceramic materials will be used in more designs in the future.

Furthermore, as smartphones and various mobile devices become more complex, the space for internal components is shrinking. This trend will drive strong demand for smaller and thinner substrates. Due to its leading technology and stable quality, LEATEC's market share in the smallest size and ultra-thin substrates has been continuously increasing, and it will continue to grow with the expanding market.

The chip resistors on ceramic heat dissipation substrates have increasingly precise current control requirements, and product designs demand stricter line spacing and line width for metal circuits. LEATEC has a strong foundation in ultra-dense ceramic substrates, and therefore, its market share in thin film resistor substrates is expected to gradually increase.

Ceramic substrates can also serve as carriers for PTC thermistors, generating heat sources. This allows the air conditioning compressor's cold air to be heated to a set constant temperature. The Company's special sintering process provides long and flat substrates for PTC heaters used in new energy vehicle air conditioning systems, and it has already achieved successful mass production, which is rapidly growing with the expansion of electric vehicles.

As the electric vehicle (EV) market continues to flourish, the Company is a pioneer in high thermal conductivity ceramic materials in the Greater China region. With the development and successful mass production of new materials such as ZTA substrates applied in IGBT power modules, the Company's product line will lead its transition from the traditional electronics (passive components) industry to markets that align with trends, including automotive electronics, 5G communications, optical communications, semiconductor processes, LED packaging, and green energy and energy-saving applications. The Company will collaborate with customers in design and development, making professional contributions to the industry.

(3) Technical and Research and Development Situation

1. Technological Level

The Company is currently the only domestic manufacturer that possesses the production and manufacturing technology for precision ceramic substrates and mass production. Through strong engineering technology and research and development teams in material design, slurry forming, and debinding sintering, the Company has successfully developed different grades of aluminum oxide and aluminum nitride substrates, such as 98% alumina, high thermal conductivity (K>200W/K) aluminum nitride (AlN) ceramics, and high-strength composite material zirconia-toughened alumina (ZTA) ceramics, providing ceramic substrates for automotive sensors and high-end precision film applications. Additionally, to effectively integrate the key materials in dry pressing processes, the Company actively develops alumina granulation powder technology in the early stage and successfully integrates dry pressing production processes to provide three-dimensional shaped ceramic parts for different customers' applications. In addition to mastering key technologies such as material design, forming and sintering, and machinery and equipment, the Company actively collaborates with well-known universities in the country to receive theoretical and practical experience in the field of materials. It also participates in government programs and grants for forward-looking technology applications to enhance the company's technological advancement in the basic ceramic materials industry.

2. R&D Expenses Invested and Successfully Developed Technologies or Products up to the Printing Date of the Annual Report for the Current Year

The Company's technologies primarily come from independent research and development. As of the 2022 fiscal year, R&D expenses of NT$54,457 thousand have been invested. The following products have been successfully developed, launched, and are under development:

Item	Progress	Overview
High thermal conductivity aluminum nitride substrates (K>200W/mK)	Batch testing	Customer validation with successive orders
Large-sized thick aluminum oxide grinding substrates	Small-scale testing	Customer PV validation
Heat-resistant shock-resistant zirconia-toughened alumina substrates	Experimental testing	Customer testing validation
Aluminum titanate powder synthesis	Experimental testing	Providing other products as sintering aids
96% alumina granulation powder	Mass production	Q1 2022 sales

3. Future-Year Research and Development Plans

(1) High-purity 99.6% alumina substrates

(2) High-purity 99.6% alumina grinding and polishing substrates

(3) Ultra-high thermal conductivity aluminum nitride substrates (K>230W/mK)

(4) High-strength high thermal conductivity aluminum nitride substrates

(5) High-strength high thermal conductivity silicon nitride substrates

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

1. Short-term Plans

In the past few years, the Company has deeply cultivated the automotive ceramic and precision film resistor markets, and the benefits will gradually materialize. With the increasing electrification of automotive systems and the popularity of intelligent and electric vehicles, the demand for passive components has been driven. Various automotive electronics, electric vehicle applications, and high-performance requirements have led to significant growth in the demand for ZTA, 98 thin film substrates, and AlN. Utilizing process and technological advantages, the Company will continue to increase development projects, expand market share overseas, and target the electric vehicle ceramic market. The R&D team will collaborate with automobile manufacturers to jointly develop new products from a design application perspective, strengthen the automotive market domain, and create highly competitive products with customized specifications for customers.

2. Long-term Plans

High-purity ceramics and composite materials are widely regarded as the most stable and suitable electronic materials. The Company's products have expanded into automotive ceramic materials and energy industries. Starting from ceramic core technology, LEATEC is moving towards the application of industrial ceramics in order to diversify business risks affected by the economy. With excellent quality and localized services, the resistor substrates have become the preferred choice for customers.

The Company will continuously enhance its technological capabilities, develop new processes and processing projects, expand the application areas of its products, and become a comprehensive ceramic technology and product manufacturer. It will add new material projects to become the preferred ceramic supplier for customers. The Company will also extend the level of substrate processing to improve production efficiency and actively seek strategic cooperation with other enterprises to achieve win-win goals. Responding to the global carbon reduction trend, it will enter the green energy and energy-saving industries and compete with European and American manufacturers.

2. Market and Production and Sales Overview

(1) Market Analysis:

1. Sales Regions of the Company's Main Products

The Company's products currently focus on oxide and non-oxide ceramic substrates. The distribution of main product sales by region and amount in the past three years is as follows:

Unit: NT$1,000

Sales Regions	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Asia	754,107	86.54	900,946	87.18	612,712	78.20
America	99,047	11.37	108,894	10.54	98,124	12.52
Europe	15,354	1.76	23,589	2.28	72,676	9.28
Other Regions	2,873	0.33	0	0.00	0	0.00
Total	871,381	100.00	1,033,429	100.00	783,512	100.00

2. Market Share

The following table shows the market share status of the Company's main product, alumina ceramic substrates:

Year	2019		2020		2021		2022	
Company	Domestic Market Share	Global Market Share	Domestic Market Share	Global Market Share	Domestic Market Share	Global Market Share	Domestic Market Share	Global Market Share
LEATEC	38%	20%	35%	28%	30%	21%	28%	19%
Maruwa	20%	27%	25%	25%	22%	24%	21%	23%
Kyocera	1%	2%	1%	2%	1%	2%	1%	2%
Others	41%	51%	39%	45%	47%	43%	50%	46%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Note: Data source: Company statistics

3. Market Future Supply and Demand Situation and Growth

The automotive sector is considered an important driving force and a market trend. Electric vehicle sales are expected to exceed 15 million units by 2025, with a compound annual growth rate of 40% over the next five years. This will drive the global charging station count to reach 280 million by 2040. The Company will primarily allocate resources and production capacity to advanced products such as protective components for automotive-grade batteries, automotive-grade chip resistors, and automotive power semiconductor substrates. The resistor substrates will continue to be produced and sold at the Kunshan plant, with technical support and new product development from the

Pingzhen plant. This will ensure a stable market demand with competitive pricing adjustments when necessary. Specialized and high-value-added products with unique specifications will be produced by the Taiwan production line, with close cooperation between the two sides of the Taiwan Strait, generating maximum synergies in terms of product adjustments and customer service.

The application of ceramic materials in the automotive market is gradually expanding. LEATEC's many years of experience in sensing components, heat dissipation, and insulation materials make it a major beneficiary of the future trends of the automotive Internet of Things and Industry 4.0. The Company has established quality assurance through long-term cooperation with international giants, enabling it to develop more diversified products. With improved technology and reputation, the Company will continue to experience continuous growth.

The development and marketing of new materials and ceramic composites will shift the focus from the traditional electronic materials industry to broader market applications such as automotive sensor components, power modules for electric vehicles, LED packaging, and mechanical equipment. The Company's material research and development technology and process control technology have been continuously improved. Sales of materials for the automotive industry will provide high-quality orders and market positioning for the Company. As the Company expands and extends its new materials and processes, it will play a more proactive role in precision ceramics, contributing more to the materials industry in Taiwan.

4. Competitive Advantages

(1) Internal Factors

①Possessing process technology for composite ceramic materials and finer ceramic materials.

②Manufacturing capability for laser processing of ceramic substrates and custom size requirements.

③Providing product parameters to assist customers in solving process issues.

④In-depth manufacturing experience and material research engineering talent in series processes.

⑤Automation deployment to increase efficiency and reduce dependence on manual labor.

(2) External Factors

①Ceramic materials widely used in the electronics and automotive industries, particularly in high-power components.

②Scarcity of talent with core ceramic material technology and process parameter experience, resulting in fewer new competitors.

③Continued utilization of composite ceramic materials in new products, leading to a continuous increase in future market demand.

④Increasing use of ceramic materials in the energy industry.

⑤Rapid development of the electric vehicle market, leading to a surge in demand for high-precision passive components, power dissipation modules, and IGBT power modules.

5. Prospects, Advantages, Disadvantages, and Countermeasures

(1) Advantages

①Whether in consumer electronics or industrial control components, the increasing functionality raises the requirements for materials, and ceramic materials and composites are among the most suitable options.

Alumina ceramic substrates are cost-competitive carriers for chip resistors and the most stable materials. The Company is currently one of the global manufacturers that possess the technology for manufacturing alumina ceramic substrates and have achieved economies of scale. The related raw material formulas and core process technologies have been developed in-house and institutionalized. The Company has precise control over equipment operating parameters and maintenance techniques, which will make significant contributions to sales in the future of composite material substrate production technology.

The global development of automated industries has invested significant resources, with an increasing usage of related control components, and ceramic materials do not cause environmental pollution. The Company's capabilities in the research, development, and production of ceramic composite materials and high-power ceramic substrates continue to grow, and it actively collaborates with manufacturers to develop products with suitable specifications.

②The quality and load capacity of control components and functional components continue to improve.

Ceramic materials can withstand high temperatures, wear and tear, and high power environments. Ceramic substrate materials are essential components for control components, and in the future, various products, including information exchange and 3C products, will be more diversified and integrated into daily life, including the Internet of Things (IoT) and automotive IoT. Information, communication, and consumer electronic products are included. Future products will focus on lightweight, thin, short, and small designs and require stable materials. Ceramic materials can fully leverage their characteristics to achieve perfect miniaturization of electronic product components. Therefore, the demand for resistors in the electronics and communication markets will continue to grow and be widely used. Due to the unlimited development potential of downstream resistor and automotive industries, there are significant growth opportunities for the Company's alumina ceramic substrates and ceramic products for the automotive industry.

③Ceramic materials have a high technological threshold.

The manufacturing process technology for ceramic materials requires long-term parameter data and stable control capabilities. LEATEC's core technologies, such as doctor blade forming and atmospheric sintering, are of high technical levels and require long-term control parameter experience. From material source management, formulation, parameter condition control during ball milling, doctor blade forming technology for green body production, automated die punching, issues of warpage and microcracks during sintering, substrate stack quantity, and more, time and continuous research and improvement are required to achieve smooth mass production and quality control. Therefore, a relatively long learning curve is needed, making it difficult for potential competitors to enter this industry.

④Future Demand

Applications such as smart electric vehicles, charging stations, 5G communication, optical communication, and the Internet of Things (IoT) are the focal points of global communication development. The demand for passive components will gradually increase, and with few competitors in the industry, the Company's growth momentum can be expected. Major countries worldwide consider electric vehicles and autonomous vehicles as development priorities, and related components and control systems require insulation and heat resistance, making ceramic materials the most suitable products. It is believed that the use of ceramic materials will continue to expand in the future, and the Company will continue to grow.

⑤Cost Competitive Advantage

The Company possesses parameter technology for mold and material development efficiency and effective supplier collaboration, which provides a strong cost competitiveness and ensures quality. The advantages of using ceramic materials, including cost and lead time, continue to expand the market while ensuring quality. The Company maintains advantages in controlling major material sources and has many years of experience in mutual growth. It actively engages in the development and integration of composite materials and high-power materials, providing professional products and services.

(2) Disadvantages and Countermeasures

①Increasing demand for specialized functional components

To strive for sales and differentiate products to meet consumer preferences for novel features, manufacturers are rapidly introducing new designs to attract consumers. As a result, products become more diverse and complex, requiring material component suppliers to enhance their R&D capabilities and quickly meet demands. To respond to this change, the Company needs to invest in R&D and engineering design to drive the front-end product development, pursue production efficiency, yield improvement, and cost reduction. Therefore, the strategy should focus on actively investing in R&D and engineering design to gradually transform the Company and enhance gross margins.

②Environmental safety and health, and labor safety issues

Environmental protection is a major trend. However, in the manufacturing process of ceramic materials, high-temperature sintering can generate odors and waste. To properly handle the exhaust during the process, investments in environmental protection and resource recycling need to be increased. In response to this phenomenon, the Company has developed solvent recovery equipment, which has been installed and proven effective. Exhaust treatment equipment is also operational, ensuring compliance with regulations. However, continuous education and training of new employees in operating procedures and daily routine inspections and records of environmental protection equipment are necessary. Additionally, the Company arranges regular inspections by qualified testing institutions to measure and provide emission reports on pollution sources.

③Competitors engaging in price competition to secure orders

The main competitors in the passive component market are primarily mainland Chinese manufacturers who aim to enter the market, increase market share, and win by quantity, leading to price competition. To address this, the Company not only improves product quality, reduces lead times, and enhances research and development efforts but also focuses on the development of high-end products to differentiate from competitors. The Company also offers customized ceramic substrates to meet customer requirements and maintains close communication with customers to develop special application products, satisfying their needs and promoting continuous innovation.

(2) Major Uses and Production Process of Main Products

1. Main Applications of Key Products

Main Products		Important Uses
Precision Ceramic Substrate	Resistive Substrate	Important raw material for chip resistors and chip resistances, used in personal computers, smartphones, digital cameras, memory devices, intelligent automotive electronics, and electric vehicle electronic components.

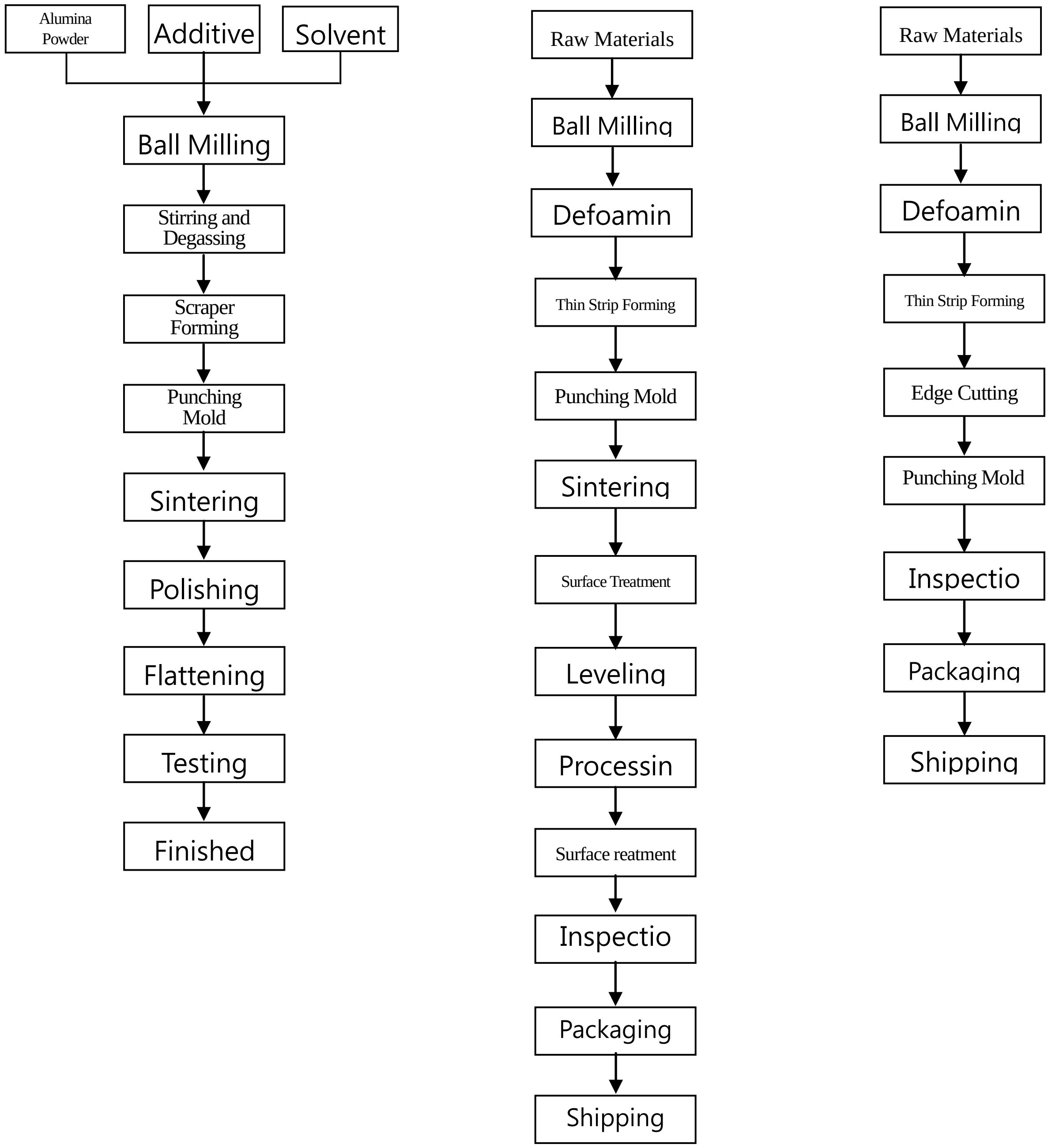
	Non-resistive Substrate	(1) Important raw material for hybrid integrated circuits, used in automotive, military, precision instruments, and communication modules. (2) Important semi-finished ceramic blanks for stacked-type oxygen sensors, used in sensing the oxygen concentration in automobile engine exhaust to provide fuel injection setting feedback. (3) Important heat dissipation substrates for 5G data centers and intelligent matrix car lights. (4) Important substrates and heat dissipation materials for optical communication and 5G communication. (5) Raw materials for battery module protection components and power semiconductor substrates.

2. Production Process:

Aluminum oxide ceramic substrates.

Non-aluminum oxide ceramic substrates.

Blanks for oxygen sensors.



(3) Supply Status of Main Raw Materials

The main raw materials for precision ceramic substrates are aluminum oxide powder or other ceramic refining powders. Ceramic powders are widely used in high-temperature materials, mechanical materials, electrical and electronic materials, optical materials, etc., due to their heat resistance, insulation, high hardness, and wear resistance. They are used as grinding fluids in the IC industry, additives in the passive component industry, refractory materials in the fire protection industry, etc.

Manufacturers of ceramic powders include world-class chemical companies such as Sumitomo Chemical Co., Ltd., Showa Denko K.K., Nippon Light Metal Holdings Company, Ltd., AA - Alcoa Corp, and Nabaltec from Germany. The Company's selected suppliers are KINSEI, the agent of Sumitomo Chemical Co., Ltd., and Hui Ye, based on considerations of material characteristics, quality, and stability. These suppliers have agents in Taiwan.

Ceramic powders have a wide range of applications, and the global market demand has been increasing rapidly. Sumitomo Chemical Co., Ltd. has increased its production capacity to meet market demand. However, with the rise in international crude oil prices and costs, the cost of aluminum oxide powder has been increasing. Sumitomo Chemical Co., Ltd. is a long-term supplier with a good cooperative relationship, stable quality, and delivery schedule, and there is no risk of raw material shortage. In recent years, the Company has also actively developed diversified new materials to reduce the risk of raw material sourcing.

(4) List of Major Customers for the Past Two Years

1. Suppliers whose purchase amount accounted for more than 10% of the total purchase amount in any of the past two years, including the purchase amount and proportion:

Unit: NT$1,000

Item	2021				2022				As of March 31, 2023			
	Name	Amount	As a percentage of net purchase for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net purchase for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net purchase for the year (%)	Relationship with the Company
1	KINSEI	63,285	24.67	None	KINSEI	73,932	27.64	None	MORIMURA BROS. (TAIWAN), INC.	5,045	10.62	None
2	MORIMURA BROS. (TAIWAN), INC.	17,650	6.88	None	MORIMURA BROS. (TAIWAN), INC.	19,696	7.36	None	KINSEI	4,441	9.35	None
	Others	175,574	68.45	None	Others	173,870	65.00	None	Others	38,021	80.03	None
	Net Purchase Amount	256,509	100.00	NA	Net Purchase Amount	267,498	100.00	NA	Net Purchase Amount	47,507	100.00	NA

Reason for Variation: There was little change in the main suppliers.

2. List of Customers whose sales amount accounted for more than 10% of the total sales amount in any of the past two years, including the sales amount and proportion:

Unit: NT$1,000

Item	2020				2021				As of March 31, 2023			
	Name	Amount	Percentage of net sales for the year (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the year (%)	Relationship with the Company	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the Company
1	YAGEO Corporation	113,204	10.95	None	YAGEO Corporation	91,091	11.62	None	YAGEO Corporation	33,507	17.37	None
2	Dongguan Technology Ele Co., Ltd.	105,094	10.17	None	Dongguan Technology Ele Co., Ltd.	84,511	10.79	None	Dongguan Technology Ele Co., Ltd.	27,129	14.06	None
	-	-	-	-	-	-	-	-	GUANG FENGHUA Technology (holding) Co., Ltd.	27,054	14.03	None
	Others	815,131	78.88	NA	Others	607,910	77.59	NA	Others	105,210	54.54	NA
	Net Sales Am	1,033,429	100.00	NA	Net Sales Am	783,512	100.00	NA	Net Sales Am	192,900	100.00	NA

Reason for Variation: There was little change in the main sales customers.

(5) Production Value for the past two years

Unit: KPCS; NT$1,000

Year / Production value / Key products	2021			2022		
	Capacity	Output	Output Value	Capacity	Output	Output Value
Precision Ceramic Substrate	210,000	177,961	1,038,700	210,000	144,434	844,018

(6) Sales Value for the past two years

Unit: KPCS; NT$1,000

Year / Sales volume / Key products	2021				2022			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Output	Value	Output	Value	Output	Value	Output	Value
Precision Ceramic Substrate	23,075	354,434	134,675	649,944	13,910	211,133	115,400	561,747
Solar Energy Photovoltaic	5	720	213	1,912	—	—	—	—
Others	—	2,354	—	24,065	—	1,807	—	8,825
Total		357,508		675,921		212,940		570,572

3. Employees

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Labor	468	352	395
	Indirect Labor	131	132	133
	Total	599	484	528
Average Age		36.79	38.37	41.72
Average Years of Service		3.65	6.83	6.89
Distribution of Educational Background	Doctorate	0.33 %	0.21 %	0.19 %
	Master's	3.84 %	3.72 %	3.60 %
	Bachelor's	22.54 %	25.62 %	24.43 %
	High School	48.58 %	50.62 %	48.11 %
	Below High School	24.71 %	19.83 %	23.67 %
	Total	100.00 %	100.00 %	100.00 %

4. Distribution of Educational Background

(1) Environmental Information:

1. The Company is mainly engaged in the manufacturing of aluminum oxide ceramic substrates, which generates exhaust gas, wastewater, and some waste during the production process. In accordance with the letter No. 175143 issued by the Taiwan Provincial Government on December 19, 1998, the Company has obtained a permit for the operation of fixed pollution sources. The exhaust gas is regulated by the letter No. 341287 issued by the Taoyuan County Government on May 4, 1999, allowing the Company to appoint an air pollution control officer.
2. Regarding wastewater, the Company has been permitted to appoint a dedicated person for wastewater treatment in accordance with the letter No. 357543 issued by the Taoyuan County Government on March 29, 2001. The wastewater is treated by the wastewater treatment facilities installed by the Company and then recycled for reuse.
3. Waste is entrusted to licensed waste disposal companies for proper handling.
4. The Company strives for solvent recovery and has introduced low-cost and efficient recovery system equipment.
5. In accordance with laws and regulations, the Company is required to apply for permits for the installation of pollution control facilities, pay pollution control fees, or establish a dedicated environmental unit. Explanation of the application, payment, or establishment status:

(1) The Company has obtained the following pollution operation permits:

Item	Permit Number	Validity Period of Permits
Water Pollution Control Permit	TAO-SHI-HUAN-PAI-HU-XU-ZI No.H0667-07 FU-HUAN-SHUI-ZI No.1070056301	2018.03.11~2023.03.10 (Note)
Permit for the Operation of Fixed Pollution Sources	FU-HUAN-SHUI-ZI No.1090265863 CAO-ZHENG-ZI No.H3787-08	2021.10.31~2026.10.30

Note: Due to process adjustments, the water quality and quantity of the Company have not reached a stable state. The Taoyuan City Government has agreed to extend the trial period of the Company until July 30, 2023, and the permit and related documents will be reviewed before July 30, 2023.

(2) Appointment of Environmental Responsibility Personnel

Item	Name	Type of Permit	Permit Number
Wastewater	LI, TAI-JI	Class B Wastewater Treatment Specialist	(97) HUAN SHU XUN ZHENG ZI No.GB210097
Air Pollution	LI, TAI-JI	Class B Air Pollution Prevention Specialist	(97) HUAN SHU XUN ZHENG ZI No.FB080443

(2) Significant losses and penalties incurred by the Company due to environmental pollution in the most recent fiscal year and up to the date of the annual report printing:

1. On February 18, 2022, the Company violated Article 24, Paragraph 2 of the Air Pollution Control Act by not operating the air pollution control equipment's adsorption and desorption device with an efficiency of 90% as specified in the operation permit. The Company was fined a total of NT$100,000 under Penalty Decree No. 20-111-040017. The Company will purchase additional pollution control equipment and apply to the Environmental Protection Bureau for an extension of the improvement deadline until May 11, 2023.

2. On April 25, 2022, the Company violated Article 7, Paragraph 1 of the Water Pollution Control Act because the suspended solids in the effluent at the wastewater discharge point did not meet the discharge water standards. The Company was fined a total of NT$63,000 under Penalty Decree No. 30-111-060036. The violation was corrected on June 17, 2022.

3. On July 20, 2022, the Company violated Article 7, Paragraph 1 of the Water Pollution Control Act because the suspended solids and chemical oxygen demand in the effluent at the wastewater discharge point did not meet the discharge water standards. The Company was fined a total of NT$132,000 under Penalty Decree No. 30-111-100012. The Company implemented equipment improvements to address the violation, which were completed on September 16, 2022.

(3) Future Response Strategies:

In order to mitigate global warming effects and maintain sustainable environmental ecology, the Company actively promotes green and environmentally friendly operations. It incorporates green production mechanisms through product design, process design, and management system design, and has obtained ISO14001 certification. In the production process, based on environmental considerations, the Company strives for resource conservation and pollution reduction through technological advancements, aiming to achieve green industry goals.

(4) Response to the European Union RoHS Directive:

The Company's products are not subject to the regulations of the European Union RoHS Directive.

5. Labor Relations

(1) Various employee welfare measures, advancement, training, retirement system and its implementation, and the status of agreements between labor and management and measures to protect employee rights:

1. Statutory Employee Welfare Measures and Implementation Status

(1) Each employee is legally covered by labor insurance, national health insurance, and monthly contributions to retirement pensions.

(2) Various types of leaves are provided according to the law, ensuring peace of mind for employees when they need to take leave.

(3) The well-organized Employee Welfare Committee, consisting of members elected from various departments, regularly holds committee meetings to plan various employee welfare measures:

①Organizing domestic and overseas trips, year-end banquets, raffles, birthday gifts, and providing monetary gifts and subsidies for Lunar New Year, Labor Day, Dragon Boat Festival, and Mid-Autumn Festival.

②Providing congratulatory and condolence money for employees' marriage, childbirth, hospitalization due to injury or illness, and funeral expenses (including employees' parents, spouse, and children).

2. Non-statutory Employee Welfare Measures and Implementation Status

(1) Group comprehensive insurance is provided for employees, including accident insurance, hospitalization medical insurance, accident medical insurance, and overseas business travel insurance. The premiums are fully paid by the company, providing additional security for employees' work and life.

(2) The employee cafeteria offers free lunch, dinner (for overtime), and late-night snacks.

(3) Annual provision of summer and winter uniforms for all employees.

(4) Prioritizing employee health, regular health check-ups and health seminars are arranged.

(5) Establishing awards for long-term employees (5, 10, 15, 20, 25 to 45 years) and publicly recognizing and rewarding them on a regular basis.

(6) Determining bonus items and amounts based on the Company's profitability, individual employee performance, and achievement of organizational goals.

(7) Providing opportunities for employee profit-sharing and stock ownership.

(8) Planning annual training programs throughout the year for professional, occupational health and safety, management, and general skills development. Courses are offered to enhance employees' knowledge, work skills, and attitudes, assisting the company in achieving its goals.

3. Employee Continuing Education and Training System and Implementation Status

(1) Encouraging employees to pursue degrees at domestic colleges and universities approved by the Ministry of Education under the "In-Service Education Regulations," with relevant expenses subsidized by the company.

(2) Planning annual professional, occupational health and safety, management, and general skills training programs based on training needs under the "Employee Education and Training Regulations." Courses are offered according to the plan. In 2022, a total of 2,786 hours of training were conducted throughout the year, covering various fields such as professional skills, management skills, and legal compliance, to promote balanced development of employees' capabilities.

(3) Managers participate in education and training related to corporate governance:

Managerial Officer	Course Name Related to Corporate Governance	Training Hours in 2022
CHEN, QING-JIN President	Courses organized by the Securities and Futures Market Development Foundation	3H
CHEN, YONG-CANG Chief Accounting Officer	Continuous education courses for accounting executives of issuing securities firms at stock exchanges	12H
WENG, XUE-PAN Chief Audit Officer	Courses organized by the Institute of Internal Auditors	12H

(4) Status of relevant certifications obtained by personnel related to financial information transparency

Finance personnel, accounting personnel, and auditing personnel of the Company have not obtained relevant certifications from competent authorities.

3. Employee Retirement System and Implementation Status

The Company has established a comprehensive retirement system in compliance with the Labor Standards Act and the Labor Pension Act. For employees covered by the Labor Pension Act (new system), 6% of their monthly wages are deposited by the company into their personal accounts with the Labor Insurance Bureau. For employees covered by the Labor Standards Act (old system), a Labor Retirement Reserve Supervisory Committee, consisting of representatives from labor and management, is formed to jointly oversee and verify the amount of retirement reserve allocation, storage, disbursement, and other relevant supervision matters. A third-party actuary is appointed to perform act

4. Agreements between Labor and Management and Measures to Protect Employee Rights

The Company holds regular monthly employee meetings to facilitate direct communication between employees and management. This allows employees to understand the Company's business philosophy, operational status, and receive project reports from senior executives of various departments. Through various communication channels within the company (including an employee portal for submitting opinions, labor-management meetings, bulletin boards, electronic bulletin boards, internal newsletters, etc.), efforts are made to enhance dialogue and exchange of opinions between labor and management. The goal is to maintain the existing harmonious labor-management relationship and further enhance it in the future.

5. The Company has established "Work Rules" for employees, which include disciplinary codes, prevention of sexual harassment, and other behavioral and ethical guidelines that employees are required to follow. New employees are informed of these contents during the eight-hour pre-employment training, and employees can also refer to the relevant regulations on employee behavior or ethical guidelines at any time through the electronic bulletin board on the Company's internal website.

6. Work Environment and Measures to Protect Employee Personal Safety

To improve the work environment and protect employee personal safety, the Company has established an "Environmental Safety and Health Policy" formulated by the President, with the highest safety goal of achieving "zero accidents, zero incidents." Various occupational safety measures are implemented, and the 6S program (Sort, Set in order, Shine, Standardize, Sustain, Safety) is actively practiced to prevent occupational accidents, ensure employee safety and health, and create a good working environment. The implementation measures are explained as follows:

Item	Content
Access Control Security	1. 24-hour access control and surveillance system are in place. 2. 24-hour security guard service is provided.
Maintenance and Inspection of Various Equipment	1. According to the regulations on building public safety inspection and reporting, a professional inspection agency is commissioned every two years to conduct public safety inspections. The inspection is completed and reported between July and September of that year. 2. In accordance with the Building Act, elevator and lift equipment must obtain a usage permit after passing the inspection by the competent authority. The usage permit is posted conspicuously at the entrance. Monthly maintenance is outsourced to professional companies, and before the expiration of the usage permit, a professional inspection agency is commissioned to apply for a safety inspection and obtain a new permit for record. 3. The Company conducts monthly self-inspections and commissions qualified fire safety companies for annual fire safety equipment maintenance. The inspection is completed and reported by the end of November. 4. In accordance with the regulations on the management of electrical power equipment and dedicated electrical technicians, high and low voltage power equipment undergoes inspections every six months and applies for inspection records. 5. For boilers and specific equipment for high-pressure gases, regular inspections are conducted according to automated inspection management regulations. Before the expiration of the inspection certificate's validity, a professional inspection agency commissioned by the Occupational Safety and Health Administration is engaged to apply for a safety inspection and obtain a new certificate for record.
Work Environment Inspection	1. In accordance with the Occupational Safety and Health Act, regular occupational environment monitoring and reporting are conducted every six months, and the monitoring results are announced for employee awareness. 2. Flammable gas concentration detectors are installed at appropriate locations in workplaces where solvents are used. Professional inspection companies are commissioned annually for the calibration of monitoring instruments to maintain the quality of monitoring operations.

Disaster Prevention Measures and Response	1. According to the regulations of the Occupational Safety and Health Management, an Occupational Safety Office unit is established, with a Class A Occupational Safety and Health Supervisor and Occupational Safety and Health Managers, approved by the Occupational Safety and Health Administration of the Ministry of Labor. 2. Safety and Health Work Guidelines, Occupational Safety and Health Management Plans, Self-inspection Plans, Hazard Awareness Plans, Occupational Environment Monitoring Plans, Emergency Response Plans, Air Pollution Equipment/Wastewater Equipment/Fire Equipment/Chemical Leak Emergency Response Plans, Natural Disaster Emergency Response Plans are established. 3. In accordance with the regulations on Occupational Safety and Health Education and Training, general safety and health education and training for new employees, hazard chemical labeling and general education training, safety and health education and training for operators of hazardous machinery or equipment, safety and health education and training for special operators, safety and health education and training for first aid personnel, safety and health education and training for Occupational Safety and Health Managers, and on-the-job safety and health education and training are conducted. 4. Control measures are established for hazardous operations, confined spaces, and special operations, including controlled work permits for hazardous operations, prevention of confined space hazards, fall accident prevention, electrical safety management, organic/dust operation management, etc. 5. Necessary safety protective equipment is provided to on-site workers, such as gas masks, goggles, activated carbon masks, earplugs/earmuffs, aprons, gloves, back support belts, safety shoes, and other protective equipment. 6. In accordance with the Fire Service Act, a fire safety manager is appointed, a fire protection plan is formulated, and it is submitted to the fire department for approval. The fire safety manager has received proper education and training and holds a certificate. Regular self-defense fire brigade training is conducted every six months.

7. The Company has established the "Insider Trading Prevention Management Procedures." To prevent and respond to insider trading violations, when necessary, the spokesperson disseminates relevant information during the monthly all-staff meetings, and the "Insider Trading Prevention Guidelines" are published on the internal website's

electronic bulletin board for employees to access at any time. Directors and supervisors are also periodically reminded via email.

(2) The recent year and up to the date of the annual report, the losses suffered due to labor disputes, and the disclosure of current and future possible estimated amounts and response measures: None.

6. Information Security Management

(1) Information security risk management framework, information security policy, specific management plans, and resources allocated to information security management:

1. Information security risk management framework:

The Information Department is a unit under the Management Department, responsible for implementing information security policies and promoting information security awareness among employees. It ensures the continuous operation of information systems and data security. The Audit Office conducts annual information security audits of internal control systems and computerized information system processing operations to assess the effectiveness of the company's information operation internal controls.

2. Information Security Policy

To implement information security management, the company has established internal control systems for computerized information system processing and information security management. Through the joint efforts of all employees, the following policy objectives are expected to be achieved:

- Ensure the confidentiality and integrity of information assets.
- Ensure data access in accordance with departmental functional regulations.
- Ensure the continuous operation of information systems.
- Prevent unauthorized modification or use of data and systems.
- Regularly conduct information security audits to ensure the implementation of information security.

3. Specific Management Methods and Resources Allocated to Information Security Management

Internet Security Control	Data Access Control	Response and Recovery Mechanism	Advocacy and Verification
• Installation of firewalls. • Regular virus scanning of computer systems and data storage media. • Usage of various network services should comply with information security policies.	• Computer equipment should be securely stored and configured with account and password settings. • Different access permissions should be assigned based on job responsibilities. • Revocation of access permissions for personnel who are transferred or leave the company. • Before disposing of equipment, confidential, sensitive data, and copyrighted software should be removed or overwritten. • Remote login to the information system should be appropriately approved.	• Regular review of emergency response plans. • Annual system recovery exercises. • Establishment of system backup mechanisms and implementation of off-site backup. • Regular review of computer network security control measures.	• Ongoing promotion of information security awareness among employees. • Regular implementation of information security checks.

4. Implementation Status

Continuously implementing the objectives of information security management policies and regularly conducting recovery plan exercises to protect the security of important systems and data of the company.

(2) In the most recent fiscal year and up to the date of the annual report, if there were any significant losses, potential impacts, and response measures due to major information security incidents that cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained: None.

7. Important Contracts:

Contract Nature	Parties	Contract Start and End Date	Main Content	Restrictive Clauses
Technology Licensing	Institute of Nuclear Energy Research, AEC	Effective upon signing by both parties on January 16, 2014, with a validity period of 11 years.	Technology licensing for the production of solid oxide fuel cell ceramic substrate-supported unit cells.	None
Technology Licensing	Institute of Nuclear Energy Research, AEC	Effective upon signing by both parties on July 20, 2016, with a validity period of 10 years.	Licensing of "Solid Oxide Fuel Cell Stack Assembly Technology" and "Composition and Packaging Method for High-Temperature Sealing Glass."	None

VI. Financial Overview

1. Summary Balance Sheet and Income Statement for the Past Five Years

(1) Consolidated Condensed Balance Sheets prepared in accordance with international accounting standards for the past five years:

Unit: NT$1,000

Item \ Year		2018	2019	2020	2021	2022	As of March 31, 2023
Current assets		948,190	891,990	1,040,128	977,103	1,258,972	1,151,179
Property, plant and equipment		1,531,454	1,658,946	1,387,143	1,468,044	1,379,412	1,365,627
Intangible assets		9,872	8,552	5,894	5,102	4,109	3,955
Other Assets		377,807	361,469	728,593	745,824	799,647	832,947
Total assets		2,867,323	2,920,957	3,161,758	3,196,073	3,442,140	3,353,708
Current liabilities	Before distribution	785,566	729,359	883,454	1,104,994	1,121,700	1,104,676
	After distribution	785,566	729,359	883,454	1,104,994	(Note 3)	(Note 3)
Non-current liabilities		631,407	996,930	1,170,396	942,454	1,183,525	1,157,577
Total liabilities	Before distribution	1,416,973	1,726,289	2,053,850	2,047,448	2,305,225	2,262,253
	After distribution	1,416,973	1,726,289	2,053,850	2,047,448	(Note 3)	(Note 3)
Total equity attributable to owners of parent		1,450,350	1,194,668	1,107,908	1,148,625	1,136,915	1,091,455
Share capital		1,080,798	1,080,798	1,080,798	1,080,798	1,080,798	1,080,798
Capital reserve		383,094	353,266	353,265	353,093	102,301	102,301
etained earni	Before distribution	(22,967)	(193,590)	(298,835)	(250,147)	(34,150)	(86,529)
	After distribution	(22,967)	(193,590)	(298,835)	(250,147)	(Note 3)	(Note 3)
Other equity		9,425	(45,806)	(27,320)	(35,119)	(12,034)	(5,115)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	1,450,350	1,194,668	1,107,908	1,148,625	1,136,915	1,091,455
	After distribution	1,450,350	1,194,668	1,107,908	1,148,625	(Note 3)	(Note 3)

Note 1: The above financial statements have been audited or reviewed by the accountant.

Note 2: The above assets have not been revalued.

Note 3: The decision regarding the loss carryforward for the year 2022 has not been made.

(2) Consolidated Condensed Statements of Comprehensive Income prepared in accordance with international accounting standards for the past five years:

Unit: NT$1,000

Item \ Year	2018	2019	2020	2021	2022	As of March 31, 2023
Turnover	1,022,931	731,474	871,381	1,033,429	783,512	192,900
Gross profit	248,044	52,090	210,160	322,158	168,983	23,695
Net Operating Profit (Loss)	58,982	(120,021)	28,083	99,180	(130,783)	(93,525)
Non-operating income and expenses	(41,268)	(56,705)	(81,446)	(14,514)	106,365	23,960
Net profit (loss) before tax	17,714	(176,726)	(53,363)	84,666	(24,418)	(69,565)
Net profit (loss) for the period from continuing operations	(25,383)	(169,946)	(102,321)	50,834	(33,476)	(52,379)
Net profit (loss) from discontinued operations	0	0	0	0	0	0
Net profit (loss) for the period	(25,383)	(169,946)	(102,321)	50,834	(33,476)	(52,379)
Other comprehensive income for the period (Net of tax)	(18,276)	(55,908)	15,562	(9,945)	19,246	6,919
Total comprehensive profit or loss for the period	(43,659)	(225,854)	(86,759)	40,889	(14,230)	(45,460)
Net profit attributable to owners of the parent company	(25,383)	(169,946)	(102,321)	50,834	(33,476)	(52,379)
Net profit attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to the owners of the parent company	(43,659)	(225,854)	(86,759)	40,889	(14,230)	(45,460)
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	(0.24)	(1.57)	(0.95)	0.47	(0.31)	(0.48)

Note 1: The above financial statements have been audited or reviewed by the accountant.

(3) Condensed Balance Sheets of the Individual Entity prepared in accordance with international accounting standards for the past five years:

Unit: NT$1,000

Item \ Year		2018	2019	2020	2021	2022
Current assets		585,364	455,816	484,069	570,741	477,282
Investments accounted for using the equity method		1,277,399	1,275,431	1,322,678	1,399,808	1,490,776
Property, plant and equipment		629,068	603,722	568,862	552,323	562,959
Intangible assets		9,872	8,552	5,894	5,102	4,109
Other Assets		58,012	67,371	66,587	72,086	47,763
Total assets		2,559,715	2,410,892	2,448,090	2,600,060	2,582,889
Current liabilities	Before distribution	601,673	444,547	551,838	866,081	613,888
	After distribution	601,673	444,547	551,838	866,081	(Note 3)
Non-current liabilities		507,692	771,677	788,344	585,354	832,086
Total liabilities	Before distribution	1,109,365	1,216,224	1,340,182	1,451,435	1,445,974
	After distribution	1,109,365	1,216,224	1,340,182	1,451,435	(Note 3)
Total equity attributable to owners of parent		1,450,350	1,194,668	1,107,908	1,148,625	1,136,915
Share capital		1,080,798	1,080,798	1,080,798	1,080,798	1,080,798
Capital reserve		383,094	353,266	353,265	353,093	102,301
Retained earning	Before distribution	(22,967)	(193,590)	(298,835)	(250,147)	(34,150)
	After distribution	(22,967)	(193,590)	(298,835)	(250,147)	(Note 3)
Other equity		9,425	(45,806)	(27,320)	(35,119)	(12,034)
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total equity	Before distribution	1,450,350	1,194,668	1,107,908	1,148,625	1,136,915
	After distribution	1,450,350	1,194,668	1,107,908	1,148,625	(Note 3)

Note 1: The above financial statements have been audited or reviewed by the accountant.

Note 2: The above assets have not been revalued.

Note 3: The decision regarding the loss carryforward for the year 2022 has not been made.

(4) Condensed Statements of Comprehensive Income of the Individual Entity prepared in accordance with international accounting standards for the past five years:

Unit: NT$1,000

Item \ Year	2018	2019	2020	2021	2022
Turnover	523,974	385,523	427,747	521,932	407,761
Gross profit	90,754	(15,107)	68,713	127,027	53,847
Net Operating Profit and Loss	(24,294)	(109,863)	(40,655)	15,923	(40,100)
Non-operating income and expenses	10,708	(68,212)	(32,222)	47,480	11,810
Net profit (loss) before tax	(13,586)	(178,075)	(72,877)	63,403	(28,290)
Net profit (loss) for the period from continuing operations	(25,383)	(169,946)	(102,321)	50,834	(33,476)
Net profit (loss) from discontinued operations	0	0	0	0	0
Net profit (loss) for the period	(25,383)	(169,946)	(102,321)	50,834	(33,476)
Other comprehensive income for the period (Net of tax)	(18,276)	(55,908)	15,562	(9,945)	19,246
Total comprehensive profit or loss for the period	(43,659)	(225,854)	(86,759)	40,889	(14,230)
Earnings per share	(0.24)	(1.57)	(0.95)	0.47	(0.31)

Note 1: The above financial statements have been audited or reviewed by the accountant.

(5) Condensed Balance Sheets prepared in accordance with domestic accounting standards for the past five years: Not applicable.

(6) Condensed Statements of Income prepared in accordance with domestic accounting standards for the past five years: Not applicable.

(7) Name of the auditor and audit opinion for the past five years

Year	Firm	CPA	Opinion
2018	Deloitte & Touche	WANG, JIN-YAN ZHENG, DE-ZHEN	Unqualified opinion.
2019	Deloitte & Touche	CHEN, WEN-XIANG ZHENG, DE-ZHEN	Unqualified opinion.
2020	Deloitte & Touche	CHEN, WEN-XIANG XU, JIN-MING	Unqualified opinion.
2021	Deloitte & Touche	XU, JIN-MING XU, WEN-YA	Unqualified opinion.
2022	Deloitte & Touche	XU, JIN-MING XU, WEN-YA	Unqualified opinion.

2. Financial analysis for the past five years

(1) Financial Analysis of Consolidated Financial Statements prepared in accordance with international accounting standards:

Item	Year	2018	2019	2020	2021	2022	March 31, 2023
Financial Structure (%)	Debt to assets ratio	49.42	59.10	64.96	64.06	66.97	67.46
	Long-term capital to property, plant and equipment ratio	135.93	132.11	164.24	142.44	168.22	164.69
Solvency (%)	Mobility Ratio	120.70	122.30	117.73	88.43	112.24	104.21
	Quick Ratio	82.07	89.10	94.24	67.84	82.53	77.13
	Interest cover multiplier	1.91	(3.64)	0.34	2.77	0.51	(4.42)
Operating Capabilities	Receivables turnover rate (times)	2.2545	1.8658	2.3625	2.6281	2.2960	2.6999
	Average number of days of receipt	162	196	154	139	159	135
	Inventory turnover rate (times)	2.7024	2.2327	2.4455	2.7052	1.9363	1.8989
	Turnover rate of accounts payable (times)	16.55	16.20	15.34	16.89	16.13	17.14
	Average number of sales days	135	163	149	135	189	192
	Property, plant and equipment turnover rate (times)	0.71	0.46	0.57	0.72	0.55	0.56
	Total Asset Turnover (Times)	0.35	0.25	0.29	0.33	0.24	0.23
Profitability	Return on Assets (%)	(0.34)	(4.82)	(1.24)	2.80	0.19	(4.96)
	Return on Equity (%)	(1.99)	(12.85)	(8.89)	4.51	(2.93)	(18.80)
	Percentage of net income to total paid-in capital (%)	(1.64)	(16.35)	(4.94)	7.83	(2.26)	(25.75)
	Net profit rate (%)	(2.48)	(23.23)	(11.74)	4.92	(4.27)	(27.15)
	Earnings per share (NT$)	(0.24)	(1.57)	(0.95)	0.47	(0.31)	(0.48)
Cash Flow	Cash flow ratio (%)	59.53	0.00	7.91	7.07	0.00	0.00
	Cash flow fair ratio (%) (note)	65.29	64.39	55.95	55.41	51.22	62.22
	Cash reinvestment ratio (%)	12.29	0.00	1.79	2.06	0.00	0.00
Leverage	Operating leverage	2.45	0.26	4.38	2.14	0.12	0.71
	Financial leverage	1.49	0.76	(0.53)	1.93	0.72	0.88

Explanation for significant changes in financial ratios between 2022 and 2021 exceeding 20%:

1. The increase in the current ratio and quick ratio is mainly due to the need to increase inventory reserves for the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. related to the relocation of the plant, and the reclassification of related land use rights, buildings, and structures held for sale as current assets.
2. The decrease in the interest coverage ratio is mainly due to the current period's loss.
3. The decrease in inventory turnover and average days of sales, as well as the increase, is mainly due to the need to increase inventory reserves for the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. related to the relocation of the plant.

4. The decrease in fixed assets turnover and total asset turnover is mainly due to the decrease in revenue from the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. due to the plant relocation.
5. The decrease in return on assets, return on equity, pre-tax net profit to paid-in capital ratio, net profit margin, and earnings per share is mainly due to the current period's loss.
6. The increase in operating leverage and the decrease in financial leverage are mainly due to the operating loss in the current period.

(2) Individual Financial Analysis in accordance with international accounting standards:

Item	Year	2018	2019	2020	2021	2022
Financial Structure (%)	Debt to assets ratio	43.34	50.45	54.74	55.82	55.98
	Long-term capital to property, plant and equipment ratio	311.26	325.70	333.34	313.94	349.76
Solvency (%)	Mobility Ratio	97.29	102.53	87.72	65.90	77.75
	Quick Ratio	66.99	73.71	64.52	50.69	50.53
	Interest cover multiplier	(0.02)	5.13	(0.13)	3.53	0.12
Operating Capabilities	Receivables turnover rate (times)	3.4619	2.4589	2.9279	3.1394	2.5241
	Average number of days of receipt	105	148	125	116	145
	Inventory turnover rate (times)	2.7909	2.9207	2.3076	2.7297	2.0040
	Turnover rate of accounts payable (times)	8.97	8.54	7.04	8.49	8.05
	Average number of sales days	131	125	158	134	182
	Property, plant and equipment turnover rate (times)	0.85	0.63	0.73	0.90	0.73
	Total Asset Turnover (Times)	0.20	0.16	0.18	0.20	0.16
Profitability	Return on Assets (%)	(0.56)	(0.59)	(2.09)	2.66	(0.30)
	Return on Equity (%)	(1.99)	(12.85)	(9.28)	4.53	(2.93)
	Percentage of net income to total paid-in capital (%)	(1.26)	(16.48)	(6.74)	5.87	(8.21)
	Net profit rate (%)	(4.84)	(44.08)	(23.92)	9.74	(2.62)
	Earnings per share (NT$)	(0.24)	(1.57)	(0.95)	0.47	(0.31)
Cash Flow	Cash flow ratio (%)	48.15	0.00	3.32	(4.23)	15.89
	Cash flow fair ratio (%) (note)	78.27	0.00	108.51	3.00	66.17
	Cash reinvestment ratio (%)	10.95	0.00	15.66	1.44	2.22
Leverage	Operating leverage	(1.34)	0.55	(0.34)	4.47	(0.23)
	Financial leverage	0.65	0.79	0.39	(1.75)	0.56

Explanation for significant changes in financial ratios between 2022 and 2021 exceeding 20%:

1. The decrease in the interest coverage ratio is mainly due to the current period's loss.
2. The decrease in total asset turnover is mainly attributed to the decline in revenue due to the impact of the Ukraine-Russia war, resulting in a decrease in turnover.
3. The increase in return on equity, pre-tax net profit to paid-in capital ratio, net profit margin, and earnings per share is mainly due to the current period's loss.
4. The increase in the cash flow ratio is primarily due to the reduction in inventory and pledged assets, resulting in increased cash inflow from operating activities.
5. The increase in the cash reinvestment ratio is mainly due to the increase in cash inflow from operating activities.
6. The decrease in operating leverage and the increase in financial leverage are primarily due to the decrease in revenue and operating loss in the current period.

Calculation formulas for analysis items are as follows:

1. Financial Structure
   (1) Debt-to-Asset Ratio = Total Liabilities / Total Assets.
   (2) Long-term Funds to Fixed Assets Ratio = (Total Equity + Non-current Liabilities) / Net Fixed Assets.
2. Debt-paying Ability
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.
   (3) Interest Coverage Ratio = Profit Before Tax and Interest Expenses / Interest Expenses.
3. Operating Capability
   (1) Accounts Receivable Turnover (including accounts receivable and notes receivable from operations) = Net Sales / Average Accounts Receivable (including accounts receivable and notes receivable from operations) Balance.
   (2) Average Collection Period = 365 / Accounts Receivable Turnover.
   (3) Inventory Turnover = Cost of Goods Sold / Average Inventory.
   (4) Accounts Payable Turnover (including accounts payable and notes payable from operations) = Cost of Goods Sold / Average Accounts Payable (including accounts payable and notes payable from operations) Balance.
   (5) Average Sales Period = 365 / Inventory Turnover.
   (6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets.
   (7) Total Assets Turnover = Net Sales / Average Total Assets.
4. Profitability
   (1) Return on Assets = (Net Profit After Tax + Interest Expenses × (1 - Tax Rate)) / Average Total Assets.
   (2) Return on Equity = Net Profit After Tax / Average Total Equity.
   (3) Net Profit Margin = Net Profit After Tax / Net Sales.
   (4) Earnings per Share = (Net Income Attributable to Shareholders of the Parent Company - Special Dividends) / Weighted Average Issued Shares.
5. Cash Flow
   (1) Cash Flow Ratio = Operating Cash Flow / Current Liabilities.
   (2) Net Cash Flow Adequacy Ratio = Five-year Operating Cash Flow / (Capital Expenditures + Increase in Inventory + Cash Dividends).
   (3) Cash Reinvestment Ratio = (Operating Cash Flow - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Non-current Assets + Working Capital).
6. Leverage:
   (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income.
   (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

(3) Financial Analysis based on domestic accounting standards: Not applicable.

3. Audit Committee's Review Report on the Most Recent Year Financial Statements

LEATEC FINE CERAMICS CO., LTD.
Audit Committee Audit Report

The Board of Directors of the Company has submitted the financial statements, operating reports, and profit and loss appropriation statements for the fiscal year 2022. The financial statements for the fiscal year 2022 have been audited and a report has been issued by Deloitte & Touche XU, JIN-MING Certified Public Accountants and XU, WEN-YA Certified Public Accountants. The aforementioned financial statements, operating reports, and profit and loss appropriation statements for the fiscal year 2022 have been reviewed by our Audit Committee, and no discrepancies have been found. Therefore, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report has been prepared for submission.

To LEATEC FINE CERAMICS CO., LTD.
Annual Shareholders' Meeting 2023

Chairman of the Audit Committee: LAI, SHAN-GUI

March 24, 2023

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:

<u>Authenticity of revenue from specific sales targets</u>

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)

		December 31, 2022		December 31, 2021	
CODE	ASSETS	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	1,258,972	37	977,103	31
	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	2,183,168	63	2,218,970	69
1XXX	TOTAL	$ 3,442,140	100	$ 3,196,073	100
CODE	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	1,121,700	33	1,104,994	35
	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	1,183,525	34	942,454	29
2XXX	Total liabilities	2,305,225	67	2,047,448	64
	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	1,136,915	33	1,148,625	36
3XXX	Total equity	1,136,915	33	1,148,625	36
	TOTAL	$ 3,442,140	100	$ 3,196,073	100

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, 2022AND 2021

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

		2022		2021	
CODE		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

Code		Amount	%	Amount	%
	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	23,085	3	(7,799)	(1)
8300	Other comprehensive income (net amount)	19,246	2	(9,945)	(1)
8500	TOTAL COMPREHENSIVE INCOME	($ 14,230)	(2)	$ 40,889	4
	Net loss attributable to:				
8610	Owners of the parent company	($ 33,476)	(4)	$ 50,834	5
8620	Non-controlling interests	-	-	-	-
8600		($ 33,476)	(4)	$ 50,834	5
	Total comprehensive income (loss) attributable to:				
8710	Owners of the parent company	($ 14,230)	(2)	$ 40,889	4
8720	Non-controlling interests	-	-	-	-
8700		($ 14,230)	(2)	$ 40,889	4
	EARNINGS PER SHARE (Note 29)				
9710	Basic	($ 0.31)		$ 0.47	
9810	Diluted	($ 0.31)		$ 0.47	

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, 2022AND 2021

(In Thousands of New Taiwan Dollars)

		Equity attributable to the owners of the Company						
		Share capital			Retained earnings		Other equity	
Code		Shares (in thousands)	Amount	Capital surplus	Legal reserve	Losses to be compensated	Exchange differences on translation of the financial statements of foreign operations	Total equity
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, 2022AND 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	214,507	(207,167)
	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	6,709	238
CCCC	Net cash generated from (used in) financing activities	(133,192)	(31,142)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,476	(1,800)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,436	(161,966)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	122,600	284,566
E00200	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	$ 180,036	$ 122,600

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021
(In thousands of New Taiwan Dollars, unless stated otherwise)

1. GENERAL INFORMATION

LEATEC Fine Ceramics Co., Ltd. (hereinafter referred to as "the Company") was established on December 2, 1991, with the approval of the Ministry of Economic Affairs. The main business items include the manufacture, design, processing, and sales of ceramic substrates, circuit components, and solar junction boxes, as well as general import and export trading. After several capital increases, the paid-in capital amounted to $1,080,798 thousand as of December 31, 2022. The Company's shares were approved by the Securities and Futures Bureau, FSC and listed for trading on the Taipei Exchange on January 10, 2002.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

i. First-time application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") approved and issued by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The application of the amended IFRSs approved and issued by the FSC will not result in significant changes in the Consolidated Company's accounting policies.

ii. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 - "Disclosure of Material Accounting Policy Information"	January 1, 2023 (Note 1)
Amendments to IAS 8 - "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 - "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This revision applies to reporting periods beginning on or after January 1, 2023.

Note 2: This revision applies to accounting estimate changes and accounting policy changes occurring during reporting periods beginning on or after January 1, 2023.

Note 3: Except for the temporary differences related to deferred income taxes recognized for lease and decommissioning obligations as of January 1, 2022, this revision applies to transactions occurring on or after January 1, 2022.

1. Amendments to IAS 1 “Disclosure of Accounting Policies”

   The amendment explicitly requires the Consolidated Company to determine the disclosure of significant accounting policy information based on the definition of materiality. If the accounting policy information can be reasonably expected to affect the decisions of the primary users of general-purpose financial statements based on such financial statements, the accounting policy information is material. The amendment also clarifies:

   - Accounting policy information related to immaterial transactions, other matters, or circumstances is immaterial, and the Consolidated Company is not required to disclose such information.
   - The Consolidated Company may determine that the relevant accounting policy information is material due to the nature of the transactions, other matters, or circumstances, even if the amounts are immaterial.
   - Not all accounting policy information related to material transactions, other matters, or circumstances is material.

   In addition, the amendment provides examples of when the accounting policy information related to material transactions, other matters, or circumstances may be material under the following circumstances:

   (1) The Consolidated Company changes its accounting policies during the reporting period, and the change leads to significant changes in the financial reporting information;

   (2) The Consolidated Company chooses its applicable accounting policies from the options allowed by the standards;

(3) Due to the lack of specific standard provisions, the Consolidated Company establishes its accounting policies in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates, and Errors”;

(4) The Consolidated Company discloses its relevant accounting policies determined by applying significant judgments or assumptions; or

(5) Involving complex accounting treatment provisions, and financial statement users rely on such information to understand the material transactions, other matters, or circumstances.

2. Amendment to IAS 8 “Definition of Accounting Estimates”

The amendment clarifies that accounting estimates are monetary amounts in the financial statements that are affected by measurement uncertainty. When applying accounting policies, the Consolidated Company may need to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated, thus requiring the use of measurement techniques and input values to develop accounting estimates for this purpose. If the impact of changes in measurement techniques or input values on accounting estimates is not a correction of prior period errors, such changes are considered changes in accounting estimates.

In addition to the above effects, as of the date of approval for issuance of the consolidated financial statements, the Consolidated Company continues to assess that the amendments to other standards and interpretations will not have a significant impact on the financial position and financial performance.

iii. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
Amendments to IFRS 16 - “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 - “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 - “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

As of the date of adoption of this consolidated financial statements, the Consolidated Company is still evaluating the impact of the amendments to other standards and interpretations on the financial position and financial performance, which will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and IFRSs.

ii. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

iii. Standard in determining whether the asset or liability are current or non-current

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date (current liabilities are classified as current even if a long-term refinancing or rescheduling agreement is completed after the balance sheet date and before the adoption of the financial statements); and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. However, the terms of the liabilities may be settled by issuing equity instruments at the option of the counter-parties, which does not affect the classification.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

iv. Basis of consolidation

This consolidated financial report includes the financial statements of the Company and the entities controlled by the Company (subsidiaries). The financial statements of the subsidiaries have been adjusted to align their accounting policies with those of the Consolidated Company. In preparing the consolidated financial statements, all transactions, account balances, revenues, and expenses between the entities have been fully eliminated. The total comprehensive income of the subsidiaries is attributed to the owners of the Company and non-controlling interests, even if the non-controlling interests result in a deficit balance.

When changes in the Consolidated Company’s ownership interest in the subsidiaries do not result in a loss of control, they are treated as equity transactions. The carrying amounts of the Consolidated Company and non-controlling interests have been adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjustment amounts for non-controlling interests and the fair value of the consideration paid or received is directly recognized in equity and attributed to the owners of the Company.

For details of the subsidiaries, shareholding ratios, and business items, please refer to Note 12 and Table 7 and 8.

v. Foreign currency

When preparing financial statements for each entity, transactions in currencies other than the entity’s functional currency (foreign currency) are recorded in the functional currency using the exchange rate on the transaction date.

Foreign currency monetary items are translated at the closing exchange rate on each balance sheet date. Except for the following items, exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss for the period in which they occur: for foreign currency borrowings related to assets under construction for future production use, the exchange differences that are adjustments to the interest costs of foreign currency borrowings are included in the cost of those assets.

Non-monetary items measured at fair value in foreign currencies are translated at the exchange rates prevailing on the date when the fair value was determined, and the resulting exchange differences are recognized in profit or loss in the current period. However, if the change in fair value is recognized in other comprehensive income, the resulting exchange differences are recorded as other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

For the purpose of preparing consolidated financial statements, assets and liabilities of the foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the resulting exchange differences are included in other comprehensive income.

If the Consolidated Company disposes of all ownership interests in a foreign operation, disposes of partial ownership interests in a subsidiary of a foreign operation but loses control, or disposes of its remaining interests in a foreign operation that are financial assets and are accounted for under the accounting policies for financial instruments, all cumulative translation differences related to that foreign operation will be reclassified to profit or loss.

If a partial disposal of a subsidiary of a foreign operation does not result in a loss of control, the cumulative translation differences are not recognized as profit or loss. In any other partial disposal of a foreign operation, the cumulative translation differences are reclassified to profit or loss according to the disposal proportion.

vi. Inventory

Inventories include raw materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the estimated selling price under normal circumstances, less estimated costs to complete and estimated costs to sell. The cost of inventories is calculated using the weighted-average method.

vii. Investment in associates

Associates are entities over which the Consolidated Company has significant influence but are not subsidiaries or joint ventures.

The Consolidated Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and the carrying amount is adjusted thereafter for the Consolidated Company's share of the associate's profit or loss and other comprehensive income and distributions. In addition, the Consolidated Company recognizes changes in the associate's equity according to the proportion of ownership.

The excess of acquisition cost over the Consolidated Company's share of the fair value of the identifiable assets and liabilities of the associate as of the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and not subject to amortization. If the Consolidated Company's share of the fair value of the associate's identifiable assets and liabilities as of the acquisition date exceeds the acquisition cost, the excess is recognized as current income.

When an associate issues new shares, if the Consolidated Company does not subscribe according to its proportion of ownership, causing a change in the ownership percentage and consequently an increase or decrease in the net equity value of the investment, the increase or decrease is adjusted to the capital reserve - changes in the net equity value of associates and joint ventures accounted for using the equity method and the investments accounted for using the equity method. However, if the non-subscription or acquisition causes a decrease in the ownership interest in the associate, the amounts recognized in other comprehensive income related to the associate are reclassified according to the reduction ratio, and the accounting basis is the same as the basis that would have to be followed if the associate had directly disposed of the related assets or liabilities. If the adjustment should be debited to capital reserve, and the balance of the capital reserve generated by investments accounted for using the equity method is insufficient, the difference is debited to retained earnings.

When the Consolidated Company’s share of losses in an associate equals or exceeds its interest in the associate (including the carrying amount of the investment in the associate under the equity method and any other long-term interests that, in substance, form part of the Consolidated Company’s net investment in the associate), further losses are not recognized. The Consolidated Company recognizes additional losses and liabilities only to the extent of legal obligations, constructive obligations, or payments made on behalf of the associate.

When assessing impairment, the Consolidated Company considers the entire carrying amount of the investment (including goodwill) as a single asset, comparing the recoverable amount with the carrying amount and performing an impairment test, with the recognized impairment loss being part of the carrying amount of the investment. Any reversal of impairment losses is recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The Consolidated Company ceases to use the equity method from the date when its investment is no longer considered an associate. The retained interest in the former associate is measured at fair value, and the difference between the fair value and the disposal proceeds and the carrying amount of the investment as of the date of ceasing to use the equity method is recognized as current income. In addition, the amounts recognized in other comprehensive income related to the associate are accounted for on the same basis as if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes an investment in a joint venture or the investment in a joint venture becomes an investment in an associate, the Consolidated Company continues to use the equity method without remeasuring the retained interest.

The Consolidated Company recognizes gains and losses arising from upstream, downstream, and lateral transactions between the Consolidated Company and its associates in the consolidated financial statement only to the extent that they are unrelated to the Consolidated Company’s interest in the associate.

viii. Property, plant and equipment

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

Construction in progress for property, plant, and equipment is recognized at cost less accumulated impairment losses. The cost includes professional service fees and capitalized borrowing costs that meet the capitalization criteria. These assets are measured at the lower of cost and net realizable value before reaching the expected use status, with their sales proceeds and costs recognized in profit or loss. Upon completion and reaching the expected condition for use, these assets are reclassified to the appropriate category of property, plant, and equipment and depreciation begins to be recognized.

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful lives, with each significant component depreciated separately. The Consolidated Company reviews the estimated useful lives, residual values, and depreciation methods at least at each year-end and applies the effects of changes in accounting estimates on a prospective basis.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

ix. Investment properties

Investment properties are real estate held to earn rental income, capital appreciation, or both. Investment properties also include land held for which future use has not yet been determined.

Owned investment properties are initially measured at cost (including transaction costs), and subsequently at cost less accumulated depreciation and accumulated impairment losses.

Depreciation for investment properties is provided on a straight-line basis.

Upon disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

x. Intangible assets

1. Acquired separately

   Intangible assets with limited duration acquired separately were initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized over their useful lives on a straight-line basis and the estimated useful lives, residual values and amortization method are reviewed at least at each year-end and the effect of changes in applicable accounting estimates is deferred. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

2. Derecognition

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss of the year when intangible assets are derecognized.

xi. Property, plant and equipment, right-of-use assets, investment properties and intangible assets

At each balance sheet date, the Consolidated Company assesses whether there is any indication that property, plant and equipment, right-of-use assets, investment properties and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Consolidated Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest cash-generating unit groups on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

Impairment is first recognized for inventory, property, plant, and equipment, and intangible assets identified by customer contracts according to inventory impairment provisions and the aforementioned provisions. Next, impairment losses are recognized when the carrying amount of contract cost-related assets exceeds the remaining consideration expected to be collected for the related goods or services, less directly related costs. The carrying amount of contract cost-related assets is then included in the cash-generating unit for impairment assessment.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

xii. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is expected to be recovered primarily through a sale transaction rather than through continued use. Non-current assets (or disposal groups) meeting this classification must be available for immediate sale in their present condition, and their sale must be highly probable. A sale is considered highly probable when an appropriate level of management commits to a plan to sell the asset, and the sale transaction is expected to be completed within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and depreciation is no longer provided for such assets.

xiii. 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 instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement types

The types of financial assets held by the Consolidated Company are financial assets at fair value through profit or loss and financial assets at amortized cost.

A. Financial assets measured at FVTPL

Financial assets measured at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and those designated as such. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated as measured at fair value through other comprehensive income and debt instrument investments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value.

B. Financial assets at amortized cost

The Consolidated Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and

b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets.

Cash equivalents include time deposits that are highly liquid, readily convertible into known amounts of cash and subject to a low risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

The Consolidated Company assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses represent the weighted-average credit losses based on the risk of default. 12-month expected credit losses represent the expected credit losses arising from possible defaults of financial instruments within 12 months after the reporting date. The 12-month expected credit losses represent the expected credit losses arising from all possible defaults of the financial instruments during the 12-month period after the reporting date.

For internal credit risk management purposes, the Consolidated Company determines that a financial asset has defaulted in the following situations, without considering the collateral held:

A. Internal or external information indicates that the debtor is unable to repay the debt.

B. Delinquency of more than 90 days, unless there is reasonable and verifiable information indicating that a later default criterion is more appropriate.

Impairment losses on all financial assets are reduced through an allowance account adjusting their carrying amounts.

(3) Derecognition of financial assets

The Consolidated Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets are derecognized in their entirety at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity according to the substance of contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Consolidated Company are recognized at the amount of proceeds received, less direct issuance costs.

Repurchase of the Company's own equity instruments is recognized and deducted in equity, and their carrying amount is calculated based on the weighted average of the stock types and the reasons for the repurchase. Purchases, sales, issuances, or cancellations of the Company's own equity instruments are not recognized in profit or loss.

3. Financial liability

(1) Subsequent measurement

The financial liabilities of the Company are measured at amortized cost using the effective interest method.

(2) Derecognition of financial liability

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

xiv. Provision for liabilities

The amount recognized as provision for liabilities is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risk and uncertainty of the obligation. Provision for liabilities is measured at the discounted value of the estimated cash flows from the settlement of the obligation.

xv. Income recognition

The Consolidated Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

For contracts with a time lag between the transfer of goods or services and the receipt of consideration of less than one year, no adjustment is made to the transaction price for significant financial components.

<u>Merchandise sales revenue</u>

Revenue from the sale of goods mainly comes from ceramic substrates, circuit components, processing transactions, and general import and export trade. Except for some sales targets agreed upon when the products arrive at the designated location of the customer, the remaining sales targets are agreed upon at the time of shipment, when the customer has the right to use and the primary responsibility for reselling the goods at a specified price and bears the risk of obsolescence. The Consolidated Company recognizes revenue and accounts receivable at that point in time.

xvi. Lease

The Consolidated Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Consolidated Company as lessor

   Under operating leases, lease payments, net of lease incentives, are recognized as income on a straight-line basis over the term of the relevant lease. The original direct cost incurred in acquiring an operating lease is added to the carrying amount of the subject asset and recognized as an expense on a straight-line basis over the lease term.

2. The Consolidated Company as lessee

   Right-of-use assets and lease liabilities are recognized at the inception date of the lease, except for leases of low-value subject assets to which a recognition exemption applies and short-term leases where lease payments are recognized as an expense on a straight-line basis over the lease term.

   Right-of-use assets are measured initially at cost (comprising the original measurement of the lease liability, lease payments made prior to the commencement date of the lease less lease incentives received, original direct cost and estimated cost to reinstate the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, with adjustments for remeasurement of the lease liability. Right-of-use assets are presented separately on consolidated balance sheet.

   Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

   Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantially fixed payments, and variable lease payments based on indices or rates). If the implicit interest rate in the lease is easily determinable, the lease payments are discounted at that rate. If the rate is not easily determinable, the lessee’s incremental borrowing rate is used.

   Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period or in the index or rate used to determine the lease payments, the Consolidated Company remeasures the lease liability and adjusts the right-of-use asset accordingly, but if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheet.

xvii. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an eligible asset are included as part of the cost of the asset until substantially all activities necessary to bring the asset to its intended use or sale condition have been completed.

Investment income earned on temporary investments of specific borrowings made to fund qualifying capital expenditure is deducted from the borrowing costs that are eligible for capitalization.

Except as described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

xviii. Employee benefits

1. Short-term employee benefits

   The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

   Defined benefit pension plans are recognized as current expenses over the period of service of the employees.

   The defined benefit costs (including service costs, net interest, and remeasurement amounts) of a defined benefit pension plan are actuarially calculated using the projected unit credit method. Service costs (including current service costs and past service costs/settlement gains or losses) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses when incurred, when plan amendments or curtailments occur, and when settlements occur. Remeasurement amounts (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets after deducting interest) are recognized in other comprehensive income and included in retained earnings when they occur, and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) is the shortfall (surplus) of the defined benefit pension plan. The net defined benefit asset shall not exceed the present value of the amount that can be refunded from the plan or can reduce future contributions.

3. Other long-term employee benefits

The accounting treatment of other long-term employee benefits is the same as that of defined benefit pension plans, except that the related remeasurements are recognized in profit or loss.

xix. Income tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

The consolidated companies determine the current income (loss) based on the regulations established by each tax jurisdiction for income tax reporting, and calculate the payable (recoverable) income tax accordingly.

The income tax on undistributed earnings under the Income Tax Act of the ROC is recognized in the year of the resolution of the shareholders' meeting.

Adjustments to prior years' income tax payable are included in the current period's income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized when it is probable that taxable income will be available to offset temporary differences, loss carryforwards, or deductions generated from the purchase of machinery and equipment, research and development, and talent training expenditures.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the gains of temporary differences to be realized and the temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Consolidated Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred tax

The current and deferred tax are recognized in profit or loss, provided that the current and deferred tax in relation to the items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive income or directly included in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Consolidated Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The management will review the estimates and underlying assumptions on an ongoing basis. If an amendment to an estimate affects only the current period, the amendment is recognized in the period in which it is made. If an amendment to an accounting estimate affects both the current and future periods, the amendment is recognized in both the current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 500	$ 377
Checking accounts and demand deposits	179,536	120,580
Cash in transit	-	1,543
Cash equivalents (original maturities within 3 months of the investment)		
Time deposits with banks	-	100
	$ 180,036	$ 122,600

The market interest rate range for bank deposits at the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Time deposits with banks	-%	0.35%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
Financial assets - current		
mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- bonds	$ 13,607	$ -

The Consolidated Company has set up pledges for debt instrument investments measured at fair value through profit or loss as collateral for borrowings. The amount of pledged debt instrument investments is disclosed in Note 34.

8. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	December 31, 2022	December 31, 2021
Current		
Time deposits with original maturities exceeding 3 months	$ 66,142	$ -

As of December 31, 2022, the interest rate for time deposits with original maturities exceeding 3 months was 1.95% per annum.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Notes receivable		
Incurred due to business	$ 15,126	$ 17,181
Less: Allowance for losses	(363)	(368)
	$ 14,763	$ 16,813

	December 31, 2022	December 31, 2021
Accounts receivable		
Measured at amortized cost		
Total carrying amount	$ 257,085	$ 391,508
Related parties	1,191	424
Less: Allowance for losses	(18,553)	(20,419)
	$ 239,723	$ 371,513

The Consolidated Company's average credit period for sales of goods is 90 to 120 days. No interest is charged on the outstanding balance of notes receivable and accounts receivable. The Consolidated Company's policy is to rate major customers based on other publicly available financial information and historical transaction records. The Consolidated Company continuously monitors credit exposure and credit ratings of counterparties and diversifies the total transaction amount among different customers with qualified credit ratings.

To mitigate credit risk, the Consolidated Company's management level assigns business units to be responsible for decisions on credit limits, credit approvals, and other monitoring procedures to ensure appropriate actions have been taken to recover overdue receivables. In addition, the Consolidated Company reviews the recoverable amounts of receivables on an individual basis at the balance sheet date to ensure that appropriate impairment losses have been recognized for unrecoverable receivables. Based on this, the Company's management believes that the Consolidated Company's credit risk has been significantly reduced.

The Consolidated Company recognizes allowances for losses on accounts receivable based on the expected credit losses over the lifetime. The lifetime expected credit losses are calculated using a provision matrix, which takes into account the past default history of customers, their current financial condition, and industry economic conditions. As the Consolidated Company's historical credit loss experience shows no significant differences in loss patterns among different customer groups, the provision matrix does not further distinguish customer groups and only sets expected credit loss rates based on the number of days accounts receivable are overdue.

If there is evidence that the counterparty is facing severe financial difficulties and the Consolidated Company cannot reasonably expect the amount to be recovered, such as the counterparty undergoing liquidation, the Consolidated Company will directly write off the relevant accounts receivable, but will continue collection activities, and the amount recovered from collection will be recognized in profit or loss.

The Consolidated Company measures the allowance for losses on accounts receivable based on the provision matrix as follows:

December 31, 2022

	Not overdue	Overdue 1~60 days	Overdue 61~90 days	Overdue 91~120 days	Overdue more than 120 days	Total
Expected credit loss rate	0.37%~0.57%	3.91%~39.39%	25.85%~83.39%	33.53%~100%	100%	
Total carrying amount	$ 231,575	$ 8,015	$ 2,492	$ 290	$ 15,904	$ 258,276
Allowance for losses (lifetime expected credit losses)	(1,103)	(803)	(645)	(98)	(15,904)	(18,553)
Amortized cost	$ 230,472	$ 7,212	$ 1,847	$ 192	$ -	$ 239,723

December 31, 2021

	Not overdue	Overdue 1~60 days	Overdue 61~90 days	Overdue 91~120 days	Overdue more than 120 days	Total
Expected credit loss rate	0.05%~3.025%	3.7%~51.46%	47.99%~66.31%	75.41%~100%	100%	
Total carrying amount	$ 360,679	$ 16,587	$ 437	$ -	$ 14,229	$ 391,932
Allowance for losses (lifetime expected credit losses)	(2,391)	(3,531)	(268)	-	(14,229)	(20,419)
Amortized cost	$ 358,288	$ 13,056	$ 169	$ -	$ -	$ 371,513

The changes in the allowance for losses on notes receivable, accounts receivable, and overdue collection are as follows:

	Notes receivable	Accounts receivable
Balance on January 1, 2021	$ 357	$ 14,948
Add: Impairment loss provision for the current period	11	5,471
Balance on December 31, 2021	368	20,419
Add: (Reversal of) impairment loss for the current period	(5)	(1,866)
Balance on December 31, 2022	$ 363	$ 18,553

The amount of accounts receivable pledged as collateral for loans by the Consolidated Company, please refer to Note 34.

10. INVENTORY

	December 31, 2022	December 31, 2021
Finished goods	$ 118,262	$ 50,030
Work in progress	90,854	78,792
Raw materials	95,686	64,969
Goods in transit	3,053	5,083
	$ 307,855	$ 198,874

The cost of goods sold related to inventory for 2022 and 2021 was $614,529 thousand and $711,271 thousand, respectively.

The cost of goods sold for 2022 and 2021 included net realizable value declines and subsequent recovery gains on inventory of $9,841 thousand and $9,913 thousand, respectively.

The amount of inventory pledged as collateral for loans by the Consolidated Company, please refer to Note 34.

11. NON-CURRENT ASSETS HELD FOR SALE

	December 31, 2022	December 31, 2021
Right-of-use assets held for sale	$ 9,659	$ -
Plant and buildings held for sale	67,003	-
Machinery and equipment held for sale	47,664	-
	$ 124,326	$ -

The Consolidated Company's subsidiary, LEATEC Fine Ceramics (Kunshan) Co., Ltd., expects that its land use rights, houses, buildings, and ancillary assets in Bacheng Town, Kunshan City, will be requisitioned by the local government and undergo a policy-driven relocation within the next 12 months.

As the expected relocation compensation will exceed the carrying amount of the related net assets, there is no impairment loss to be recognized when classifying these units as non-current assets held for sale.

The local government requisitioned part of the right-of-use assets held for sale in July 2022, with a cost of $4,508 thousand and recognized a gain of $68,852 thousand on disposal of non-current assets held for sale. Please refer to Note 27.

12. SUBSIDIARIES

The main entities in this consolidated financial report are as follows:

			Percentage of equity held		
Invested company name	Subsidiary name	Business nature	Dec 31, 2022	Dec 31, 2021	Description
LEATEC Fine Ceramics Co., Ltd. (hereafter referred to as LEATEC)	LEATEC Fine Ceramics (Samoa) Co., Ltd. (hereafter referred to as LEATEC Samoa)	Buying and selling ceramic substrates	100.00	100.00	
	COSMOS Harvest International Limited (hereafter referred to as COSMOS Limited)	Buying and selling ceramic substrates and related production machinery and equipment	100.00	100.00	
LEATEC Samoa	LEATEC Fine Ceramics (Kunshan) Co., Ltd. (hereafter referred to as LEATEC Kunshan)	Production of precision electronic ceramic substrates, etc.	100.00	100.00	

Invested company name	Subsidiary name	Business nature	Percentage of equity held: Dec 31, 2022	Percentage of equity held: Dec 31, 2021	Description
	LEATEC Application Materials (Kunshan) Co., Ltd. (hereafter referred to as LEATEC Application Materials)	Manufacturing and buying and selling of precision electronic ceramics and solar photovoltaic products	100.00	100.00	
LEATEC Kunshan	Kunshan Leatec Optoelectronics Technology Co., Ltd. (hereafter referred to as Leatec Optoelectronics)	Research and development and buying and selling of solar photovoltaic products	100.00	100.00	

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Significant associates

	December 31, 2022	December 31, 2021
ECOCERA Optronics Co., Ltd.	$ 51,344	$ 47,098
Jiangsu Yongsheng New Energy Technology Co., Ltd.	23,381	31,421
	$ 74,725	$ 78,519

As of the balance sheet date, the Consolidated Company's ownership interest and voting power percentages in associates are as follows:

	December 31, 2022	December 31, 2021
ECOCERA Optronics Co., Ltd.	12.00%	12.00%
Jiangsu Yongsheng New Energy Technology Co., Ltd.	20.25%	20.25%

For the business nature, main operating locations, and country of registration information of the aforementioned associates, please refer to Table 7 "Information on Investee Companies, Locations, etc." and Table 8 "Mainland China Investment Information".

In the fiscal year 2021, the Consolidated Company did not subscribe to additional shares of ECOCERA Optronics Co., Ltd. according to its shareholding ratio, which resulted in the shareholding ratio dropping from 12.48% to 12.00%. However, the Consolidated Company did not lose significant influence over ECOCERA Optronics Co., Ltd., mainly because the Consolidated Company still holds one of the four director seats in ECOCERA Optronics Co., Ltd., with the substantial ability to direct its relevant activities, and therefore, the equity method was adopted.

The Consolidated Company holds one of the four director seats in Jiangsu Yongsheng New Energy Technology Co., Ltd., and the management of the Consolidated Company believes that it has significant influence over the company, classifying it as an associate of the Consolidated Company.

The following summary financial information is prepared based on the IFRSs consolidated financial statements of each associate and has reflected adjustments made when adopting the equity method.

ECOCERA Optronics Co., Ltd.

	December 31, 2022	December 31, 2021
Current assets	$ 433,410	$ 485,851
Non-current assets	337,460	372,359
Current liabilities	(286,719)	(439,401)
Non-current liabilities	(56,366)	(35,000)
Equity	$ 427,785	$ 383,809
The Consolidated Company's shareholding percentage	12.00	12.00
Equity held by the Consolidated Company	$ 51,344	$ 47,098
Investment book value	$ 51,344	$ 47,098

	2022	2021
Operating revenue	$ 472,944	$ 518,290
Net profit for the current period	$ 30,070	$ 36,585
Other comprehensive income	-	-
Total comprehensive income	$ 30,070	$ 36,585

Jiangsu Yongsheng New Energy Technology Co., Ltd.

	December 31, 2022	December 31, 2021
Current assets	$ 16,316	$ 27,827
Non-current assets	151,251	194,826
Current liabilities	(52,091)	(67,465)
Non-current liabilities	-	-
Equity	$ 115,476	$ 155,188
The Consolidated Company's shareholding percentage	20.25	20.25
Equity held by the Consolidated Company	$ 23,381	$ 31,421
Investment book value	$ 23,381	$ 31,421

	2022	2021
Operating revenue	$ 4,496	$ 8,396

	2022	2021
Net loss for the current period	($ 42,383)	($ 48,625)
Other comprehensive income	-	-
Total comprehensive income	($ 42,383)	($ 48,625)

The share of profit or loss and other comprehensive income of the associates accounted for using the equity method for the fiscal years 2022 and 2021 were recognized based on the financial statements audited by accountants for the same period of each associate.

14. PROPERTY, PLANT, AND EQUIPMENT

	Owned land	Buildings	Machinery and equipment	Electrical equipment	Other equipment	Construction in progress	Total
Cost							
Balance on January 1, 2022	$ 119,790	$ 1,100,290	$ 1,491,101	$ 193,753	$ 168,149	$ 89,223	$ 3,162,306
Addition	-	3,808	69,123	3,498	3,863	23,566	103,858
Disposal	-	-	(19,119)	(190)	(1,072)	-	(20,381)
Reclassification	-	-	12,276	1,199	3,900	(18,747)	(1,372)
Reclassified to held for sale	-	(189,776)	(550,220)	-	-	-	(739,996)
Interest capitalization	-	-	-	-	-	4,547	4,547
Net exchange difference	-	12,930	14,034	888	821	1,189	29,862
Balance on December 31, 2022	$ 119,790	$ 927,252	$ 1,017,195	$ 199,148	$ 175,661	$ 99,778	$ 2,538,824
Accumulated depreciation and impairment							
Balance on January 1, 2022	$ -	$ 252,015	$ 1,154,644	$ 126,769	$ 160,834	$ -	$ 1,694,262
Disposal	-	-	(18,888)	(190)	(1,063)	-	(20,141)
Reclassified to held for sale	-	(122,773)	(502,556)	-	-	-	(625,329)
Depreciation expense	-	31,677	50,367	8,959	4,273	-	95,276
Net exchange difference	-	2,062	11,577	882	823	-	15,344
Balance on December 31, 2022	$ -	$ 162,981	$ 695,144	$ 136,420	$ 164,867	$ -	$ 1,159,412
Net amount on December 31, 2022	$ 119,790	$ 764,271	$ 322,051	$ 62,728	$ 10,794	$ 99,778	$ 1,379,412
Cost							
Balance on January 1, 2021	$ 119,790	$ 1,021,546	$ 1,410,846	$ 192,472	$ 177,989	$ 85,465	$ 3,008,108
Addition	-	310	19,050	1,593	1,626	153,603	176,182
Disposal	-	(1,984)	(1,575)	-	(11,191)	-	(14,750)
Reclassification	-	84,714	68,368	-	15	(153,097)	-
Interest capitalization	-	-	-	-	-	3,676	3,676
Net exchange difference	-	(4,296)	(5,588)	(312)	(290)	(424)	(10,910)
Balance on December 31, 2021	$ 119,790	$ 1,100,290	$ 1,491,101	$ 193,753	$ 168,149	$ 89,223	$ 3,162,306
Accumulated depreciation and impairment							
Balance on January 1, 2021	$ -	$ 223,013	$ 1,111,788	$ 118,289	$ 167,875	$ -	$ 1,620,965
Disposal	-	(1,571)	(1,416)	-	(11,175)	-	(14,162)
Depreciation expense	-	31,288	49,116	8,784	4,397	-	93,585
Net exchange difference	-	(715)	(4,844)	(304)	(263)	-	(6,126)
Balance on December 31, 2021	$ -	$ 252,015	$ 1,154,644	$ 126,769	$ 160,834	$ -	$ 1,694,262
Net amount on December 31, 2021	$ 119,790	$ 848,275	$ 336,457	$ 66,984	$ 7,315	$ 89,223	$ 1,468,044

The Consolidated Company's property, plant, and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	3 to 35 years
Machinery and equipment	3 to 20 years
Electrical equipment	5 to 25 years
Other equipment	3 to 10 years

The major components of the Consolidated Company's buildings include decoration works, etc., and depreciation is provided based on their useful life of 20 years.

In December 2021, the Consolidated Company's subsidiary, LEATEC Fine Ceramics (Kunshan) Co., Ltd., reached an agreement with the Kunshan Municipal Government for a policy-driven relocation of its land use rights, houses, buildings, and ancillary assets in Bacheng Town, Kunshan City. It will receive RMB235,174 thousand in relocation compensation, and the relocation period will last until June 2023. LEATEC Fine Ceramics (Kunshan) Co., Ltd. received RMB117,584 thousand in relocation compensation in January 2022, which was recorded as advance receipts under other current liabilities. Please refer to Note 22. The aforementioned land use rights, houses, buildings, and ancillary assets, which are expected to be disposed of within one year, have been reclassified as non-current assets held for sale. Please refer to Note 11.

For the amount of property, plant, and equipment pledged by the Consolidated Company as collateral for borrowings, please refer to Note 34.

15. LEASE AGREEMENTS

i. Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Lands	$ 146,195	$ 161,497
Buildings	3,053	4,164
	$ 149,248	$ 165,661

	2022	2021
Depreciation expense of right-of-use assets		
Lands	$ 3,684	$ 4,102
Buildings	1,111	1,110
	$ 4,795	$ 5,212

All of the Consolidated Company's right-of-use assets are land use rights located in mainland China. For the amount of right-of-use assets pledged by the Consolidated Company as collateral for borrowings, please refer to Note 34.

The Consolidated Company's subsidiary, LEATEC Fine Ceramics (Kunshan) Co., Ltd., reached an agreement with the Kunshan Municipal Government in December 2021 for a policy-driven relocation of its land use rights, houses, buildings, and ancillary assets in Bacheng Town, Kunshan City. The aforementioned land use rights, which are expected to be disposed of within one year, have been reclassified as non-current assets held for sale with an amount of $14,167 thousand. The local government expropriated part of the land use rights in July 2022, with the expropriated land use rights cost being $4,508 thousand. Please refer to Notes 11 and 14.

ii. Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 1,118	$ 1,084
Current	2,042	3,160
	$ 3,160	$ 4,244

The discount rate range for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Buildings	3%	3%

iii. Significant leasing activities and terms

The Consolidated Company leases buildings for use as factories with a lease term of 5 years. At the end of the lease term, the Consolidated Company has no preferential purchase rights for the leased buildings, and it is agreed that the Consolidated Company shall not sublease or transfer all or part of the leased object without the consent of the lessor.

iv. Other lease information

	December 31, 2022	December 31, 2021
Short-term lease expenses	$ 215	$ 361
Total cash (outflow) for leases	($ 1,415)	($ 1,561)

16. INVESTMENT PROPERTY

	Completed investment property
Cost	
Balance on January 1, 2022	$ 396,301
Net exchange difference	6,203
Balance on December 31, 2022	$ 402,504
Accumulated depreciation and impairment	
Balance on January 1, 2022	($ 17,613)
Depreciation expense	(13,494)
Net exchange difference	(200)
Balance on December 31, 2022	($ 31,307)

Net amount on December 31, 2022	$ 371,197
Cost	
Balance on January 1, 2021	$ 398,431
Net exchange difference	(2,130)
Balance on December 31, 2021	$ 396,301
Accumulated depreciation and impairment	
Balance on January 1, 2021	($ 4,427)
Depreciation expense	(13,259)
Net exchange difference	73
Balance on December 31, 2021	($ 17,613)
Net amount on December 31, 2021	$ 378,688

The lease term for investment properties rented out is 3 to 10 years. When lessees exercise their renewal rights, the rent is adjusted according to market conditions. Lessees do not have preferential purchase rights for investment properties at the end of the lease term.

The total lease payments to be received in the future for investment properties leased under operating leases are as follows:

	December 31, 2022	December 31, 2021
Year 1	$ 41,758	$ 31,474
Year 2	44,627	36,925
Year 3	46,209	41,007
Year 4	46,594	43,920
Year 5	48,519	45,497
Over 5 years	142,323	233,778
	$ 370,030	$ 432,601

The Consolidated Company's investment properties are depreciated on a straight-line basis over a useful life of 30 years.

The fair value of the Consolidated Company's investment properties as of December 31, 2022, is $464,400 thousand. The valuation was conducted by the Consolidated Company's management using a valuation model commonly used by market participants, referencing market evidence of similar property transaction prices.

For the amount of investment properties pledged by the Consolidated Company as collateral for borrowings, please refer to Note 34.

17. OTHER INTANGIBLE ASSETS

	Computer software	Trademark rights	Patent rights	Total
Cost				
Balance on January 1, 2022	$ 8,542	$ 1,350	$ 16,032	$ 25,924
Acquired separately	966	-	-	966
Disposal	(7,397)	-	-	(7,397)
Balance on December 31, 2022	$ 2,111	$ 1,350	$ 16,032	$ 19,493
Accumulated amortization and impairment				
Balance on January 1, 2022	$ 7,456	$ 1,350	$ 12,016	$ 20,822
Amortization expense	721	-	1,238	1,959
Disposal	(7,397)	-	-	(7,397)
Balance on December 31, 2022	$ 780	$ 1,350	$ 13,254	$ 15,384
Net amount on December 31, 2022	$ 1,331	$ -	$ 2,778	$ 4,109
Cost				
Balance on January 1, 2021	$ 7,907	$ 1,350	$ 16,032	$ 25,289
Acquired separately	1,289	-	-	1,289
Reclassification expense	(654)	-	-	(654)
Balance on December 31, 2021	$ 8,542	$ 1,350	$ 16,032	$ 25,924
Accumulated amortization and impairment				
Balance on January 1, 2021	$ 7,267	$ 1,350	$ 10,778	$ 19,395
Amortization expense	189	-	1,238	1,427
Balance on December 31, 2021	$ 7,456	$ 1,350	$ 12,016	$ 20,822
Net amount on December 31, 2021	$ 1,086	$ -	$ 4,016	$ 5,102

The above limited-useful-life intangible assets are amortized on a straight-line basis over the following useful lives:

Computer software	10 years
Trademark rights	10 years
Patent rights	10 years

18. OTHER ASSETS

	December 31, 2022	December 31, 2021

	December 31, 2022	December 31, 2021
Current		
Prepaid expenses	$ 25,394	$ 25,027
Current income tax assets	890	5
Advance payments for goods	727	3,562
Advance payments	337	279
Payments on behalf of others	-	1,240
Prepaid rent	-	945
	$ 27,348	$ 31,058
Non-current		
Prepaid expenses	$ 28,316	$ 13,861
Refundable deposits	31,010	52,965
	$ 59,326	$ 66,826

19. BORROWINGS

i. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings		
－Bank loans	$ 211,477	$ 276,177
－Commercial paper payable	20,993	-
Unsecured borrowings		
－Bank loans	171,978	41,460
－Commercial paper payable	5,059	55,741
	$ 409,507	$ 373,378

The interest rates for bank revolving loans are as follows:

	December 31, 2022	December 31, 2021
Short-term borrowings	1.64%~7.4%	1.72%~10.689855 %

For collateral information, please refer to Note 34.

ii. Long-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings		
Chailease Finance Co., Ltd. (1)	$ 11,335	$ 37,843
Chailease Finance Co., Ltd. (2)	39,155	-
IBT Leasing Co., Ltd.	-	31,514
Agricultural Bank of China Limited	352,755	373,367
Co-operative Assets Management Co. Ltd.	-	28,125
Infinite Finance Co., Ltd.	-	2,640
TBB International Leasing Co., Ltd.	-	8,537
Sunny Bank (1)	-	20,363

	December 31, 2022	December 31, 2021
Sunny Bank (2)	-	345,000
Sunny Bank (3)	-	72,700
Hotai Finance Co., Ltd.	-	13,715
Taichung Bank Leasing Corporation Limited	-	16,074
Shinshin Credit Corporation	-	11,067
Bank of Panhsin (1)	-	15,833
Bank of Panhsin (2)	15,128	-
Hua Nan International Leasing Co., Ltd.	-	35,178
Bank of Shanghai	15,811	29,500
SinoPac International Leasing Corp.	4,409	28,461
CTBC Finance Co., Ltd.	-	19,541
Hua Nan Commercial Bank Ltd.	10,000	-
Bank of Kaohsiung Co., Ltd. (1)	442,500	-
Bank of Kaohsiung Co., Ltd. (2)	25,991	-
Cathay United Bank	5,300	-
	922,384	1,089,458
Less: portion due within one year	(140,165)	(282,242)
Long-term borrowings	$ 782,219	$ 807,216

The interest rates for bank revolving loans are as follows:

	December 31, 2022	December 31, 2021
Long-term borrowings	2.00%~6.4365%	1.72%~10.689%

The secured borrowings for the fiscal years 2022 and 2021 were secured by the Consolidated Company’s financial assets measured at fair value through profit or loss, accounts receivable, inventories, other financial assets, property, plant and equipment, right-of-use assets, and investment properties (please refer to Notes 34 and 35). Additionally, the repayment and interest payment methods according to the contract are as follows:

Institution name	Borrowing period	Repayment and interest payment method
Chailease Finance Co., Ltd. (1)	2021.11~2023.05	Repay principal and interest monthly for a total of 18 periods.
Chailease Finance Co., Ltd. (2)	2022.05~2024.05	Repay principal and interest monthly for a total of 24 periods.
IBT Leasing Co., Ltd.	2021.09~2023.03	Repay principal monthly for a total of 18 periods, with early repayment in 2022.

Institution name	Borrowing period	Repayment and interest payment method
Agricultural Bank of China Limited	2020.11~2030.10	Interest is paid monthly, and principal is repaid semiannually.
Co-operative Assets Management Co. Ltd.	2021.03~2023.03	Repay principal monthly for a total of 24 periods, with early repayment in 2022.
Infinite Finance Co., Ltd.	2020.09~2022.03	Repay principal monthly for a total of 18 periods.
TBB International Leasing Co., Ltd.	2020.11~2022.05	Repay principal and interest monthly for a total of 18 periods.
Sunny Bank (1)	2019.06~2026.06	Repay principal and interest monthly for a total of 84 periods, with early repayment in 2022.
Sunny Bank (2)	2019.06~2026.06	Repay principal and interest quarterly for a total of 27 periods, with early repayment in 2022.
Sunny Bank (3)	2021.11~2028.11	Repay principal and interest monthly for a total of 84 periods, with early repayment in 2022.
Hotai Finance Co., Ltd.	2020.12~2022.06	Repay principal and interest monthly for a total of 18 periods.
Taichung Bank Leasing Corporation Limited	2021.10~2023.04	Repay principal monthly for a total of 18 periods, with early repayment in 2022.
Shinshin Credit Corporation	2021.01~2023.01	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Bank of Panhsin (1)	2020.07~2023.07	Repay principal and interest monthly for a total of 36 periods, with early repayment in 2022.
Bank of Panhsin (2)	2022.06~2024.06	Repay principal and interest monthly for a total of 24 periods.
Hua Nan International Leasing Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Bank of Shanghai	2020.12~2023.12	One-year principal grace period, repay principal and interest monthly for a total of 24 periods.
SinoPac International Leasing Corp.	2021.05~2023.05	Repay principal and interest monthly for a total of 18 periods.
CTBC Finance Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Hua Nan Commercial Bank Ltd.	2022.05~2025.05	One-year principal grace period, repay principal and interest monthly for a total of 24 periods.
Bank of Kaohsiung Co., Ltd. (1)	2022.07~2029.07	Repay principal and interest quarterly for a total of 28 periods.
Bank of Kaohsiung Co., Ltd. (2)	2022.07~2025.07	Repay principal and interest monthly for a total of 36 periods.
Cathay United Bank	2022.11~2025.10	Half-year principal grace period, repay principal and interest monthly for a total of 30 periods.

20. CORPORATE BONDS PAYABLE

	December 31, 2022	December 31, 2021
Domestic secured corporate bonds	$ 250,000	$ 250,000
Less: portion due within 1 year	-	(250,000)
	$ 250,000	$ -

The Company issued the first domestic secured ordinary corporate bonds in 2022 on December 9, 2022, with a total issuance amount of $250,000 thousand, a face interest rate of 2.03%, and simple interest calculated annually. Interest is paid once a year, and the bonds will mature on December 9, 2025.

The Company issued the first domestic secured ordinary corporate bonds in 2019 on December 13, 2019, with a total issuance amount of $250,000 thousand, a face interest rate of 0.9%, and simple interest calculated annually. Interest is paid once a year, and the bonds will mature on December 12, 2022.

21. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2022	December 31, 2021
Notes payable		
Not arising from operations	$ 2,403	$ 2,718
Accounts payable		
Arising from operations	$ 36,404	$ 34,662

i. Notes payable

As of December 31, 2022 and 2021, mainly for notes payable for equipment and labor suppliers.

ii. Accounts payable

The Consolidated Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit terms, and unpaid balances do not accrue interest.

22. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021
Other payables		
Payable for equipment	$ 32,302	$ 68,189
Salaries payable	32,102	38,794
Other payable expenses	31,696	30,509
Others	16,144	14,184
	$ 112,244	$ 151,676
Other current liabilities		
Advance receipts	$ 1,090	$ 2,288

	December 31, 2022	December 31, 2021
Other payables		
Advance receipts - relocation compensation fee (Note)	406,376	-
Temporary payments	8,188	475
Payments on behalf	2,031	2,108
	$ 417,685	$ 4,871

Note: This is the relocation compensation fee paid in advance by the Kunshan Municipal Government. Please refer to Notes 14 and 15. The local government has expropriated part of the right-of-use assets held for sale in July 2022. Please refer to Note 11. Relocation expenses have occurred in 2022, and government grant income has been recognized proportionally according to the relocation progress. Please refer to Note 27(ii).

23. PROVISIONS FOR LIABILITIES

	December 31, 2022	December 31, 2021
Employee benefits - non-current	$ 930	$ 884

	員 工 福 利
Balance on January 1, 2021	$ 989
Additions this year	371
Payments this year	(440)
Actuarial gains	(36)
Balance on December 31, 2021	884
Additions this year	259
Payments this year	(570)
Actuarial losses	357
Balance on December 31, 2022	$ 930

Employee benefit provisions for liabilities are estimates of employees' vested long-term service rights.

In 2022 and 2021, the Consolidated Company recognized actuarial losses (gains) of $357 thousand and $(36) thousand in other comprehensive income, respectively. As of December 31, 2022, and 2021, the cumulative amount of actuarial losses recognized in other comprehensive income was $715 thousand and $358 thousand, respectively.

24. POST-RETIREMENT BENEFIT PLANS

i. Defined contribution plan

The pension system applicable to the Company under the “Labor Pension Act” is a government-managed defined contribution pension plan, which allocates 6% of employees’ monthly salaries to individual accounts with the Bureau of Labor Insurance.

Employees of the Consolidated Company’s subsidiaries in China are members of the retirement benefit plan operated by the Chinese government. The subsidiary is required to contribute a specific percentage of salary costs to the retirement benefit plan to provide funds for the plan. The Consolidated Company’s obligation for this government-operated retirement benefit plan is limited to contributing a specific amount.

ii. Defined benefit plan

The Company’s pension system in accordance with Taiwan’s “Labor Standards Act” is a government-managed defined benefit pension plan. The payment of employees’ pensions is calculated based on the years of service and the average wage of the 6 months before the approved retirement date. The Company allocates 2% of the total monthly salaries of employees for pensions, which are deposited into a special account with the Bank of Taiwan in the name of the Supervisory Committee of Business Entities’ Labor Retirement Reserve. Before the end of the year, if the estimated balance of the special account is insufficient to pay the workers who are expected to meet the retirement conditions within the next year, the difference will be allocated once before the end of March of the following year. The special account is entrusted to the Bureau of Labor Funds, MOL, and the Company has no right to influence the investment management strategy.

The amounts of defined benefit plans included in the consolidated balance sheet are shown as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 34,206	$ 31,054
Fair value of plan assets	(13,069)	(7,119)
Contribution shortfall	21,137	23,935
Net defined benefit liability	$ 21,137	$ 23,935

The changes in net defined benefit liabilities are as follows:

	Present value	Fair value of	Net defined

	of defined benefit obligations	plan assets	benefit liability
January 1, 2021	$ 27,572	($ 6,298)	$ 21,274
Service cost			
Current service cost	563	-	563
Interest expense (income)	110	(25)	85
Recognized in profit or loss	673	(25)	648
Remeasurement			
Actuarial losses (gains) - changes in financial assumptions	2,809	(91)	2,718
Recognized in other comprehensive income	2,809	(91)	2,718
Employer contributions	-	(705)	(705)
December 31, 2021	31,054	(7,119)	23,935
Service cost			
Current service cost	603	-	603
Interest expense (income)	160	(37)	123
Recognized in profit or loss	763	(37)	726
Remeasurement			
Actuarial losses (gains) - changes in financial assumptions	5,015	(573)	4,442
Recognized in other comprehensive income	5,015	(573)	4,442
Employer contributions	-	(7,966)	(7,966)
Benefit payments	(2,626)	2,626	-
December 31, 2022	$ 34,206	($ 13,069)	$ 21,137

The Company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, MOL invests the labor pension fund in domestic (foreign) equity securities, debt securities, and bank deposits through self-management and entrusted management. However, the plan assets' distributable income is calculated based on a return not lower than the local bank's 2-year fixed deposit rate.
2. Interest rate risk: A decline in government bond rates will increase the present value of defined benefit obligations, but the return on debt investments of plan assets will also increase. Both have a partially offsetting effect on the net defined benefit liability.
3. Salary risk: The calculation of the present value of defined benefit obligations takes into account the future salaries of plan members. Therefore, an increase

in plan members' salaries will increase the present value of defined benefit obligations.

The present value of the Company's defined benefit obligations is actuarially determined by a qualified actuary, and the significant assumptions at the measurement date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.4019%	0.5170%
Expected salary increase rate	1.5%	1.0%

If significant actuarial assumptions change reasonably, the increase (decrease) in the present value of defined benefit obligations under the condition that all other assumptions remain unchanged is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 795)	($ 822)
Decrease by 0.25%	$ 824	$ 854
Expected salary increase rate		
Increase by 0.5%	$ 1,639	$ 1,704
Decrease by 0.5%	($ 1,539)	($ 1,592)

Due to the possible correlation between actuarial assumptions, the likelihood of a single assumption change is low, so the above sensitivity analysis may not reflect the actual changes in the present value of defined benefit obligations.

	December 31, 2022	December 31, 2021
Expected contributions within one year	$ 455	$ 439
Average duration of defined benefit obligations	13 years	13 years

25. EQUITY

i.. Share capital

Common shares

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	150,000	150,000
Authorized share capital	$ 1,500,000	$ 1,500,000
Issued and fully paid-up shares (in thousands)	108,080	108,080
Issued share capital	$ 1,080,798	$ 1,080,798

Each issued common share has a par value of $10, with one voting right and the right to receive dividends per share.

The share capital reserved for the issuance of employee stock warrants in the authorized share capital is 5,000 thousand shares.

ii. Capital surplus

The adjustments to the balances of various types of capital reserves for the fiscal years 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Available for covering losses, distributing cash, or increasing share capital (Note)		
Premium on issuance of shares	$ 99,781	$ 113,870
Conversion premium on convertible corporate bonds	-	163,256
Treasury stock transactions	-	47,746
Available only for covering losses		
Gain on disposal of assets	-	86
Changes in the net value of associates recognized under the equity method	2,520	28,135
	$ 102,301	$ 353,093

Note: This type of capital surplus can be used to cover losses or, when the Company has no losses, to distribute cash or increase share capital, but the increase in share capital is limited to a certain percentage of paid-up share capital per year.

The Company's shareholders' meeting held on June 23, 2022, resolved to use the capital surplus of $253,312 thousand to cover losses.

iii. Retained earnings and dividend policy

The Company's articles of incorporation stipulate that if the Company has a profit for the year, after paying taxes and covering accumulated losses, 10% of the profit should be allocated as a legal reserve, and the remainder should be allocated or reversed as a special reserve according to the law. If there is still a balance, it should be combined with the accumulated undistributed earnings, and the board of directors should propose a dividend distribution plan to be submitted to the shareholders' meeting for approval.

The Company's employee and director compensation distribution policy can be found in Note 27, Net profit from continuing operations (viii.) Employee compensation and director compensation.

Furthermore, according to the Company's articles of incorporation, dividends can be distributed in cash or as stock dividends.

Legal reserves should be allocated until the balance reaches the total amount of the company's paid-up share capital. Legal reserves can be used to cover losses. When the company has no losses, the portion of legal reserves exceeding 25% of the paid-up share capital can be distributed in cash or added to share capital.

The Company allocates and reverses special reserves from the undistributed earnings of previous periods according to the law.

The Company held shareholders' meetings on June 23, 2022, and July 22, 2021, to resolve the profit and loss allocation plans for 2021 and 2020, respectively, as follows:

	Profit and loss allocation plan	
	2021	2020
Losses to be compensated	($ 253,313)	($ 302,001)
Capital surplus to cover losses	253,312	-

The Company's board of directors proposed a profit and loss allocation plan for 2022 on March 24, 2023. Due to the net loss after tax, there is no proposal to allocate legal reserves or distribute dividends.

The profit and loss allocation plan for 2022 is subject to the approval of the shareholders' meeting scheduled to be held on June 20, 2023.

26. REVENUE

	2022	2021
Customer contract revenue		
Product sales revenue	$ 783,512	$ 1,033,429

i. Description of customer contracts

Product sales revenue

Product sales revenue mainly comes from the sales of ceramic substrates, circuit components, processing transactions, and general import and export trade. Except for some sales targets that agree to recognize revenue when the products arrive at the customer-designated location, the remaining sales targets agree to recognize revenue and accounts receivable when the products are shipped. At that point, the customer has agreed on the price and usage rights for the goods, bears the primary responsibility for resale, and assumes the risk of obsolescence.

ii. Contract balances

	December 31, 2022	December 31, 2021
Accounts receivable (Note 9)	$ 254,486	$ 388,326

iii. Segmentation of customer contract revenue

From January 1 to December 31, 2022

	Reportable segments		
	Substrate Division	Optoelectronics Division	Total
Type of goods or services			
Revenue from the sale of goods	$ 775,101	$ 8,411	$ 783,512

From January 1 to December 31, 2021

	Reportable segments		
	Substrate Division	Optoelectronics Division	Total
Type of goods or services			
Revenue from the sale of goods	$ 1,030,865	$ 2,564	$ 1,033,429

For revenue segmentation information, please refer to Note 39.

27. NET PROFIT FROM CONTINUING OPERATIONS

i. Interest income

	2022	2021
Bank deposits		
Financial assets measured at amortized cost	$ 7,124	$ 652
Other	461	-
	$ 7,585	$ 652

ii. Financial assets measured at amortized cost

	2022	2021
Rental income	$ 54,169	$ 47,390
Government grant income	39,360	-
Other	11,853	4,942
	$ 105,382	$ 52,332

Government grant income is provided by the Kunshan Municipal Government for the relocation and shutdown subsidies for the subsidiary LEATEC Fine Ceramics (Kunshan) Co., Ltd.

iii. Other gains and losses

	2022	2021
Gain on disposal of non-current assets held for sale	$ 68,852	$ -
Gain (loss) on disposal of property, plant, and equipment	113	(588)
Loss on financial assets measured at fair value through profit or loss	(1,723)	-
Net foreign exchange loss	(701)	(2,950)
Other expenses	(18,172)	(10,769)
	$ 48,369	($ 14,307)

iv. Finance costs

	2022	2021
Interest on bank loans and corporate bonds	$ 54,064	$ 51,222
Interest on lease liabilities	116	149
Other interest expenses	21	50
Less: Amounts included in the cost of qualifying assets	(4,547)	(3,676)
	$ 49,654	$ 47,745

Information related to interest capitalization is as follows:

	2022	2021
Amount of interest capitalized	$ 4,547	$ 3,676
Interest capitalization rate	2.83%~7.4%	2.47%~5.12%

v. (Reversal gain of) impairment loss of financial asset

	2022	2021
Impairment loss (reversal of gains) on accounts receivable	($ 1,871)	$ 5,482

vi. Depreciation and amortization

	2022	2021
Property, plant, and equipment	$ 95,276	$ 93,585
Investment property	13,494	13,259
Right-of-use assets	4,795	5,212
Other intangible assets	1,959	1,427

	2022	2021
Total	$ 115,524	$ 113,483
Depreciation expenses summarized by function		
Operating costs	$ 58,610	$ 61,130
Operating expenses	54,955	50,926
	$ 113,565	$ 112,056
Amortization expenses summarized by function		
Operating costs	$ 237	$ -
Operating expenses	1,722	1,427
	$ 1,959	$ 1,427

vii. Employee benefit expenses

	2022	2021
Short-term employee benefits	$ 312,724	$ 321,165
Post-retirement benefits (Note 24)		
Defined contribution plans	8,115	6,398
Defined benefit plans	726	648
	8,841	7,046
Long-term employee benefits (Note 23)	259	371
Total employee benefit expenses	$ 321,824	$ 328,582
Summarized by function		
Operating costs	$ 251,642	$ 252,475
Operating expenses	70,182	76,107
	$ 321,824	$ 328,582

viii. Employee compensation and director compensation

The Company allocates employee compensation and director/supervisor compensation based on 1.5% to 15% and not more than 5% of the pre-tax profit before deducting employee and director/supervisor compensation for the current year. However, when the Company has accumulated losses, it should reserve the amount to offset the losses before allocating employee compensation and director/supervisor compensation. In 2022 and 2021, there were accumulated losses, so no employee compensation and director/supervisor compensation were accrued, which were approved by the board of directors on March 24, 2023, and March 25, 2022.

If the amounts still change after the approval date of the consolidated financial statements for the year, the accounting estimate changes will be adjusted in the following year.

There were no differences between the actual distribution amounts of employee compensation and director/supervisor compensation for 2021 and 2020 and the amounts recognized in the 2021 and 2020 consolidated financial statements.

For information about the Company's employee compensation and director/supervisor compensation resolutions of the board of directors in 2023 and 2022, please visit the Taiwan Stock Exchange's "Market Observation Post System".

ix. Foreign exchange gain/loss

	2022	2021
Total foreign exchange gain	$ 64,157	$ 21,046
Total foreign exchange loss	(64,858)	(23,996)
Net (loss) gain	($ 701)	($ 2,950)

x. Reversal gain on impairment of non-financial assets

	2022	2021
Inventory (included in operating costs)	($ 9,841)	($ 9,913)

28. INCOME TAX OF CONTINUING OPERATIONS

i. Income tax recognized in profit or loss

The main components of income tax expense (benefit) are as follows:

	2022	2021
Current income tax		
Generated in the current year	$ 48	$ 17,395
Adjustments for prior years	2,879	2,837

	2022	2021
	2,927	20,232
Deferred income tax		
Generated in the current year	5,959	13,600
Adjustments for prior years	172	-
	6,131	13,600
Income tax expense recognized in profit or loss	$ 9,058	$ 33,832

The reconciliation of accounting income and income tax expense is as follows:

	2022	2021
Pre-tax net (loss) profit of continuing operations	($ 24,418)	$ 84,666
Income tax expense calculated at the statutory tax rate on pre-tax net loss	$ 5,524	$ 21,420
Non-deductible expenses for tax purposes	1,850	2,130
Losses recognized on investments accounted for using the equity method	1,374	849
Others	(10,169)	(119)
Unrecognized loss carryforwards	7,428	6,715
Adjustments for current and deferred income tax expenses of prior years in the current year	3,051	2,837
Income tax expense recognized in profit or loss	$ 9,058	$ 33,832

The Consolidated Company applies a tax rate of 20% under the Income Tax Act of the Republic of China for individual entities; the applicable tax rate for subsidiaries in China is 15% to 25%; the tax amount generated in other jurisdictions is calculated based on the applicable tax rates in the relevant jurisdictions.

ii. Income tax recognized in other comprehensive income

	December 31, 2022	December 31, 2021
Deferred income tax		
Generated in the current year		
Remeasurement of defined benefit plans	$ 960	$ 536

iii. Current income tax assets and liabilities

	December 31, 2022	December 31, 2021
Current income tax assets		
Receivable tax refunds	$ 890	$ 5
Current income tax liabilities		
Payable income tax	$ 2,174	$ 4,363

iv. Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Deferred tax assets					
Temporary differences					
Unrealized inventory valuation losses	$ 12,166	($ 1,690)	$ -	$ 84	$ 10,560
Unrealized expected impairment losses	3,067	(272)	-	34	2,829
Unrealized profits of subsidiaries	1,041	(725)	-	-	316
Financial asset valuation losses	-	344	-	-	344
Defined benefit pension plans	2,962	-	960	-	3,922
Property, plant, and equipment	137	(76)	-	-	61
	19,373	(2,419)	960	118	18,032
Loss carryforwards	666	9,517	-	-	10,183
	$ 20,039	$ 7,098	$ 960	$ 118	$ 28,215
Deferred tax liabilities					
Temporary differences					
Property, plant, and equipment	$ 1,856	$ 200	$ -	$ -	$ 2,056
Investment gains recognized using the equity method	98,460	12,087	-	-	110,547
Unrealized foreign exchange gains	27	942	-	-	969
	$ 100,343	$ 13,229	$ -	$ -	$ 113,572

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Deferred tax assets					
Temporary differences					
Unrealized inventory valuation losses	$ 13,747	($ 1,551)	$ -	($ 30)	$ 12,166
Unrealized expected impairment losses	2,146	932	-	(11)	3,067
Unrealized profits of subsidiaries	538	503	-		1,041

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Ending balance
Defined benefit pension plans	2,426	-	536		2,962
Property, plant, and equipment	126	11	-		137
	18,983	(105)	536	(41)	19,373
Loss carryforwards	-	666	-	-	666
	$ 18,983	$ 561	$ 536	($ 41)	$ 20,039
Deferred tax liabilities					
Temporary differences					
Property, plant, and equipment	$ 1,517	$ 339	$ -	$ -	$ 1,856
Investment gains recognized using the equity method	84,581	13,879	-	-	98,460
Unrealized foreign exchange gains	84	(57)	-	-	27
	$ 86,182	$ 14,161	$ -	$ -	$ 100,343

v. Deductible temporary differences, unused loss carryforwards, and unused investment tax credits not recognized as deferred income tax assets in the balance sheet

	December 31, 2022	December 31, 2021
Loss carryforwards		
Expiring in 2022	$ -	$ 70,111
Expiring in 2023	63,445	63,445
Expiring in 2024	59,386	59,386
Expiring in 2025	92,117	92,117
Expiring in 2026	31,916	31,916
Expiring in 2027	17,161	17,161
Expiring in 2028	29,495	29,495
Expiring in 2029	122,856	122,856
Expiring in 2030	78,174	90,270
Expiring in 2032	48,589	-
	$ 543,139	$ 576,757
Deductible temporary differences		
Losses recognized on investments accounted for using the equity method	$ 45,829	$ 47,453

vi. Information on unused loss carryforwards

As of December 31, 2022, the information on loss carryforwards is as follows:

Unutilized balance	Final deduction year
$ 63,445	2023
59,386	2024
92,117	2025
31,916	2026
17,161	2027
29,495	2028
122,856	2029
78,174	2030
2,324	2031
97,179	2032
$ 594,053	

vii. Income tax assessment status

The Company's profit-seeking enterprise income tax returns have been assessed by the tax authorities up to 2020.

29. EARNINGS (LOSS) PER SHARE

Unit: per share in dollars

	2022	2021
Basic earnings (loss) per share		
From continuing operations	($ 0.31)	$ 0.47
Diluted earnings (loss) per share		
From continuing operations	($ 0.31)	$ 0.47

The net profit and weighted average number of common shares used to calculate earnings (loss) per share from continuing operations are as follows:

Current period net (loss) profit

	2022	2021
Net (loss) profit attributable to the owners of the Company	($ 33,476)	$ 50,834

Number of shares

Unit: thousand shares

	2022	2021
Weighted average number of common shares used to calculate basic earnings (loss) per share	108,080	108,080

If the Consolidated Company has the option to distribute employee compensation in the form of stocks or cash, when calculating diluted earnings per share, it is assumed that employee compensation will be distributed in the form of stocks and included in the weighted average number of outstanding shares when the potential common stock has a dilutive effect, to calculate diluted earnings per share. When calculating diluted earnings per share before the resolution of the number of shares to be distributed as employee compensation in the following year, the dilutive effect of such potential common stock is also considered.

30. NON-CASH TRANSACTIONS

The Consolidated Company conducted the following non-cash investment activities in 2022 and 2021:

	December 31, 2022	December 31, 2021
Investment activities affecting both cash and non-cash transactions		
Increase in property, plant, and equipment	$ 108,405	$ 179,858
Net change in equipment payables	35,887	(9,601)
Cash paid for the purchase of property, plant, and equipment	$ 144,292	$ 170,257

31. CAPITAL RISK MANAGEMENT

The Consolidated Company manages its capital to ensure that entities within the group can continue to operate while optimizing the balance of debt and equity, in order to maximize shareholder returns. There have been no significant changes in the Consolidated Company's overall strategy.

The Consolidated Company's capital structure consists of its net debt (i.e., borrowings less cash and cash equivalents) and equity attributable to the owners of the Consolidated Company (i.e., share capital, capital reserves, retained earnings, and other equity items).

The Consolidated Company's senior management, in collaboration with the Board of Directors, reviews the group's capital structure at least quarterly, taking into account the costs and risks associated with various types of capital. Based on the recommendations of senior management, the Consolidated Company will balance its overall capital structure by distributing dividends, issuing new shares, repurchasing shares, and issuing new debt or repaying old debt. The Consolidated Company's target debt ratio (i.e., the ratio of total liabilities to total assets) is set at 50% or below. As of December 31, 2022, the debt ratio was 67%, higher than the target debt ratio range. The Consolidated Company expects to reduce the debt ratio to an appropriate range by improving its operating performance.

32. FINANCIAL INSTRUMENTS

i. Fair value information - Financial instruments not measured at fair value

Except for the items listed in (iii.), the management of the Consolidated Company believes that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair values.

ii. Fair value information - Financial instruments measured at fair value

Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Domestic debt instrument investments	$ 13,607	$ -	$ -	$ 13,607

There were no transfers between Level 1 and Level 2 fair value measurements from January 1 to December 31, 2022.

iii. Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	$ 13,607	$ -
Financial assets measured at amortized cost (Note 1)	821,891	800,136
Financial liabilities		
Measured at amortized cost (Note 2)	1,714,465	1,870,001

Note 1: The balance includes cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable (including related parties), other receivables, other financial assets, and financial assets such as refundable deposits measured at amortized cost.

Note 2: The balance includes short-term borrowings, notes payable, accounts payable, other payables, corporate bonds payable, long-term borrowings, and financial liabilities such as deposits received measured at amortized cost.

iv. Financial risk management objectives and policies

The Consolidated Company's main financial instruments include debt instrument investments, accounts receivable, accounts payable, corporate bonds payable, and borrowings. The Consolidated Company's financial management department provides services to various business units, coordinating and coordinating access to domestic and international financial markets, and supervising and managing the Consolidated Company's operating-related financial risks through internal risk reports that analyze exposures according to the degree and breadth of risk. These risks include market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The financial management department submits quarterly reports to the Consolidated Company's Board of Directors, which supervises risks and oversees the implementation of policies to mitigate risks.

1. Market risk

The main financial risks borne by the Consolidated Company's operating activities are foreign currency exchange rate fluctuations and interest rate fluctuations. The Consolidated Company closely monitors exchange rate changes and effectively interacts with banks to manage the foreign currency exchange rate and interest rate risks it bears. The Consolidated Company measures the impact of financial instruments on fair value and cash flows under the assumption of changes in all relevant market risk variables using sensitivity analysis. The Consolidated Company expects reasonable changes in the relevant risk variables at the end of the reporting period as follows:

NTD Market interest rate	10 basis points
USD Market interest rate	10 basis points
NTD/USD and other currencies	5%

(1) Exchange rate risk

On the balance sheet date, the carrying amounts of non-functional currency denominated monetary assets and monetary liabilities (including non-functional currency denominated monetary items that have been offset in the consolidated financial statements) are as per Note 37.

Sensitivity analysis

The Consolidated Company is mainly affected by fluctuations in the USD, JPY and EUR exchange rates.

The table below provides a detailed explanation of the Consolidated Company's sensitivity analysis when the New Taiwan Dollar (functional currency) appreciates or depreciates by 5% against each relevant foreign currency. The 5% represents the sensitivity ratio used for internal reporting of exchange rate risk to the main management level and also represents the management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis only includes foreign currency monetary items outstanding and adjusts their period-end conversions by changing the exchange rate by 5%. The positive numbers in the table indicate that when there is a net foreign currency asset, a 5% depreciation of the New Taiwan Dollar against each relevant currency will increase pre-tax net profit; when there is a net foreign currency liability, a 5% depreciation of the New Taiwan Dollar against each relevant foreign currency will have the same amount of negative impact on pre-tax net profit.

	Impact of USD				Impact of JPY			
	2022		2021		2022		2021	
Profit or loss	($ 8,221)	(i)	$ 10,344	(i)	$ 1,313	(ii)	($ 211)	(ii)

	Impact of EUR			
	2022		2021	
Profit or loss	$ 2,431	(iii)	$ 626	(iii)

(i) Mainly arising from the USD-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(ii) Mainly arising from the JPY-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(iii) Mainly arising from the EUR-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(2) Other price risks

The Consolidated Company is exposed to price risks due to bond investments, mainly holding bonds for interest and spread gains.

Sensitivity analysis

The following sensitivity analysis is based on bond price exposures as of the balance sheet date.

If bond prices increase/decrease by 10%, the pre-tax profit or loss for the period from January 1, 2022 to December 31, 2022 will increase/decrease by $1,361 thousand due to the fair value increase/decrease of financial assets measured at fair value through profit or loss.

(3) Interest rate risk

Due to the fact that individual entities within the Consolidated Company borrow funds at both fixed and floating interest rates, interest rate risk arises. The management of the Consolidated Company discusses an appropriate combination of fixed and floating interest rates with borrowing banks after thoroughly understanding the financial market.

The carrying amounts of financial liabilities exposed to interest rate risk as of the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk	$ 333,450	$ 650,415
Cash flow interest rate risk	1,248,441	1,062,421

Sensitivity analysis

The sensitivity analysis below is determined based on non-derivative instruments' interest rate exposure as of the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of liabilities outstanding as of the balance sheet date remains outstanding throughout the year. The rate of change used for internal reporting of interest rates to the main management level is an increase or decrease of 10 basis points, which also represents management's assessment of the reasonably possible range of changes in interest rates.

Financial assets are minimally affected by changes in interest rates due to the low level of market deposit interest rates. Interest rate sensitivity analysis is performed on financial liabilities for profit and loss impact. The change in fair value and cash flow estimates due to interest rate changes are analyzed under the assumption of other variables remaining constant, at the end of the reporting period, and with an increase or decrease of 10 basis points. The pre-tax net (loss) profit of the Consolidated Company for 2022 and 2021 will increase (decrease) by $1,248 thousand / $(1,248) thousand and $1,062 thousand / $(1,062) thousand, respectively.

The increased sensitivity of the Consolidated Company to interest rates in the current period is mainly due to the increase in variable interest rate debt instruments and the fair value interest rate risk exposure of redeemable corporate bonds.

2. Credit risk

Credit risk is the risk of financial loss to the Group due to counterparty default on contractual obligations. As of the balance sheet date, the Consolidated Company's maximum exposure to credit risk, which may result from the counterparty's failure to fulfill its obligations and the Consolidated Company's provision of financial guarantees, mainly arises from:

(1) The carrying amount of financial assets recognized in the consolidated balance sheet.

(2) The maximum amount that the Consolidated Company may need to pay for providing financial guarantees, regardless of the likelihood of occurrence.

The Consolidated Company's policy is to only engage in transactions with reputable counterparties and to obtain sufficient collateral when necessary to mitigate the risk of financial losses due to defaults. The Consolidated Company only transacts with businesses that meet the conditions assessed by internal credit management procedures or external credit rating agencies. The Consolidated Company continuously monitors credit exposure and counterparties' credit ratings and effectively manages the credit limits of counterparties through annual reviews and approvals by the management department to reduce risk.

To mitigate credit risk, the Consolidated Company's management assigns a dedicated team responsible for determining credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are taken for the collection of overdue receivables. In addition, the Consolidated Company reviews the recoverable amount of receivables individually as of the balance sheet date to ensure that uncollectible receivables have been adequately impaired. As a result, the Consolidated Company's management believes that the Consolidated Company's credit risk has been significantly reduced.

The receivables are from a wide range of customers, spread across different industries and geographical areas. The Consolidated Company continuously evaluates the financial condition of its accounts receivable customers and, when necessary, purchases credit guarantee insurance contracts.

The Consolidated Company's credit risk is primarily concentrated on Customer A. As of the December 31, 2022 and 2021, the percentage of total receivables from the aforementioned customer was 16% and 11%, respectively.

3. Liquidity risk

As of December 31, 2022, the Consolidated Company's current assets were $1,258,972 thousand, current liabilities were $1,121,700 thousand, and the debt ratio was 67%. To improve liquidity, the Consolidated Company obtained funds from the capital market in 2022 through the issuance of secured corporate bonds or cash capital increases. In addition, the Consolidated Company's subsidiary, LEATEC Fine Ceramics (Kunshan) Co., Ltd., received a relocation compensation of RMB117,584 thousand in January 2022 and is expected to receive the remaining relocation compensation of RMB117,590 thousand in June 2023. The Consolidated Company expects to use these funds to repay short-term loans and for operational purposes.

The Consolidated Company plans appropriate fundraising methods based on operating conditions and the economic environment, and manages and maintains safe cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Consolidated Company's management coordinates the use and review of bank financing limits and ensures compliance with loan contract terms.

The ultimate responsibility for managing the Consolidated Company's liquidity risk lies with the Board of Directors. The management department plans appropriate measures to reduce liquidity risk in response to the Consolidated Company's short-term, medium-term, and long-term financing and liquidity management needs. The Consolidated Company manages liquidity risk by maintaining adequate reserves, bank financing limits, obtaining loan commitments, continuously monitoring projected and actual cash flows, and matching the maturity composition of financial assets and liabilities.

(1) Liquidity and interest rate risk table

The following table provides a detailed description of the remaining contractual maturities of the Consolidated Company's non-derivative financial liabilities, which are based on the earliest possible repayment dates required by the Consolidated Company and prepared using undiscounted cash flows of financial liabilities, including cash flows for interest and principal.

Bank loans that can be demanded for immediate repayment by the Consolidated Company are included in the earliest period in the table below, without considering the probability of the bank exercising that right immediately; other non-derivative financial liability maturity analyses are prepared according to the agreed repayment dates.

For cash flows of interest paid at floating interest rates, the undiscounted interest amounts are derived from the yield curve as of the balance sheet date.

December 31, 2022

	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Interest-free liabilities	$ -	$ 86,647	$ 32,302	$ 13,625	$ -
Lease liabilities	92	184	842	2,042	-
Floating rate instruments	12,750	161,742	291,730	322,161	460,058
Fixed rate instruments	23,205	29,506	30,739	-	-
Corporate bonds payable	-	-	-	250,000	-
	$ 36,047	$ 278,079	$ 355,613	$ 587,828	$ 460,058

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 1,118	$ 2,042	$ -	$ -	$ -	$ -

December 31, 2021

	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Interest-free liabilities	$ -	$ 80,352	$ 69,910	$ 6,903	$ -
Lease liabilities	89	269	726	3,160	-
Floating rate instruments	1,760	71,938	218,612	507,021	263,090
Fixed rate instruments	32,773	59,384	271,153	37,105	-
Corporate bonds payable	-	-	250,000	-	-
	$ 34,622	$ 211,943	$ 810,401	$ 554,189	$ 263,090

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 1,084	$ 3,160	$ -	$ -	$ -	$ -

(2) Financing limit

	December 31, 2022	December 31, 2021
Bank loan limit		
Amount utilized	$ 1,581,891	$ 1,712,836
Unused amount	433,213	352,942
	$ 2,015,104	$ 2,065,778

33. RELATED PARTY TRANSACTIONS

Transactions, account balances, revenues, and expenses between the Company and its subsidiaries (which are related parties of the Company) are eliminated in full upon consolidation and are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Consolidated Company and other related parties are as follows:

i. Related party names and their relationship

Related party name	Relationship with the Consolidated Company
ECOCERA Optronics Co., Ltd.	Associate

ii. Operating revenue

Account item	Related party category/name	2022	2021
Sales revenue	Associate	$ 1,160	$ 902

Sales to related parties are calculated through negotiation.

iii. Receivables from related parties

Account item	Related party category/name	December 31, 2022	December 31, 2021
Accounts receivable - related parties	Associate	$ 1,191	$ 424

No guarantees have been collected for receivables from related parties outstanding. In 2022 and 2021, no provisions for losses were made on receivables from related parties.

iv. Compensation to key management personnel

The total compensation for directors and other key management personnel in 2022 and 2021 is as follows:

	2022	2021
Short-term employee benefits	$ 21,040	$ 19,136
Post-retirement benefits	29	50
	$ 21,069	$ 19,186

Compensation for directors and other key management personnel is determined by the Compensation Committee based on individual performance and market trends.

34. PLEDGED ASSETS

The following assets of the Consolidated Company have been provided as collateral for borrowings from banks and leasing companies:

	December 31, 2022	December 31, 2021
Financial assets measured at fair value through profit or loss	$ 13,607	$ -
Accounts receivable	22,375	128,509
Inventories	-	138,265
Other financial assets	270,903	230,070
Land	118,033	118,033
Buildings - net amount	747,873	836,208
Machinery and equipment - net amount	78,201	191,036
Electrical equipment	-	1,187
Right-of-use assets	146,195	161,497
Investment property - buildings	371,197	378,688
	$ 1,768,384	$ 2,183,493

The market interest rate range for bank deposits as of the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Pledged time deposits (accounted for as other financial assets)	0.60%~1.15%	0.76%

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to what is described in other notes, the Consolidated Company has the following significant commitments and contingencies as of the balance sheet date:

i. The unused letters of credit are as follows:

	December 31, 2022	December 31, 2021
USD	$ 72	$ 28
JPY	5,750	-

ii. Notes issued due to borrowings are as follows:

	December 31, 2022	December 31, 2021
USD	$ 7,030	$ 2,210
NTD	1,374,500	823,000

iii. In May 2021, the Consolidated Company signed a supplementary engineering contract with Jiangsu Zhongyu Construction Engineering Co., Ltd., adding a total contract engineering price of $89,304 thousand. As of December 31, 2022, a payment of $83,354 thousand has been made.

iv. The Consolidated Company's unrecognized contract commitments are as follows:

	December 31, 2022	December 31, 2021
Purchase of property, plant, and equipment	$ 169,757	$ 72,481

36. OTHER MATTERS

The Consolidated Company was affected by the continuous spread and control of the COVID-19 in some areas during 2022, resulting in intermittent shutdowns or delayed resumption of work at the plant in accordance with local government regulations. This led to a downward trend in operating income in 2022 compared to 2021. In response to the impact of the pandemic, the Consolidated Company has taken the following actions:

i. Ceramic substrates for resistors: Mainly used in consumer electronics products, the market has larger variables due to the epidemic. The Consolidated Company adopts planned production and adjusts production plans based on customer orders to appropriately control inventory.

ii. Ceramic for automotive use: In response to the closed management between countries, the shipment days are extended, and the demand specifications are confirmed with customers, especially the information of transportation tools listed as the primary shipping condition.

iii. New material development: Carefully assess the customer's prototype and market launch of the product, and whether the epidemic impact will delay the launch of new products.

iv. Capital expenditure: In the short term, investment will focus on improving production efficiency, and equipment with other medium-to-long-term benefits will be cautiously evaluated before investing.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The information below is expressed in a currency other than the functional currency of each entity within the Consolidated Company. The disclosed exchange rates refer to the exchange rates at which these foreign currencies are converted into functional currencies. The Consolidated Company's significant foreign currency financial assets and liabilities information is as follows:

December 31, 2022

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 5,795	30.71	$ 177,963
RMB	34	4.409434	149
EUR	1,486	32.72	48,629
JPY	138,017	0.2324	32,075
JPY	41	3.938	159
Financial liabilities			
Monetary items			
USD	11,149	30.71	342,357
JPY	25,002	0.2324	5,811

December 31, 2021

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Monetary items			
USD	$ 14,582	27.68	$ 403,630
RMB	103	4.341484	447
EUR	400	31.32	12,528
JPY	1,836	0.2405	442
JPY	35	3.549	124
Financial liabilities			
Monetary items			
USD	7,108	27.68	196,749
RMB	4	4.341484	16
JPY	19,417	0.2405	4,670

The Consolidated Company's foreign exchange gains (losses) (realized and unrealized) for 2022 and 2021 were $(701) thousand and $(2,950) thousand, respectively. Due to the variety of foreign currency transactions and functional currencies of the group entities, it is not possible to disclose exchange gains or losses by major foreign currencies.

38. SEPARATELY DISCLOSED ITEMS

i. INFORMATION ABOUT SIGNIFICANT TRANSACTIONS and ii. INFORMATION ON INVESTEES:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint venture control components): Table 3.
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual property at costs of at least NT$300 million or 20% of the paid-in capital: Table 4.
6. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.
9. Trading in derivative instruments: None.

10. Other: Business relationships and significant transactions between the parent and subsidiaries and among subsidiaries, as well as the amounts involved: Table 6.
11. Information on investees: Table 7.

iii. INFORMATION ON INVESTMENTS IN MAINLAND CHINA:

1. The names of invested companies in Mainland China, main business items, paid-in capital, investment methods, fund remittance and inflow situation, shareholding ratio, investment profit and loss, the book value of investment at the end of the period, repatriated investment profit and loss, and investment quota for Mainland China: Table 8.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 9.
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of the resultant gains or losses.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
   (5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
   (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

iv. Major shareholder information: No shareholders with a shareholding ratio of 5% or more.

39. SEGMENT INFORMATION

The information provided to the chief operating decision-maker for resource allocation and performance evaluation focuses on the types of products or services delivered or provided. The reportable segments of the Consolidated Company are as follows:

The Precision Ceramics Business Group mainly produces and sells ceramic substrates and the like.

The Optoelectronics Business Group mainly provides solar connectors and the like.

i. Segment revenue and operating results

The revenue and operating results of the Consolidated Company's continuing operations are analyzed by reportable segments as follows:

	Precision Ceramics Business Group	Optoelectronics Business Group	Total
2022			
Consolidated revenue from external customers	$ 775,101	$ 8,411	$ 783,512
Segment profit (loss)	($ 134,753)	$ 3,970	($ 130,783)
Interest income	7,570	15	7,585
Other income	105,382	-	105,382
Other gains and losses	49,295	(926)	48,369
Finance costs	(49,641)	(13)	(49,654)
Share of profit (loss) of associates accounted for using the equity method	(5,317)	-	(5,317)
Profit (loss) before tax from continuing operations	($ 27,464)	$ 3,046	($ 24,418)
2021			
Consolidated revenue from external customers	$ 1,030,865	$ 2,564	$ 1,033,429
Segment profit (loss)	$ 103,992	($ 4,812)	$ 99,180
Interest income	643	9	652
Other income	52,313	19	52,332
Other gains and losses	(14,500)	193	(14,307)
Finance costs	(47,733)	(12)	(47,745)
Share of profit (loss) of associates accounted for using the equity method	(5,446)	-	(5,446)
Profit (loss) before tax from continuing operations	$ 89,269	($ 4,603)	$ 84,666

Segment profit (loss) refers to the profit earned by each department, excluding the share of profit (loss) of associates accounted for using the equity method, rental income, interest income, gains or losses on the disposal of property, plant, and equipment, net foreign exchange gains (losses), finance costs, and income tax expenses. This measurement is provided to the chief operating decision-maker for allocating resources to the segments and evaluating their performance.

ii. Segment assets

Segment assets	December 31, 2022	December 31, 2021
Continuing operations		
Precision Ceramics Business Group	$ 3,313,272	$ 3,073,943
Optoelectronics Business Group	6,614	17,403
Unallocated assets	122,254	104,727
Total consolidated assets	$ 3,442,140	$ 3,196,073

For the purpose of supervising department performance and allocating resources to various departments:

All assets, excluding associates accounted for using the equity method, deferred tax assets, and other receivables, are allocated to the reportable segments. Assets used jointly by the reportable segments are allocated based on the revenue earned by each reportable segment.

iii. Other segment information

Other information reviewed by the chief operating decision-maker or regularly provided to the chief operating decision-maker:

	Precision Ceramics Business Group	Optoelectronics Business Group	Total
2022			
Depreciation and amortization	$ 115,315	$ 209	$ 115,524
Decrease in non-current assets during the year	($ 39,689)	($ 495)	($ 40,184)
2021			
Depreciation and amortization	$ 113,237	$ 246	$ 113,483

	Precision Ceramics Business Group	Optoelectronics Business Group	Total
Increase (decrease) in non-current assets during the year	$ 108,756	($ 23,184)	$ 85,572

Note: Non-current assets do not include associates accounted for using the equity method and deferred tax assets.

iv. Revenue from major products and services

The revenue analysis of the Consolidated Company's main products and services for continuing operations is as follows:

	2022	2021
Precision Ceramics Business Group	$ 775,101	$ 1,030,865
Optoelectronics Business Group	8,411	2,564
	$ 783,512	$ 1,033,429

v. Geographical information

The Consolidated Company mainly operates in three regions - Taiwan, China, and others.

The information on revenue from external customers of the Consolidated Company's continuing operations by operating location and non-current assets by the location of the assets is presented as follows:

	Revenue from external customers		Non-current assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	$ 370,510	$ 469,762	$ 593,033	$ 616,634
China	412,583	546,095	1,487,195	1,503,778
Other	419	17,572	-	-
	$ 783,512	$ 1,033,429	$ 2,080,228	$ 2,120,412

vi. Major customer information

Revenue from a single customer accounting for more than 10% of the Consolidated Company's total revenue is as follows:

	2022	2021
Customer A	$ 91,091	$ 113,204
Customer B	84,511	105,094

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 1

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lending Company	Borrower	Transaction Item	Related Party or Not	Highest Balance of the Current Period	Ending Balance	Actual Disbursement Amount	Interest Rate Range	Nature of Funds Lent	Amount of Business Transactions	Reason for the Necessity of Short-term Financing	Provision for Bad Debts Amount	Collateral		Individual Borrower Lending Limit	Total Lending Limit	Remarks
													Name	Value			
1	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	Other receivables - related parties	Y	$ 531,548	$ 506,715	$ 390,015	—	Necessity for short-term financing	$ -	Operating turnover	$ -	—	$ -	Note 1	$ 586,533	
2	COSMOS Harvest International Limited	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Other receivables - related parties	Y	32,215	30,710	-	2%	Necessity for short-term financing	-	Operating turnover	-	—	-	Note 2	71,439	
3	LEATEC Fine Ceramics (Samoa) Co., Ltd.	LEATEC Fine Ceramics Co., Ltd.	Other receivables - related parties	Y	64,430	61,420	41,559	2%	Necessity for short-term financing	-	Operating turnover	-	—	-	Note 3	568,622	

Note 1: The individual borrower’s lending limit is 60% of the lending company’s net value, which is $977,555 thousand x 60% = $586,533 thousand.

Note 2: The individual borrower’s lending limit is 300% of the lending company’s net value, which is $23,813 thousand x 300% = $71,439 thousand.

Note 3: The individual borrower’s lending limit is 40% of the lending company’s net value, which is $1,421,555 thousand x 40% = $568,622 thousand.

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 2

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note 1)	Endorser	Endorsee		Endorsement and guarantee limit for a single company	Maximum balance for the period	Ending balance	Actual expenditure	Endorsement and guarantee amount by assets	Ratio of cumulative endorsement/ guarantee amount to net worth as stated in the latest financial statements (%)	Maximum limit of endorsement and guarantee	Endorsement and guarantee from parent to subsidiary	Endorsement and guarantee from subsidiary to parent	Endorsement and guarantee for Mainland China
		Company name	Relationship										
0	LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	2	(Note 1)	$ 80,860 thousand (USD2,510 thousand)	$ 74,625 thousand (USD2,430 thousand)	$ 57,888 thousand (USD1,885 thousand)	$ -	6.56%	(Note 2)	Y	-	-
1	LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	2	(Note 1)	36,073 thousand (RMB 8,000 thousand)	35,276 thousand (RMB 8,000 thousand)	- thousand (RMB - thousand)	-	3.10%	(Note 2)	Y	-	Y

Note 1: The maximum endorsement guarantee limit for a single enterprise is 40% of the company's net value, which is $1,136,915 thousand x 40% = $454,766 thousand.

Note 2: The maximum total limit for endorsement guarantees is 50% of the company's net value, which is $1,136,915 thousand x 50% = $568,458 thousand.

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

TABLE 3

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Securities	Relationship with the Securities Issuer	Accounting Item	Ending				Remarks
				Face Value (USD)	Book Value	Shareholding Ratio	Fair Value	
The Company	Domestic corporate bonds							
	Cathay TSMC Global Limited USD Bonds TAISEM	None	Financial assets measured at fair value through profit or loss - current	550,000	$ 13,607	-	$ 13,607	None

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

ACQUISITION OF INDIVIDUAL PROPERTY AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 4

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Acquiring Company for Property	Property Name	Date of Event	Transaction Amount	Payment Status	Transaction Counterparty	Relationship	If the Transaction Counterparty is a Related Party, its Previous Transfer Information				Reference Basis for Price Determination	Purpose and Use	Other Agreements
							Owner	Relationship with the Issuer	Transfer Date	Amount			
LEATEC Application Materials (Kunshan) Co., Ltd.	Unrelated party	2014.6.14	$ 278,275	$ 278,275	Zhongyu Construction Engineering Limited Company Kunshan Branch	Unrelated party	—	—	—	$ -	Tender negotiation	For own use	None
〃	〃	2016.5.15	216,588	216,588	〃	〃	—	—	—	-	〃	〃	〃
〃	〃	2018.7.16	374,951	368,561	〃	〃	—	—	—	-	〃	〃	〃

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 5

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Companies with Accounts Receivable	Transaction Counterparty Name	Relationship	Outstanding Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Collected after the Period for Receivables from Related Parties	Allowance for Doubtful Accounts Amount
					Amount	Handling Method		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	3	$ 401,894	-	$ -	—	$ -	$ -

Note: This is for loan receivables and interest, so the turnover rate is not calculated.

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT AND SUBSIDIARIES AND AMONG SUBSIDIARIES, AS WELL AS THE AMOUNTS INVOLVED

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note 1)	Transaction party name	Transaction counterparty	Relationship with the transaction party (Note 2)	Transaction situation			
				Account	Amount	Transaction conditions	Ratio to consolidated total revenue or total assets (Note 3)
	For the twelve months ended December 31, 2022						
0	LEATEC	LEATEC Kunshan	1	Sales revenue	$ 37,251	Note 4	5%
0	LEATEC	LEATEC Kunshan	1	Accounts receivable	11,811	〃	-
0	LEATEC	LEATEC Kunshan	1	Other receivables	7,678	〃	-
0	LEATEC	LEATEC Kunshan	1	Accounts payable	9,071	〃	-
0	LEATEC	LEATEC Kunshan	1	Purchases	25,117	〃	3%
0	LEATEC	LEATEC Kunshan	1	Other expenses	7,382	According to mutual agreement	1%
0	LEATEC	Leatec Optoelectronics	1	Accounts receivable	4,090	Note 4	-
0	LEATEC	LEATEC Samoa	1	Other payables	42,327	According to mutual agreement	1%
1	COSMOS Limited	LEATEC Kunshan	3	Accounts receivable	8,804	Note 5	-
2	LEATEC Kunshan	LEATEC Application Materials	3	Other receivables	401,894	According to mutual agreement	12%
2	LEATEC Kunshan	LEATEC Application Materials	3	Rent expenses	56,945	According to mutual agreement	7

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated separately in the number column. The numbering method is as follows:

1. The parent company fills in 0.
2. Subsidiaries are numbered sequentially from the Arabic numeral 1 according to the company type.

Note 2: There are three types of relationships with transaction parties:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The calculation of the transaction amount as a percentage of consolidated total revenue or total assets: if it belongs to an asset-liability account, it is calculated as the ending balance as a percentage of consolidated total assets; if it belongs to a profit and loss account, it is calculated as the accumulated amount during the period as a percentage of consolidated total revenue.

Note 4: The explanations of the transaction conditions for the above transactions with related parties are as follows:

Related party name	Sales transaction conditions	Purchase transaction conditions	Receivables conditions	Payment conditions
	For the twelve months ended December 31, 2022	For the twelve months ended December 31, 2022		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	According to mutual agreement	According to mutual agreement	150 days EOM	150 days EOM
Kunshan Leatec Optoelectronics Technology Co., Ltd.	According to mutual agreement	According to mutual agreement	150 days EOM	150 days EOM
COSMOS Harvest International Limited	According to mutual agreement	According to mutual agreement	150 days EOM	150 days EOM

Note 5: The explanations of the transaction conditions for the transactions between COSMOS Limited and related parties are as follows:

Related party name	Sales transaction conditions	Purchase transaction conditions	Receivables conditions	Payment conditions
	For the twelve months ended December 31, 2022	For the twelve months ended December 31, 2022		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	According to mutual agreement	According to mutual agreement	150 days EOM	150 days EOM

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

INFORMATION ON INVESTEE COMPANIES, LOCATIONS, ETC.

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 7

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investment Company Name	Invested Company Name	Location	Main Business Items	Original Investment Amount		End of Period Holdings			Invested Company's Current Period (Loss) Profit	Current Period Recognized Investment (Loss) Profit	Remarks
				End of Current Period	End of Last Year	Number of Shares	Ratio	Book Value			
LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Western Samoa	Investment holding and buying and selling of machinery and equipment	$ 853,056	$ 853,056	26,700,000	100%	$ 1,415,619	$ 60,441	$ 60,441	Subsidiary
	COSMOS Harvest International Limited	Western Samoa	Sales of raw materials, ceramic substrates, and machinery and equipment parts	66,669	66,669	2,000,000	100%	23,813	(1,640)	(1,640)	Subsidiary
	ECOCERA Optronics Co., Ltd.	2F., No. 303, Sec. 2, Nanshan Rd., Luzhu Dist., Taoyuan City	Manufacturing, buying and selling, and wholesale of machinery, equipment, molds, and electrical appliances	44,412	44,412	3,161,664	12%	51,344	30,070	3,264	Associate

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

MAINLAND CHINA INVESTMENT INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 8

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Invested Company in Mainland China	Main Business Items	Paid-in Capital	Investment Method	Cumulative Investment Amount Remitted from Taiwan at the Beginning of the Current Period	Investment Amount Remitted or Recovered in the Current Period		Cumulative Investment Amount Remitted from Taiwan at the End of the Current Period	Invested Company's Current Period Profit and Loss	The Company's Direct or Indirect Investment Shareholding Ratio	Current Period Recognized Investment Profit and Loss (Note 1)	End of Period Investment Book Value	Investment Income Repatriated up to the Current Period	Remark
					Remittance	Recovery							
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Manufacture and sale of precision electronic ceramic substrates	$ 444,137 (USD 13,200 thousand)	Investing in Mainland China companies through setting up a company in a third region	$ 414,972 (USD 12,000 thousand)	$ -	$ -	$ 414,972 (USD 12,000 thousand)	$ 48,469	100.00	$ 48,469	$ 977,555	$ -	
LEATEC Application Materials (Kunshan) Co., Ltd.	Manufacture and sale of precision electronic ceramics and photovoltaic solar products	542,439 (USD 18,000 thousand)	Investing in Mainland China companies through setting up a company in a third region	542,439 (USD 18,000 thousand)	-	-	542,439 (USD 18,000 thousand)	16,041	100.00	16,041	440,959	-	
Kunshan Leatec Optoelectronics Technology Co., Ltd.	Research and development and sale of solar photovoltaic products	2,461 (RMB 500 thousand)	Investing in Mainland China companies through LEATEC Fine Ceramics (Kunshan) Co., Ltd.		-	-		(2,745)	100.00	(2,745)	2,503	-	
Jiangsu Yongsheng New Energy Technology Co., Ltd.	Research, development, and manufacturing of biomass boilers, hot air furnaces, and other products	303,789 (RMB 67,910 thousand)	Investing in Mainland China companies through LEATEC Fine Ceramics (Kunshan) Co., Ltd.		-	-		(42,383)	20.25	(8,581)	23,381	-	

Note 1: The recognition basis for the current period's investment profit and loss is based on the financial statements audited by the Taiwan parent company's certified public accountant during the same period.

Note 2: Kunshan Leatec Optoelectronics Technology Co., Ltd. was established with investment from LEATEC Fine Ceramics (Kunshan) Co., Ltd.

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	Investment limit for investing in Mainland China according to the Investment Commission, MOEA regulations
$ 957,411	USD35,700 thousand	Note 4

Note 3: Jiangsu Yongsheng New Energy Technology Co., Ltd. was reinvested by LEATEC Fine Ceramics (Kunshan) Co., Ltd.

Note 4: In accordance with the regulations of the Industrial Development Bureau, MOEA, there is no investment limit for investments in Mainland China.

LEATEC FINE CERAMICS CO., LTD. & SUBSIDIARIES

SIGNIFICANT TRANSACTION MATTERS DIRECTLY OR INDIRECTLY OCCURRING THROUGH A THIRD REGION WITH INVESTED COMPANIES IN MAINLAND CHINA, AS WELL AS THEIR PRICES, PAYMENT CONDITIONS, UNREALIZED GAINS AND LOSSES, AND OTHER RELATED INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 9

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Invested Company in Mainland China	Transaction Type	Purchase and Sale		Price	Transaction Conditions		Notes and Accounts Receivable (Payable)		Unrealized (Loss) Gain	Remarks
		Amount	Percentage		Payment Conditions	Comparison with General Transactions	Amount	Percentage		
The Company sells to LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Sales	$ 37,251	9%	Negotiation	150 days EOM	—	$ 11,811	9%	$ 638	
Sold by LEATEC Fine Ceramics (Kunshan) Co., Ltd. to the Company	Purchases	25,117	17%	〃	150 days EOM	—	(9,071)	23%	3,831	

1. The situation of providing endorsements, guarantees, or collateral directly and indirectly through third-region businesses by Mainland China invested companies: see Table 2.
2. The situation of providing financial support directly and indirectly through third-region businesses with Mainland China invested companies: see Table 1.

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 AMOUNT	%	December 31, 2021 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	477,282	18	570,741	22
	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 eequipment	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	2,105,607	82	2,029,319	78
1XXX	TOTAL	$ 2,582,889	100	$ 2,600,060	100
CODE	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	613,888	24	866,081	33
	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	832,086	32	585,354	23
2XXX	Total liabilities	1,445,974	56	1,451,435	56
	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	1,136,915	44	1,148,625	44
	TOTAL	$ 2,582,889	100	$ 2,600,060	100

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, 2022AND 2021

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

		2022		2021	
CODE		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	5,253	1	1,681	-
5950	REALIZED GROSS PROFIT	58,462	14	123,455	24
	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)	1,425	-	(5,661)	(1)
6000	Total operating expenses	(98,562)	(24)	(107,532)	(21)
6900	(LOSS) PROFIT FROM OPERATIONS	(40,100)	(10)	15,923	3
	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	62,065	15	71,936	14

7000	Total non-operating income and expenses	11,810	3	47,480	9
7900	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(28,290)	(7)	63,403	12
7950	INCOME TAX EXPENSE (Note 4 & 24)	(5,186)	(1)	(12,569)	(2)
8200	NET (LOSS) PROFIT FOR THE YEAR	(33,476)	(8)	50,834	10
	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	23,085	6	(7,799)	(2)
8300	Other comprehensive income for the year, net of income tax	19,246	5	(9,945)	(2)
8500	TOTAL COMPREHENSIVE INCOME	($ 14,230)	(3)	$ 40,889	8
	EARNINGS PER SHARE (Note 25)				
9710	Basic	($ 0.31)		$ 0.47	
9810	Diluted	($ 0.31)		$ 0.47	

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, 2022AND 2021

(In Thousands of New Taiwan Dollars)

Code		Share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Losses to be compensated	Other equity: Exchange differences on translation of the financial statements of foreign operations	Total equity
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	$ 1,080,798	$ 102,301	$ 3,166	($ 37,316)	($ 12,034)	$ 1,136,915

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, 2022AND 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	97,561	(36,619)
	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	1,538	-
BBBB	Net cash used in investing activities	(22,599)	(55,991)
	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	(1,084)	(1,051)
CCCC	Net cash generated from (used in) financing activities	(38,034)	111,650
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	637	(737)
EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	37,565	18,303
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	59,056	40,753
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 96,621	$ 59,056

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.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021
(In thousands of New Taiwan Dollars, unless stated otherwise)

1. GENERAL INFORMATION

LEATEC Fine Ceramics Co., Ltd. (hereinafter referred to as "the Company") was established on December 2, 1991, with the approval of the Ministry of Economic Affairs. The main business items include the manufacture, design, processing, and sales of ceramic substrates, circuit components, and solar junction boxes, as well as general import and export trading. After several capital increases, the paid-in capital amounted to $1,080,798 thousand as of December 31, 2022. The Company's shares were approved by the Securities and Futures Bureau, FSC and listed for trading on the Taipei Exchange on January 10, 2002.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 24, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

i. First-time application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") approved and issued by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The application of the amended IFRSs approved and issued by the FSC will not result in significant changes in the Company's accounting policies.

ii. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 - “Disclosure of Material Accounting Policy Information”	January 1, 2023 (Note 1)
Amendments to IAS 8 - “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 - “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: This revision applies to reporting periods beginning on or after January 1, 2023.

Note 2: This revision applies to accounting estimate changes and accounting policy changes occurring during reporting periods beginning on or after January 1, 2023.

Note 3: Except for the temporary differences related to deferred income taxes recognized for lease and decommissioning obligations as of January 1, 2022, this revision applies to transactions occurring on or after January 1, 2022.

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

   The amendment explicitly requires the Company to determine the disclosure of significant accounting policy information based on the definition of materiality. If the accounting policy information can be reasonably expected to affect the decisions of the primary users of general-purpose financial statements based on such financial statements, the accounting policy information is material. The amendment also clarifies:

   - Accounting policy information related to immaterial transactions, other matters, or circumstances is immaterial, and the Company is not required to disclose such information.
   - The Company may determine that the relevant accounting policy information is material due to the nature of the transactions, other matters, or circumstances, even if the amounts are immaterial.
   - Not all accounting policy information related to material transactions, other matters, or circumstances is material.

   In addition, the amendment provides examples of when the accounting policy information related to material transactions, other matters, or circumstances may be material under the following circumstances:

   (1) The Company changes its accounting policies during the reporting period, and the change leads to significant changes in the financial reporting information;

   (2) The Company chooses its applicable accounting policies from the options allowed by the standards;

(3) Due to the lack of specific standard provisions, the Company establishes its accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors";

(4) The Company discloses its relevant accounting policies determined by applying significant judgments or assumptions; or

(5) Involving complex accounting treatment provisions, and financial statement users rely on such information to understand the material transactions, other matters, or circumstances.

2. Amendment to IAS 8 "Definition of Accounting Estimates"

The amendment clarifies that accounting estimates are monetary amounts in the financial statements that are affected by measurement uncertainty. When applying accounting policies, the Company may need to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated, thus requiring the use of measurement techniques and input values to develop accounting estimates for this purpose. If the impact of changes in measurement techniques or input values on accounting estimates is not a correction of prior period errors, such changes are considered changes in accounting estimates.

In addition to the above effects, as of the date of approval for issuance of the parent company only financial statements, the Company continues to assess that the amendments to other standards and interpretations will not have a significant impact on the financial position and financial performance.

iii. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
Amendments to IFRS 16 - “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 - “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 - “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 - “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

As of the date of adoption of this parent company only financial statements, the Company is still evaluating the impact of the amendments to other standards and interpretations on the financial position and financial performance, which will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

ii. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

In preparing the parent company only financial statements, the Company applies the equity method to its investments in subsidiaries and associates. In order to make the profit or loss for the year, other comprehensive income and equity in the parent company only financial statements the same as the profit or loss for the year, other comprehensive income and equity attributable to the owners of the Company in the consolidated financial statements, certain accounting differences between the parent company only basis and the consolidated basis are adjusted for “investments accounted for under the equity method”, “share of profit or loss of subsidiaries, associates and joint ventures accounted for under the equity method”, “share of other comprehensive income or loss of subsidiaries, associates and joint ventures accounted for under the equity method” and related equity items.

iii. Standard in determining whether the asset or liability are current or non-current

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date (current liabilities are classified as current even if a long-term refinancing or rescheduling agreement is completed after the balance sheet date and before the adoption of the financial statements); and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. However, the terms of the liabilities may be settled by issuing equity instruments at the option of the counter-parties, which does not affect the classification.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

iv. Foreign currency

When preparing financial statements, the Company translates transactions in currencies other than the functional currency of the Company (foreign currencies) into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Non-monetary items measured at fair value in foreign currencies are translated at the exchange rates prevailing on the date when the fair value was determined, and the resulting exchange differences are recognized in profit or loss in the current period.

However, if the change in fair value is recognized in other comprehensive income, the resulting exchange differences are recorded as other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

For the purpose of preparing parent company only financial statements, assets and liabilities of the Company and foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the resulting exchange differences are included in other comprehensive income.

If the Company disposes of all ownership interests in a foreign operation, disposes of partial ownership interests in a subsidiary of a foreign operation but loses control, or disposes of its remaining interests in a jointly controlled entity or associate of a foreign operation that are financial assets and are accounted for under the accounting policies for financial instruments, all cumulative translation differences related to that foreign operation will be reclassified to profit or loss.

If a partial disposal of a subsidiary of a foreign operation does not result in a loss of control, the cumulative translation differences are incorporated into the equity transaction calculation on a proportional basis, but not recognized as profit or loss. In any other partial disposal of a foreign operation, the cumulative translation differences are reclassified to profit or loss according to the disposal proportion.

v. Inventory

Inventories include raw materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the estimated selling price under normal circumstances, less estimated costs to complete and estimated costs to sell. The cost of inventories is calculated using the weighted-average method.

vi. Investment in subsidiaries

The Company applies the equity method for investments in subsidiaries.

Subsidiaries are entities (including structured entities) over which the Company has control.

Under the equity method, investments are initially recognized at cost, and the carrying amount is adjusted thereafter for the Company's share of the subsidiary's profit or loss and other comprehensive income and distributions. In addition, changes in the Company's entitlement to the subsidiary's other equity are recognized according to the proportion of ownership.

When changes in the Company's ownership interest in a subsidiary do not result in a loss of control, they are treated as equity transactions. The difference between the carrying amount 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 in a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and any other long-term interests that, in substance, form part of the Company's net investment in the subsidiary), losses are recognized according to the proportion of ownership.

The excess of acquisition cost over the Company's share of the fair value of the identifiable assets and liabilities of the subsidiary as of the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and not subject to amortization. If the Company's share of the fair value of the subsidiary's identifiable assets and liabilities as of the acquisition date exceeds the acquisition cost, the excess is recognized as current income.

When assessing impairment, the Company considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount to the carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of impairment loss is recognized as income, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Impairment losses related to goodwill cannot be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the former subsidiary at its fair value as of the date control is lost, and the difference between the fair value of the remaining investment and any disposal proceeds and the carrying amount of the investment as of the date control is lost is recognized in the current period's profit or loss. In addition, the accounting treatment for all amounts recognized in other comprehensive income related to the subsidiary is the same as the basis that would have to be followed if the Company had directly disposed of the related assets or liabilities.

Unrealized gains on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Gains and losses arising from upstream and lateral transactions between the Company and its subsidiaries are recognized in the parent company only financial statements only to the extent that they are unrelated to the Company's interest in the subsidiary.

vii. Investment in associates

Associates are entities over which the Company has significant influence but are not subsidiaries or joint ventures.

The Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and the carrying amount is adjusted thereafter for the Company's share of the associate's profit or loss and other comprehensive income and distributions. In addition, the Company recognizes changes in the associate's equity according to the proportion of ownership.

The excess of acquisition cost over the Company's share of the fair value of the identifiable assets and liabilities of the associate as of the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and not subject to amortization. If the Company's share of the fair value of the associate's identifiable assets and liabilities as of the acquisition date exceeds the acquisition cost, the excess is recognized as current income.

When an associate issues new shares, if the Company does not subscribe according to its proportion of ownership, causing a change in the ownership percentage and consequently an increase or decrease in the net equity value of the investment, the increase or decrease is adjusted to the capital reserve - changes in the net equity value of associates and joint ventures accounted for using the equity method and the investments accounted for using the equity method. However, if the non-subscription or acquisition causes a decrease in the ownership interest in the associate, the amounts recognized in other comprehensive income related to the associate are reclassified according to the reduction ratio, and the accounting basis is the same as the basis that would have to be followed if the associate had directly disposed of the related assets or liabilities. If the adjustment should be debited to capital reserve, and the balance of the capital reserve generated by investments accounted for using the equity method is insufficient, the difference is debited to retained earnings.

When the Company's share of losses in an associate equals or exceeds its interest in the associate (including the carrying amount of the investment in the associate under the equity method and any other long-term interests that, in substance, form part of the Company's net investment in the associate), further losses are not recognized. The Company recognizes additional losses and liabilities only to the extent of legal obligations, constructive obligations, or payments made on behalf of the associate.

When assessing impairment, the Company considers the entire carrying amount of the investment (including goodwill) as a single asset, comparing the recoverable amount with the carrying amount and performing an impairment test, with the recognized impairment loss being part of the carrying amount of the investment. Any reversal of impairment losses is recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The Company ceases to use the equity method from the date when its investment is no longer considered an associate. The retained interest in the former associate is measured at fair value, and the difference between the fair value and the disposal proceeds and the carrying amount of the investment as of the date of ceasing to use the equity method is recognized as current income. In addition, the amounts recognized in other comprehensive income related to the associate are accounted for on the same basis as if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes an investment in a joint venture or the investment in a joint venture becomes an investment in an associate, the Company continues to use the equity method without remeasuring the retained interest.

The Company recognizes gains and losses arising from upstream, downstream, and lateral transactions between the Company and its associates in the parent company only financial statement only to the extent that they are unrelated to the Company's interest in the associate.

viii. Property, plant and equipment

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

Construction in progress for property, plant, and equipment is recognized at cost less accumulated impairment losses. The cost includes professional service fees and capitalized borrowing costs that meet the capitalization criteria. Upon completion and reaching the expected condition for use, these assets are reclassified to the appropriate category of property, plant, and equipment and depreciation begins to be recognized.

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful lives, with each significant component depreciated separately. The Company reviews the estimated useful lives, residual values, and depreciation methods at least at each year-end and applies the effects of changes in accounting estimates on a prospective basis.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

ix. Intangible assets

Intangible assets with limited duration acquired separately were initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized over their useful lives on a straight-line basis and the estimated useful lives, residual values and amortization method are reviewed at least at each year-end and the effect of changes in applicable accounting estimates is deferred. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss of the year when intangible assets are derecognized.

x. Property, plant and equipment, right-of-use assets and intangible assets

At each balance sheet date, the Company assesses whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest cash-generating unit groups on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

xi. Financial instruments

Financial assets and financial liabilities are recognized in the Parent Company Only Balance Sheet when the Parent Company Only Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement types

The types of financial assets held by the Company are financial assets at fair value through profit or loss and financial assets at amortized cost.

A. Financial assets measured at FVTPL

Financial assets measured at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and those designated as such. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated as measured at fair value through other comprehensive income and debt instrument investments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value.

B. Financial assets at amortized cost

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and

b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets.

Cash equivalents include time deposits that are highly liquid, readily convertible into known amounts of cash and subject to a low risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses represent the weighted-average credit losses based on the risk of default. 12-month expected credit losses represent the expected credit losses arising from possible defaults of financial instruments within 12 months after the reporting date. The 12-month expected credit losses represent the expected credit losses arising from all possible defaults of the financial instruments during the 12-month period after the reporting date.

For internal credit risk management purposes, the Company determines that a financial asset has defaulted in the following situations, without considering the collateral held:

A. Internal or external information indicates that the debtor is unable to repay the debt.

B. Delinquency of more than 90 days, unless there is reasonable and verifiable information indicating that a later default criterion is more appropriate.

Impairment losses on all financial assets are reduced through an allowance account adjusting their carrying amounts.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets are derecognized in their entirety at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss.

2. Financial liability

(1) Subsequent measurement

The financial liabilities of the Company are measured at amortized cost using the effective interest method.

(2) Derecognition of financial liability

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

xii. Provision for liabilities

The amount recognized as provision for liabilities is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risk and uncertainty of the obligation. Provision for liabilities is measured at the discounted value of the estimated cash flows from the settlement of the obligation.

xiii. Income recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

For contracts with a time lag between the transfer of goods or services and the receipt of consideration of less than one year, no adjustment is made to the transaction price for significant financial components.

<u>Merchandise sales revenue</u>

Revenue from the sale of goods mainly comes from ceramic substrates, circuit components, processing transactions, and general import and export trade. Except for some sales targets agreed upon when the products arrive at the designated location of the customer, the remaining sales targets are agreed upon at the time of shipment, when the customer has the right to use and the primary responsibility for reselling the goods at a specified price and bears the risk of obsolescence. The Company recognizes revenue and accounts receivable at that point in time.

xiv. Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company as lessor

   Under operating leases, lease payments, net of lease incentives, are recognized as income on a straight-line basis over the term of the relevant lease. The original direct cost incurred in acquiring an operating lease is added to the carrying amount of the subject asset and recognized as an expense on a straight-line basis over the lease term.

2. The Company as lessee

Right-of-use assets and lease liabilities are recognized at the inception date of the lease, except for leases of low-value subject assets to which a recognition exemption applies and short-term leases where lease payments are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured initially at cost (comprising the original measurement of the lease liability, lease payments made prior to the commencement date of the lease less lease incentives received, original direct cost and estimated cost to reinstate the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, with adjustments for remeasurement of the lease liability. Right-of-use assets are presented separately on parent company only balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantially fixed payments, and variable lease payments based on indices or rates). If the implicit interest rate in the lease is easily determinable, the lease payments are discounted at that rate. If the rate is not easily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period or in the index or rate used to determine the lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly, but if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the parent company only balance sheet.

xv. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an eligible asset are included as part of the cost of the asset until substantially all activities necessary to bring the asset to its intended use or sale condition have been completed.

Investment income earned on temporary investments of specific borrowings made to fund qualifying capital expenditure is deducted from the borrowing costs that are eligible for capitalization.

Except as described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

xvi. Employee benefits

1. Short-term employee benefits

   The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

   Defined benefit pension plans are recognized as current expenses over the period of service of the employees.

   The defined benefit costs (including service costs, net interest, and remeasurement amounts) of a defined benefit pension plan are actuarially calculated using the projected unit credit method. Service costs (including current service costs and past service costs/settlement gains or losses) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses when incurred, when plan amendments or curtailments occur, and when settlements occur. Remeasurement amounts (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets after deducting interest) are recognized in other comprehensive income and included in retained earnings when they occur, and are not reclassified to profit or loss in subsequent periods.

   The net defined benefit liability (asset) is the shortfall (surplus) of the defined benefit pension plan. The net defined benefit asset shall not exceed the present value of the amount that can be refunded from the plan or can reduce future contributions.

3. Other long-term employee benefits

   The accounting treatment of other long-term employee benefits is the same as that of defined benefit pension plans, except that the related remeasurements are recognized in profit or loss.

xvii. Income tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

The Company determines its current income (loss) according to the laws and regulations of the Republic of China (ROC) and calculates the payable (recoverable) income tax accordingly.

The income tax on undistributed earnings under the Income Tax Act of the ROC is recognized in the year of the resolution of the shareholders’ meeting.

Adjustments to prior years’ income tax payable are included in the current period’s income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized when it is probable that taxable income will be available to offset temporary differences, loss carryforwards, or deductions generated from the purchase of machinery and equipment, research and development, and talent training expenditures.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments and equities only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and the temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred tax

The current and deferred tax are recognized in profit or loss, provided that the current and deferred tax in relation to the items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive income or directly included in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The management will review the estimates and underlying assumptions on an ongoing basis. If an amendment to an estimate affects only the current period, the amendment is recognized in the period in which it is made. If an amendment to an accounting estimate affects both the current and future periods, the amendment is recognized in both the current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 267	$ 290
Checking accounts and demand deposits	96,354	58,666
Cash equivalents (original maturities within 3 months of the investment)		
Time deposits with banks	-	100
	$ 96,621	$ 59,056

The market interest rate range for bank deposits at the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Time deposits with banks	-	0.35%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
Financial assets - current		

mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- bonds	$ 13,607	$ -

The Company has set up pledges for debt instrument investments measured at fair value through profit or loss as collateral for borrowings. The amount of pledged debt instrument investments is disclosed in Note 30.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Notes receivable		
Incurred due to business	$ 765	$ 1,807
Less: Allowance for losses	(8)	(18)
	$ 757	$ 1,789
Accounts receivable		
Measured at amortized cost		
Total carrying amount	$ 113,517	$ 160,636
Related parties	17,092	29,282
Less: Allowance for losses	(5,071)	(6,486)
	$ 125,538	$ 183,432

The Company's average credit period for sales of goods is 90 to 120 days. No interest is charged on the outstanding balance of notes receivable and accounts receivable. The Company's policy is to rate major customers based on other publicly available financial information and historical transaction records. The Company continuously monitors credit exposure and credit ratings of counterparties and diversifies the total transaction amount among different customers with qualified credit ratings.

To mitigate credit risk, the Company's management level assigns business units to be responsible for decisions on credit limits, credit approvals, and other monitoring procedures to ensure appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on an individual basis at the balance sheet date to ensure that appropriate impairment losses have been recognized for unrecoverable receivables. Based on this, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company recognizes allowances for losses on accounts receivable based on the expected credit losses over the lifetime. The lifetime expected credit losses are calculated using a provision matrix, which takes into account the past default history of customers, their current financial condition, and industry economic conditions. As the Company's historical credit loss experience shows no significant differences in loss patterns among different customer groups, the provision matrix does not further distinguish customer groups and only sets expected credit loss rates based on the number of days accounts receivable are overdue.

If there is evidence that the counterparty is facing severe financial difficulties and the Company cannot reasonably expect the amount to be recovered, such as the counterparty undergoing liquidation, the Company will directly write off the relevant accounts receivable, but will continue collection activities, and the amount recovered from collection will be recognized in profit or loss.

The Company measures the allowance for losses on accounts receivable based on the provision matrix as follows:

December 31, 2022

	Not overdue	Overdue 1-90 days	Overdue more than 90 days	Total
Expected credit loss rate	0%~0.37%	0%~83.89%	0%~100%	
Total carrying amount	$ 121,918	$ 4,168	$ 4,523	$ 130,609
Allowance for losses (lifetime expected credit losses)	(388)	(160)	(4,523)	(5,071)
Amortized cost	$ 121,530	$ 4,008	$ -	$ 125,538

December 31, 2021

	Not overdue	Overdue 1-90 days	Overdue more than 90 days	Total
Expected credit loss rate	0%~0.296%	0%~51.46%	0%~100%	
Total carrying amount	$ 171,606	$ 12,809	$ 5,503	$ 189,918
Allowance for losses (lifetime expected credit losses)	(435)	(573)	(5,478)	(6,486)
Amortized cost	$ 171,171	$ 12,236	$ 25	$ 183,432

The changes in the allowance for losses on notes receivable, accounts receivable, and overdue collection are as follows:

	Notes receivable	Accounts receivable
Balance on January 1, 2021	$ 5	$ 838
Add: Impairment loss provision for the current period	13	5,648
Balance on December 31, 2021	18	6,486
Add: (Reversal of) impairment loss for the current period	(10)	(1,415)
Balance on December 31, 2022	$ 8	$ 5,071

The amount of accounts receivable pledged as collateral for loans by the Company, please refer to Note 30.

9. INVENTORY

	December 31, 2022	December 31, 2021
Merchandise	$ 3,104	$ 1,742
Finished goods	49,028	27,591
Work in progress	59,296	53,216
Raw materials	48,460	41,578
Goods in transit	-	2,347
	$ 159,888	$ 126,474

The cost of goods sold related to inventory for 2022 and 2021 was $353,914 thousand and $394,905 thousand, respectively.

The cost of goods sold for 2022 and 2021 included net realizable value declines and subsequent recovery gains on inventory of $4,669 thousand and $2,574 thousand, respectively.

The amount of inventory pledged as collateral for loans by the Company, please refer to Note 30.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2022	December 31, 2021
Investment in subsidiaries	$ 1,439,432	$ 1,352,710
Investment in associates	51,344	47,098
	$ 1,490,776	$ 1,399,808

i. Investment in subsidiaries

	December 31, 2022	December 31, 2021
Non-listed (OTC) companies		
LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ 1,415,619	$ 1,329,723
COSMOS Harvest International Limited	23,813	22,987
	$ 1,439,432	$ 1,352,710

As of the balance sheet date, the Company's ownership interests and voting rights percentages in subsidiaries are as follows:

	December 31, 2022	December 31, 2021
LEATEC Fine Ceramics (Samoa) Co., Ltd.	100%	100%
COSMOS Harvest International Limited	100%	100%

ii. Investment in associates

	December 31, 2022	December 31, 2021
Significant associates -		
Non-listed (OTC) companies		
ECOCERA Optronics Co., Ltd.	$ 51,344	$ 47,098

As of the balance sheet date, the Company's ownership interests and voting rights percentages in associates are as follows:

	December 31, 2022	December 31, 2021
ECOCERA Optronics Co., Ltd.	12.00%	12.00%

The business nature, principal places of operation, and country of registration information of the above-mentioned associates can be found in Table 6 "Information on Investee Companies, Locations, etc.".

In 2021, the Company did not subscribe to the capital increase shares of ECOCERA Optronics Co., Ltd. according to the shareholding ratio, which reduced the shareholding ratio from 12.48% to 12.00%. However, the Company did not lose significant influence over ECOCERA Optronics Co., Ltd., mainly because the Company still holds one of the four director seats in ECOCERA Optronics Co., Ltd., and has the substantive ability to control its relevant activities. Therefore, the equity method is used for evaluation.

The share of profit and other comprehensive income of subsidiaries and associates accounted for using the equity method for 2022 and 2021 is recognized based on the audited financial statements of each subsidiary and associate for the same period.

The following summarized financial information is prepared based on the IFRSs financial statements of associates and has reflected adjustments made when using the equity method.

ECOCERA Optronics Co., Ltd.

	December 31, 2022	December 31, 2021
Current assets	$ 433,410	$ 485,851
Non-current assets	337,460	372,359
Current liabilities	(286,719)	(439,401)
Non-current liabilities	(56,366)	(35,000)
Equity	$ 427,785	$ 383,809
The Company's shareholding percentage	12.00%	12.00%
Equity held by the Company	$ 51,344	$ 47,098
Investment book value	$ 51,344	$ 47,098

	2022	2021
Operating revenue	$ 472,944	$ 518,290
Net profit for the current period	$ 30,070	$ 36,585
Other comprehensive income	-	-
Total comprehensive income	$ 30,070	$ 36,585

11. PROPERTY, PLANT, AND EQUIPMENT

	Owned land	Buildings	Machinery and equipment	Electrical equipment	Other equipment	Construction in progress	Total
Cost							
Balance on January 1, 2022	$ 119,790	$ 274,173	$ 708,834	$ 135,759	$ 113,541	$ 13,111	$ 1,365,208
Addition	-	3,808	44,091	1,261	2,847	8,896	60,903
Disposal	-	-	(18,500)	(190)	(829)	-	(19,519)
Interest capitalization	-	-	-	-	-	488	488
Reclassification	-	-	491	-	-	(491)	-
Balance on December 31, 2022	$ 119,790	$ 277,981	$ 734,916	$ 136,830	$ 115,559	$ 22,004	$ 1,407,080
Accumulated depreciation and impairment							
Balance on January 1, 2022	$ -	$ 111,568	$ 523,600	$ 69,964	$ 107,753	$ -	$ 812,885
Disposal	-	-	(18,459)	(190)	(829)	-	(19,478)
Depreciation expense	-	7,789	32,635	7,526	2,764	-	50,714
Balance on December 31, 2022	$ -	$ 119,357	$ 537,776	$ 77,300	$ 109,688	$ -	$ 844,121
Net amount on December 31, 2022	$ 119,790	$ 158,624	$ 197,140	$ 59,530	$ 5,871	$ 22,004	$ 562,959
Cost							
Balance on January 1, 2021	$ 119,790	$ 275,847	$ 692,248	$ 134,166	$ 123,462	$ 957	$ 1,346,470
Addition	-	310	16,885	1,593	1,080	12,760	32,628
Disposal	-	(1,984)	(1,256)	-	(11,001)	-	(14,241)
Interest capitalization	-	-	-	-	-	351	351
Reclassification	-	-	957	-	-	(957)	-
Balance on December 31, 2021	$ 119,790	$ 274,173	$ 708,834	$ 135,759	$ 113,541	$ 13,111	$ 1,365,208
Accumulated depreciation and impairment							
Balance on January 1, 2021	$ -	$ 105,343	$ 494,663	$ 62,480	$ 115,122	$ -	$ 777,608
Disposal	-	(1,571)	(1,243)	-	(10,986)	-	(13,800)
Depreciation expense	-	7,796	30,180	7,484	3,617	-	49,077
Balance on December 31, 2021	$ -	$ 111,568	$ 523,600	$ 69,964	$ 107,753	$ -	$ 812,885
Net amount on December 31, 2021	$ 119,790	$ 162,605	$ 185,234	$ 65,795	$ 5,788	$ 13,111	$ 552,323

The Company's property, plant, and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	5 to 25 years
Machinery and equipment	3 to 20 years
Electrical equipment	5 to 25 years
Other equipment	3 to 10 years

The major components of the Company's buildings include decoration works and others, which are depreciated over their useful life of 20 years. The amount of property, plant, and equipment pledged by the Company as collateral for loans, please refer to Note 30.

12. LEASE AGREEMENTS

i. Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Buildings	$ 3,053	$ 4,164

	2022	2021
Depreciation expense of right-of-use assets		
Buildings	$ 1,111	$ 1,110

ii. Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 1,118	$ 1,084
Non-current	2,042	3,160
	$ 3,160	$ 4,244

The discount rate range for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Buildings	3%	3%

iii. Significant leasing activities and terms

The Company leases buildings for use as factories with a lease term of 5 years. At the end of the lease term, the Company has no preferential purchase rights for the leased buildings, and it is agreed that the Company shall not sublease or transfer all or part of the leased object without the consent of the lessor.

iv. Other lease information

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Short-term lease expenses	$ 119	$ 149
Total cash (used in) for leases	($ 1,319)	($ 1,349)

13. OTHER INTANGIBLE ASSETS

	Computer software	Trademark rights	Patent rights	Total
Cost				
Balance on January 1, 2022	$ 8,542	$ 1,350	$ 16,032	$ 25,924
Acquired separately	966	-	-	966
Disposal	(7,397)	-	-	(7,397)
Balance on December 31,	$ 2,111	$ 1,350	$ 16,032	$ 19,493

2022				
Accumulated amortization and impairment				
Balance on January 1, 2022	$ 7,456	$ 1,350	$ 12,016	$ 20,822
Amortization expense	721	-	1,238	1,959
Disposal	(7,397)	-	-	(7,397)
Balance on December 31, 2022	$ 780	$ 1,350	$ 13,254	$ 15,384
Net amount on December 31, 2022	$ 1,331	$ -	$ 2,778	$ 4,109
Cost				
Balance on January 1, 2021	$ 7,907	$ 1,350	$ 16,032	$ 25,289
Acquired separately	1,289	-	-	1,289
Reclassification expense	(654)	-	-	(654)
Balance on December 31, 2021	$ 8,542	$ 1,350	$ 16,032	$ 25,924
Accumulated amortization and impairment				
Balance on January 1, 2021	$ 7,267	$ 1,350	$ 10,778	$ 19,395
Amortization expense	189	-	1,238	1,427
Balance on December 31, 2021	$ 7,456	$ 1,350	$ 12,016	$ 20,822
Net amount on December 31, 2021	$ 1,086	$ -	$ 4,016	$ 5,102

The above limited-useful-life intangible assets are amortized on a straight-line basis over the following useful lives:

Computer software	10 years
Trademark rights	10 years
Patent rights	10 years

14. OTHER ASSETS

	December 31, 2022	December 31, 2021
Current		
Current income tax assets	$ 37	$ 5
Advance payments	441	239
Payments on behalf of others	-	1,240
	$ 478	$ 1,484
Non-current		
Prepaid expenses	$ 3,483	$ 2,567
Refundable deposits	8,400	48,100

	December 31, 2022	December 31, 2021
	$ 11,883	$ 50,667

15. BORROWINGS

i. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings (Note 30)		
－Bank loans	$ 192,744	$ 206,209
Unsecured borrowings		
－Bank loans	171,978	31,806
－Commercial paper payable	5,059	7,597
	$ 369,781	$ 245,612

The borrowing interest rates as of December 31, 2022, and 2021, were 1.6566%~7.0087% and 1.72%~6.647235%, respectively. For collateral information, please refer to Note 30.

ii. Long-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings		
Chailease Finance Co., Ltd.	$ 11,335	$ 37,843
IBT Leasing Co., Ltd.	-	31,514
Co-operative Assets Management Co. Ltd.	-	28,125
Infinite Finance Co., Ltd.	-	2,640
TBB International Leasing Co., Ltd.	-	8,537
Sunny Bank (1)	-	20,363
Sunny Bank (2)	-	345,000
Sunny Bank (3)	-	72,700
Hotai Finance Co., Ltd.	-	13,715
Taichung Bank Leasing Corporation Limited	-	16,074
Shinshin Credit Corporation	-	11,067
Hua Nan International Leasing Co., Ltd.	-	35,178
Bank of Panhsin (1)	-	15,833
Bank of Panhsin (2)	15,128	-
Bank of Shanghai	$ 15,811	$ 29,500
CTBC Finance Co., Ltd.	-	19,541
Hua Nan Commercial Bank Ltd.	10,000	-
Bank of Kaohsiung Co., Ltd. (1)	442,500	-
Bank of Kaohsiung Co., Ltd. (2)	25,991	-
Cathay United Bank	5,300	-

	December 31, 2022	December 31, 2021
	526,065	687,630
Less: portion due within one year	(81,660)	(230,598)
Long-term borrowings	$ 444,405	$ 457,032

The interest rates for bank revolving loans are as follows:

	December 31, 2022	December 31, 2021
Long-term borrowings	2.88%~5.79%	1.72%~6.65%

For the years 2022 and 2021, secured borrowings were collateralized by the Company's commercial paper, financial assets measured at fair value through profit or loss, accounts receivable, inventories, other financial assets, and property, plant, and equipment (see Notes 30 and 31). The repayment and interest payment methods according to the contract are as follows:

Institution name	Borrowing period	Repayment and interest payment method
Chailease Finance Co., Ltd.	2021.11~2023.05	Repay principal and interest monthly for a total of 18 periods.
IBT Leasing Co., Ltd.	2021.09~2023.03	Repay principal monthly for a total of 18 periods, with early repayment in 2022.
Co-operative Assets Management Co. Ltd.	2021.03~2023.03	Repay principal monthly for a total of 24 periods, with early repayment in 2022.
Infinite Finance Co., Ltd.	2020.09~2022.03	Repay principal monthly for a total of 18 periods.
TBB International Leasing Co., Ltd.	2020.11~2022.05	Repay principal monthly for a total of 18 periods.
Sunny Bank (1)	2019.06~2026.06	Repay principal and interest monthly for a total of 84 periods, with early repayment in 2022.
Sunny Bank (2)	2019.06~2026.06	Repay principal and interest quarterly for a total of 27 periods, with early repayment in 2022.
Sunny Bank (3)	2021.11~2028.11	Repay principal and interest quarterly for a total of 84 periods, with early repayment in 2022.
Hotai Finance Co., Ltd.	2020.12~2022.06	Repay principal and interest monthly for a total of 18 periods.
Taichung Bank Leasing Corporation Limited	2021.10~2023.04	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Shinshin Credit Corporation	2021.01~2023.01	Repay principal and interest monthly for a total of 24 periods, with early repayment in 2022.
Hua Nan International Leasing Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Bank of Panhsin (1)	2020.07~2023.07	Repay principal and interest monthly for a total of 36 periods, with early repayment in 2022.

Institution name	Borrowing period	Repayment and interest payment method
Bank of Panhsin (2)	2022.06~2024.06	Repay principal and interest monthly for a total of 24 periods.
Hua Nan International Leasing Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Bank of Shanghai	2020.12~2023.12	One-year principal grace period, repay principal and interest monthly for a total of 24 periods.
CTBC Finance Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Hua Nan Commercial Bank Ltd.	2022.05~2025.05	One-year principal grace period, repay principal and interest monthly for a total of 24 periods.
Bank of Kaohsiung Co., Ltd. (1)	2022.07~2029.07	Repay principal and interest quarterly for a total of 28 periods.
Bank of Kaohsiung Co., Ltd. (2)	2022.07~2025.07	Repay principal and interest monthly for a total of 36 periods.
Cathay United Bank	2022.11~2025.10	Half-year principal grace period, repay principal and interest monthly for a total of 30 periods.

16. CORPORATE BONDS PAYABLE

	December 31, 2022	December 31, 2021
Domestic secured ordinary corporate bonds	$ 250,000	$ 250,000
Less: portion due within 1 year	-	(250,000)
	$ 250,000	$ -

The Company issued the first domestic secured ordinary corporate bonds in 2022 on December 9, 2022, with a total issuance amount of $250,000 thousand, a face interest rate of 2.03%, and simple interest calculated annually. Interest is paid once a year, and the bonds will mature on December 9, 2025.

The Company issued the first domestic secured ordinary corporate bonds in 2019 on December 13, 2019, with a total issuance amount of $250,000 thousand, a face interest rate of 0.9%, and simple interest calculated annually. Interest is paid once a year, and the bonds will mature on December 12, 2022.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2022	December 31, 2021
Notes payable		
Not arising from operations	$ 2,403	$ 2,718
Accounts payable		
Arising from operations	$ 27,950	$ 27,114
Related parties	9,071	18,709

	December 31, 2022	December 31, 2021
	$ 37,021	$ 45,823

i. Notes payable

As of December 31, 2022 and 2021, mainly for notes payable for equipment and labor suppliers.

ii. Accounts payable

The Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit terms, and unpaid balances do not accrue interest.

18. OTHER PAYABLES

	December 31, 2022	December 31, 2021
Salaries payable	$ 20,297	$ 19,616
Equipment payables	20,182	5,079
Other payables expenses	32,318	30,702
Other payables - related parties	42,327	32,949
	$ 115,124	$ 88,346

19. PROVISIONS FOR LIABILITIES

	December 31, 2022	December 31, 2021
Employee benefits - non-current	$ 930	$ 884

	員 工 福 利
Balance on January 1, 2021	$ 989
Additions this year	371
Payments this year	(440)
Actuarial gains	(36)
Balance on December 31, 2021	884
Additions this year	259
Payments this year	(570)
Actuarial losses	357
Balance on December 31, 2022	$ 930

Employee benefit provisions for liabilities are estimates of employees' vested long-term service rights.

In 2022 and 2021, the Company recognized actuarial losses (gains) of $357 thousand and $(36) thousand in other comprehensive income, respectively. As of December 31, 2022, and 2021, the cumulative amount of actuarial losses recognized in other comprehensive income was $715 thousand and $358 thousand, respectively.

20. POST-RETIREMENT BENEFIT PLANS

i. Defined contribution plan

The pension system applicable to the Company under the "Labor Pension Act" is a government-managed defined contribution pension plan, which allocates 6% of employees' monthly salaries to individual accounts with the Bureau of Labor Insurance.

ii. Defined benefit plan

The Company's pension system in accordance with Taiwan's "Labor Standards Act" is a government-managed defined benefit pension plan. The payment of employees' pensions is calculated based on the years of service and the average wage of the 6 months before the approved retirement date. The Company allocates 2% of the total monthly salaries of employees for pensions, which are deposited into a special account with the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. Before the end of the year, if the estimated balance of the special account is insufficient to pay the workers who are expected to meet the retirement conditions within the next year, the difference will be allocated once before the end of March of the following year. The special account is entrusted to the Bureau of Labor Funds, MOL, and the Company has no right to influence the investment management strategy.

The amounts of defined benefit plans included in the parent company only balance sheet are shown as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 34,206	$ 31,054
Fair value of plan assets	(13,069)	(7,119)
Contribution shortfall	21,137	23,935
Net defined benefit liability	$ 21,137	$ 23,935

The changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2021	$ 27,572	($ 6,298)	$ 21,274
Service cost			
Current service cost	563	-	563
Interest expense (income)	110	(25)	85
Recognized in profit or loss	673	(25)	648
Remeasurement			

Actuarial losses (gains) - changes in financial assumptions	2,809	(91)	2,718
Recognized in other comprehensive income	2,809	(91)	2,718
Employer contributions	-	(705)	(705)
December 31, 2021	$ 31,054	($ 7,119)	$ 23,935
Service cost			
Current service cost	603	-	603
Interest expense (income)	160	(37)	123
Recognized in profit or loss	763	(37)	726
Remeasurement			
Actuarial losses (gains) - changes in financial assumptions	5,015	(573)	4,442
Recognized in other comprehensive income	5,015	(573)	4,442
Employer contributions	-	(7,966)	(7,966)
Benefit payments	(2,626)	2,626	-
December 31, 2022	$ 34,206	($ 13,069)	$ 21,137

The Company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, MOL invests the labor pension fund in domestic (foreign) equity securities, debt securities, and bank deposits through self-management and entrusted management. However, the plan assets' distributable income is calculated based on a return not lower than the local bank's 2-year fixed deposit rate.
2. Interest rate risk: A decline in government bond rates will increase the present value of defined benefit obligations, but the return on debt investments of plan assets will also increase. Both have a partially offsetting effect on the net defined benefit liability.
3. Salary risk: The calculation of the present value of defined benefit obligations takes into account the future salaries of plan members. Therefore, an increase in plan members' salaries will increase the present value of defined benefit obligations.

The present value of the Company's defined benefit obligations is actuarially determined by a qualified actuary, and the significant assumptions at the measurement date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.4019%	0.5170%

	December 31, 2022	December 31, 2021
Expected salary increase rate	1.5%	1%

If significant actuarial assumptions change reasonably, the increase (decrease) in the present value of defined benefit obligations under the condition that all other assumptions remain unchanged is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 795)	($ 822)
Decrease by 0.25%	$ 824	$ 854
Expected salary increase rate		
Increase by 0.5%	$ 1,639	$ 1,704
Decrease by 0.5%	($ 1,539)	($ 1,592)

Due to the possible correlation between actuarial assumptions, the likelihood of a single assumption change is low, so the above sensitivity analysis may not reflect the actual changes in the present value of defined benefit obligations.

	December 31, 2022	December 31, 2021
Expected contributions within one year	$ 455	$ 439
Average duration of defined benefit obligations	13 years	13 years

21. EQUITY

i. Share capital

Common shares

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	150,000	150,000
Authorized share capital	$ 1,500,000	$ 1,500,000
Issued and fully paid-up shares (in thousands)	108,080	108,080
Issued share capital	$ 1,080,798	$ 1,080,798

Each issued common share has a par value of $10, with one voting right and the right to receive dividends per share.

The share capital reserved for the issuance of employee stock warrants in the authorized share capital is 5,000 thousand shares.

ii. Capital surplus

	December 31, 2022	December 31, 2021

	December 31, 2022	December 31, 2021
Available for covering losses, distributing cash, or increasing share capital (Note)		
Premium on issuance of shares	$ 99,781	$ 113,870
Conversion premium on convertible corporate bonds	-	163,256
Treasury stock transactions	-	47,746
Available only for covering losses		
Gain on disposal of assets	-	86
Changes in the net value of associates recognized under the equity method	2,520	28,135
	$ 102,301	$ 353,093

Note: This type of capital surplus can be used to cover losses or, when the Company has no losses, to distribute cash or increase share capital, but the increase in share capital is limited to a certain percentage of paid-up share capital per year.

The Company's shareholders' meeting held on June 23, 2022, resolved to use the capital surplus of $253,312 thousand to cover losses.

iii. Retained earnings and dividend policy

The Company's articles of incorporation stipulate that if the Company has a profit for the year, after paying taxes and covering accumulated losses, 10% of the profit should be allocated as a legal reserve, and the remainder should be allocated or reversed as a special reserve according to the law. If there is still a balance, it should be combined with the accumulated undistributed earnings, and the board of directors should propose a dividend distribution plan to be submitted to the shareholders' meeting for approval.

The Company's employee and director compensation distribution policy can be found in Note 23, Net profit from continuing operations (viii.) Employee compensation and director compensation.

Furthermore, according to the Company's articles of incorporation, dividends can be distributed in cash or as stock dividends.

Legal reserves should be allocated until the balance reaches the total amount of the company's paid-up share capital. Legal reserves can be used to cover losses. When the company has no losses, the portion of legal reserves exceeding 25% of the paid-up share capital can be distributed in cash or added to share capital.

The Company allocates and reverses special reserves from the undistributed earnings of previous periods according to the law.

The Company held shareholders' meetings on June 23, 2022, and July 22, 2021, to resolve the profit and loss allocation plans for 2021 and 2020, respectively, as follows:

	Profit and loss allocation plan 2021	Profit and loss allocation plan 2020
Losses to be compensated	($ 253,313)	($ 302,001)
Capital surplus to cover losses	253,312	-

The Company's board of directors proposed a profit and loss allocation plan for 2022 on March 24, 2023. Due to the net loss after tax, there is no proposal to allocate legal reserves or distribute dividends.

The profit and loss allocation plan for 2022 is subject to the approval of the shareholders' meeting scheduled to be held on June 20, 2023.

22. REVENUE

	2022	2021
Customer contract revenue		
Product sales revenue	$ 407,761	$ 521,932

i. Description of customer contracts

Product sales revenue

Product sales revenue mainly comes from the sales of ceramic substrates, circuit components, processing transactions, and general import and export trade. Except for some sales targets that agree to recognize revenue when the products arrive at the customer-designated location, the remaining sales targets agree to recognize revenue and accounts receivable when the products are shipped. At that point, the customer has agreed on the price and usage rights for the goods, bears the primary responsibility for resale, and assumes the risk of obsolescence.

ii. Contract balances

	December 31, 2022	December 31, 2021
Accounts receivable (Note 8)	$ 126,295	$ 185,221

23. NET PROFIT FROM CONTINUING OPERATIONS

i. Interest income

	2022	2021
Bank deposits		

	2022	2021
Financial assets measured at amortized cost	$ 540	$ 98
Interest on loans to related parties	-	44
Other	461	-
	$ 1,001	$ 142

ii. Other income

	2022	2021
Other	$ 3,330	$ 8,806

iii. Other gains and losses

	2022	2021
Net foreign exchange (loss) gain	($ 7,533)	$ 443
Gain (loss) on disposal of property, plant, and equipment	312	(441)
Loss on financial assets mandatorily measured at fair value through profit or loss	(1,723)	-
Other expenses	(13,580)	(8,373)
	($ 22,524)	($ 8,371)

iv. Finance costs

	2022	2021
Interest on bank loans, loans from related parties, and corporate bonds	$ 32,413	$ 25,185
Lease liabilities	116	149
Other interest expenses	21	50
Less: Amounts included in the cost of qualifying assets	(488)	(351)
	$ 32,062	$ 25,033

Information related to interest capitalization is as follows:

	2022	2021
Amount of interest capitalized	$ 488	$ 351
Interest capitalization rate	2.83%	2.47%

v. Financial asset impairment (reversal of gains) loss

	2022	2021

	2022	2021
Impairment loss (reversal of gains) on accounts receivable	($ 1,425)	$ 5,661

vi. Depreciation and amortization

	2022	2021
Property, plant, and equipment	$ 50,714	$ 49,077
Right-of-use assets	1,111	1,110
Other intangible assets	1,959	1,427
Total	$ 53,784	$ 51,614
Depreciation expenses summarized by function		
Operating costs	$ 39,534	$ 37,541
Operating expenses	12,291	12,646
	$ 51,825	$ 50,187
Amortization expenses summarized by function		
Operating costs	$ 237	$ 59
Operating expenses	1,722	1,368
	$ 1,959	$ 1,427

vii. Employee benefit expenses

	2022	2021
Short-term employee benefits	$ 157,351	$ 158,008
Post-retirement benefits (Note 20)		
Defined contribution plans	4,965	4,881
Defined benefit plans	726	648
	5,691	5,529
Long-term employee benefits (Note 19)	259	371
Total employee benefit expenses	$ 163,301	$ 163,908
Summarized by function		
Operating costs	$ 124,144	$ 121,293
Operating expenses	39,157	42,615
	$ 163,301	$ 163,908

vii. Employee compensation and director compensation

The Company allocates employee compensation and director/supervisor compensation based on 1.5% to 15% and not more than 5% of the pre-tax profit before deducting employee and director/supervisor compensation for the current year.

However, when the Company has accumulated losses, it should reserve the amount to offset the losses before allocating employee compensation and director/supervisor compensation. In 2022 and 2021, there were accumulated losses, so no employee compensation and director/supervisor compensation were accrued, which were approved by the board of directors on March 24, 2023, and March 25, 2022.

If the amounts still change after the approval date of the parent company only financial statements for the year, the accounting estimate changes will be adjusted in the following year.

There were no differences between the actual distribution amounts of employee compensation and director/supervisor compensation for 2021 and 2020 and the amounts recognized in the 2021 and 2020 parent company only financial statements.

For information about the Company's employee compensation and director/supervisor compensation resolutions of the board of directors in 2023 and 2022, please visit the Taiwan Stock Exchange's "Market Observation Post System".

ix. Foreign exchange gain/loss

	2022	2021
Total foreign exchange gain	$ 18,108	$ 4,917
Total foreign exchange loss	(25,641)	(4,474)
Net (loss) gain	($ 7,533)	$ 443

x. Reversal gain on impairment of non-financial assets

	2022	2021
Inventory (included in operating costs)	$ 4,669	$ 2,574

24. INCOME TAX OF CONTINUING OPERATIONS

i. Income tax recognized in profit or loss

The main components of income tax expense (benefit) are as follows:

	2022	2021
Current income tax		
Adjustments for prior years	($ 82)	($ 9)
Deferred income tax		
Generated in the current year	5,067	12,578
Adjustments for prior years	201	-
	5,268	12,578
Income tax expense recognized in profit or loss	$ 5,186	$ 12,569

The reconciliation of accounting income and income tax expense is as follows:

	2022	2021
Pre-tax net (loss) profit of continuing operations	($ 28,290)	$ 63,403
Income tax expense calculated at the statutory tax rate on pre-tax net profit	($ 5,658)	$ 12,680
Non-deductible expenses for tax purposes	1,574	239
Unrecognized temporary differences		
—Losses recognized on investments accounted for using the equity method	(325)	(509)
—Others	(242)	168
Unrecognized loss carryforwards	9,718	-
Adjustments for current and deferred income tax expenses of prior years in the current year	119	(9)
Income tax expense recognized in profit or loss	$ 5,186	$ 12,569

ii. Income tax recognized in other comprehensive income

	December 31, 2022	December 31, 2021
<u>Deferred income tax</u>		
Generated in the current year		
—Remeasurement of defined benefit plans	$ 960	$ 536

iii. Current income tax assets and liabilities

	December 31, 2022	December 31, 2021
Current income tax assets		
Receivable tax refunds	$ 37	$ 5
Current income tax liabilities		
Payable income tax	$ -	$ 82

iv. Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

<u>2022</u>

	Beginning balance	Recognized in profit or loss	Recognized in other	Ending balance

			comprehensive income	
Deferred tax assets				
Temporary differences				
Unrealized inventory valuation losses	$ 7,152	($ 934)	$ -	$ 6,218
Unrealized expected impairment losses	917	(164)	-	753
Unrealized profits of subsidiaries	1,041	(725)	-	316
Financial asset valuation losses	-	344	-	344
Defined benefit pension plans	$ 2,962	$ -	$ 960	$ 3,922
Property, plant, and equipment	138	(77)	-	61
	12,210	(1,556)	960	11,614
Loss carryforwards	666	9,517	-	10,183
	$ 12,876	$ 7,961	$ 960	$ 21,797
Deferred tax liabilities				
Temporary differences				
Property, plant, and equipment	$ 1,856	$ 200	$ -	$ 2,056
Investment gains recognized using the equity method	98,459	12,088	-	110,547
Unrealized foreign exchange gains	28	941	-	969
	$ 100,343	$ 13,229	$ -	$ 113,572

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Temporary differences				
Unrealized inventory valuation losses	$ 7,667	($ 515)	$ -	$ 7,152
Unrealized expected impairment losses	-	917	-	917
Unrealized profits of subsidiaries	538	503	-	1,041
Defined benefit pension plans	2,426	-	536	2,962
Property, plant, and equipment	126	12	-	138
	10,757	917	536	12,210
Loss carryforwards	-	666	-	666
	$ 10,757	$ 1,583	$ 536	$ 12,876
Deferred tax liabilities				
Temporary differences				
Property, plant, and equipment	$ 1,517	$ 339	$ -	$ 1,856
Investment gains recognized using the equity method	84,581	13,878	-	98,459

Unrealized foreign exchange gains	84	(56)	-	28
	$ 86,182	$ 14,161	$ -	$ 100,343

v. Deductible temporary differences, unused loss carryforwards, and unused investment tax credits not recognized as deferred income tax assets in the balance sheet

	December 31, 2022	December 31, 2021
Loss carryforwards		
Expiring in 2022	$ -	$ 58,237
Expiring in 2023	51,065	51,065
Expiring in 2024	51,783	51,783
Expiring in 2025	70,819	70,819
Expiring in 2026	5,149	5,149
Expiring in 2027	17,161	17,161
Expiring in 2028	29,495	29,495
Expiring in 2029	122,856	122,856
Expiring in 2030	78,174	90,270
Expiring in 2032	48,589	-
	$ 475,091	$ 496,835
Deductible temporary differences		
Losses recognized on investments accounted for using the equity method	$ 45,829	$ 47,453

vi. Information on unused loss carryforwards

As of December 31, 2022, the information on loss carryforwards is as follows:

Unutilized balance	Final deduction year
$ 51,065	2023
51,783	2024
70,819	2025
5,149	2026
17,161	2027
29,495	2028
122,856	2029
78,174	2030
2,324	2031
97,179	2032
$ 526,005	

vii. Income tax assessment status

The Company's profit-seeking enterprise income tax returns have been assessed by the tax authorities up to 2020.

25. EARNINGS (LOSS) PER SHARE

Unit: per share in dollars

	2022	2021
Basic earnings (loss) per share		
From continuing operations	($ 0.31)	$ 0.47
Diluted earnings (loss) per share		
From continuing operations	($ 0.31)	$ 0.47

The net profit and weighted average number of common shares used to calculate earnings (loss) per share from continuing operations are as follows:

Current period net (loss) profit

	2022	2021
Net (loss) profit attributable to the owners of the Company	($ 33,476)	$ 50,834

Number of shares

Unit: thousand shares

	2022	2021
Weighted average number of common shares used to calculate basic earnings (loss) per share	108,080	108,080

26. NON-CASH TRANSACTIONS

The Company conducted the following non-cash investment activities in 2022 and 2021:

	December 31, 2022	December 31, 2021
Investment activities affecting both cash and non-cash transactions		
Increase in property, plant, and equipment	$ 61,391	$ 32,979
Net change in equipment payables	(15,103)	1,645
Cash paid for the purchase of property, plant, and equipment	$ 46,288	$ 34,624

27. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities within the group can continue to operate while optimizing the balance of debt and equity, in order to maximize shareholder returns. There have been no significant changes in the Company's overall strategy.

The Company's capital structure consists of its net debt (i.e., borrowings less cash and cash equivalents) and equity attributable to the owners of the Company (i.e., share capital, capital reserves, retained earnings, and other equity items).

The Company's senior management, in collaboration with the Board of Directors, reviews the group's capital structure at least quarterly, taking into account the costs and risks associated with various types of capital. Based on the recommendations of senior management, the Company will balance its overall capital structure by issuing new shares, repurchasing shares, and issuing new debt or repaying old debt. The Company's target debt ratio (i.e., the ratio of total liabilities to total assets) is set at 50% or below. As of December 31, 2022, the debt ratio was 56%, slightly higher than the target debt ratio range. The Company expects to reduce the debt ratio to an appropriate range by improving its operating performance.

28. FINANCIAL INSTRUMENTS

i. Fair value information - Financial instruments not measured at fair value

The Company's management believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

ii. Fair value information - Financial instruments measured at fair value

Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Domestic debt instrument investments	$ 13,607	$ -	$ -	$ 13,607

There were no transfers between Level 1 and Level 2 fair value measurements from January 1 to December 31, 2022.

iii. Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	$ 13,607	$ -
Financial assets measured at amortized cost (Note 1)	309,541	484,680

<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,280,097	1,300,513

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, notes payable, accounts payable, other payables, corporate bonds payable, and long-term borrowings.

iv. Financial risk management objectives and policies

The Company's main financial instruments include debt instrument investments, accounts receivable, accounts payable, corporate bonds payable, and borrowings. The Company's financial management department provides services to various business units, coordinating and coordinating access to domestic and international financial markets, and supervising and managing the Company's operating-related financial risks through internal risk reports that analyze exposures according to the degree and breadth of risk. These risks include market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The financial management department submits quarterly reports to the Company's Board of Directors, which supervises risks and oversees the implementation of policies to mitigate risks.

1. Market risk

The main financial risks borne by the Company's operating activities are foreign currency exchange rate fluctuations and interest rate fluctuations. The Company closely monitors exchange rate changes and effectively interacts with banks to manage the foreign currency exchange rate and interest rate risks it bears. The Company measures the impact of financial instruments on fair value and cash flows under the assumption of changes in all relevant market risk variables using sensitivity analysis. The Company expects reasonable changes in the relevant risk variables at the end of the reporting period as follows:

NTD Market interest rate	10 basis points
USD Market interest rate	10 basis points
NTD/USD and other currencies	5%

(1) Exchange rate risk

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date are shown in Note 33.

Sensitivity analysis

The Company is mainly affected by fluctuations in the USD and JPY exchange rates.

The table below provides a detailed explanation of the Company's sensitivity analysis when the New Taiwan Dollar (functional currency) appreciates or depreciates by 5% against each relevant foreign currency. The 5% represents the sensitivity ratio used for internal reporting of exchange rate risk to the main management level and also represents the management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis only includes foreign currency monetary items outstanding and adjusts their period-end conversions by changing the exchange rate by 5%. The positive numbers in the table indicate that when there is a net foreign currency asset, a 5% depreciation of the New Taiwan Dollar against each relevant currency will increase (decrease) pre-tax net profit; when there is a net foreign currency liability, a 5% depreciation of the New Taiwan Dollar against each relevant foreign currency will have the same amount of negative impact on pre-tax net profit.

	Impact of USD		Impact of JPY	
	2022	2021	2022	2021
Profit or loss	($ 6,288) (i)	$ 7,941 (i)	$ 1,342 (ii)	($ 190) (ii)

(i) Mainly arising from the USD-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(ii) Mainly arising from the JPY-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(2) Other price risks

The Company is exposed to price risks due to bond investments, mainly holding bonds for interest and spread gains.

Sensitivity analysis

The following sensitivity analysis is based on bond price exposures as of the balance sheet date.

If bond prices increase/decrease by 10%, the pre-tax profit or loss for the period from January 1, 2022 to December 31, 2022 will increase/decrease by $1,361 thousand due to the fair value increase/decrease of financial assets measured at fair value through profit or loss.

(3) Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The management discusses an appropriate mix of fixed and floating interest rates with the lending banks through a deep understanding of financial markets and negotiations.

The carrying amounts of financial liabilities exposed to interest rate risk as of the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk	$ 308,049	$ 511,582
Cash flow interest rate risk	837,797	671,660

Sensitivity analysis

The sensitivity analysis below is determined based on non-derivative instruments' interest rate exposure as of the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of liabilities outstanding as of the balance sheet date remains outstanding throughout the year. The rate of change used for internal reporting of interest rates to the main management level is an increase or decrease of 10 basis points, which also represents management's assessment of the reasonably possible range of changes in interest rates.

Financial assets are minimally affected by changes in interest rates due to the low level of market deposit interest rates. Interest rate sensitivity analysis is performed on financial liabilities for profit and loss impact. The change in fair value and cash flow estimates due to interest rate changes are analyzed under the assumption of other variables remaining constant, at the end of the reporting period, and with an increase/decrease of 10 basis points. The pre-tax net (loss) profit of the Company for 2022 and 2021 will increase (decrease) by $838 thousand / $(838) thousand and $672 thousand / $(672) thousand, respectively.

The Company's sensitivity to interest rates increased during the period, mainly due to an increase in variable-rate debt instruments.

2. Credit risk

Credit risk is the risk of financial loss to the Group due to counterparty default on contractual obligations. As of the balance sheet date, the Company's maximum exposure to credit risk, which may result from the counterparty's failure to fulfill its obligations and the Company's provision of financial guarantees, mainly arises from:

(1) The carrying amount of financial assets recognized in the parent company only balance sheet.

(2) The maximum amount that the Company may need to pay for providing financial guarantees, regardless of the likelihood of occurrence.

The Company's policy is to only engage in transactions with reputable counterparties and to obtain sufficient collateral when necessary to mitigate the risk of financial losses due to defaults. The Company only transacts with businesses that meet the conditions assessed by internal credit management procedures or external credit rating agencies. The Company continuously monitors credit exposure and counterparties' credit ratings and effectively manages the credit limits of counterparties through annual reviews and approvals by the management department to reduce risk.

To mitigate credit risk, the Company's management assigns a dedicated team responsible for determining credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are taken for the collection of overdue receivables. In addition, the Company reviews the recoverable amount of receivables individually as of the balance sheet date to ensure that uncollectible receivables have been adequately impaired. As a result, the Company's management believes that the Company's credit risk has been significantly reduced.

Receivables are distributed among numerous customers across different industries and geographical regions. The Company continuously assesses the financial condition of its accounts receivable customers.

The Company's credit risk is primarily concentrated on Customer A. As of the December 31, 2022 and 2021, the percentage of total receivables from the aforementioned customer was 31% and 23%, respectively.

3. Liquidity risk

As of December 31, 2022, the Company's current assets were $477,282 thousand, current liabilities were $613,888 thousand, and the debt ratio was 56%. To improve liquidity, the Company obtained funds from the capital market by issuing secured corporate bonds in 2022.

The Company plans appropriate fundraising methods based on operating conditions and the economic environment, and manages and maintains safe cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Company's management coordinates the use and review of bank financing limits and ensures compliance with loan contract terms.

The ultimate responsibility for managing the Company's liquidity risk lies with the Board of Directors. The management department plans appropriate measures to reduce liquidity risk in response to the Company's short-term, medium-term, and long-term financing and liquidity management needs. The Company manages liquidity risk by maintaining adequate reserves, bank financing limits, obtaining loan commitments, continuously monitoring projected and actual cash flows, and matching the maturity composition of financial assets and liabilities.

(1) Liquidity and interest rate risk table

The following table provides a detailed description of the remaining contractual maturities of the Company's non-derivative financial liabilities, which are based on the earliest possible repayment dates required by the Company and prepared using undiscounted cash flows of financial liabilities, including cash flows for interest and principal.

Bank loans that can be demanded for immediate repayment by the Company are included in the earliest period in the table below, without considering the probability of the bank exercising that right immediately; other non-derivative financial liability maturity analyses are prepared according to the agreed repayment dates.

For cash flows of interest paid at floating interest rates, the undiscounted interest amounts are derived from the yield curve as of the balance sheet date.

December 31, 2022

	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Interest-free liabilities	$ -	$ 62,671	$ 71,580	$ -	$ -
Lease liabilities	92	184	842	2,042	-
Floating rate instruments	10,447	157,136	225,809	151,905	292,500
Fixed rate instruments	14,367	25,087	18,595	-	-
Corporate bonds payable	-	-	-	250,000	-
	$ 24,906	$ 245,078	$ 316,826	$ 403,947	$ 292,500

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 1,118	$ 2,042	$ -	$ -	$ -	$ -

December 31, 2021

	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Interest-free liabilities	$ -	$ 80,150	$ 56,737	$ -	$ -
Lease liabilities	89	269	726	3,160	-
Floating rate instruments	1,761	71,938	175,124	368,137	54,700
Fixed rate instruments	18,157	36,490	172,740	34,195	-
Corporate bonds payable	-	-	250,000	-	-
	$ 20,007	$ 188,847	$ 655,327	$ 405,492	$ 54,700

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 1,084	$ 3,160	$ -	$ -	$ -	$ -

(2) Financing limit

	December 31, 2022	December 31, 2021
Bank loan limit		
Amount utilized	$ 1,145,846	$ 1,183,242
Unused amount	203,769	362,926
	$ 1,349,615	$ 1,546,168

29. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties are as follows.

i. Related party names and their relationship

Related party name	Relationship with the Company
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Subsidiary
LEATEC Fine Ceramics (Samoa) Co., Ltd.	Subsidiary
Kunshan Leatec Optoelectronics Technology Co., Ltd.	Subsidiary
COSMOS Harvest International Limited	Subsidiary
ECOCERA Optronics Co., Ltd.	Associate

ii. Operating revenue

Account item	Related party category/name	2022	2021
Sales revenue	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 37,251	$ 40,597
	Subsidiary/ Other	-	11,572
		37,251	52,169
	Associate/Other	1,160	902
		$ 38,411	$ 53,071

The Company's pricing strategy for sales to related parties varies depending on their market size and competitiveness. The collection period for accounts receivable from various related parties is 150 days EOM.

iii. Purchase

Related party category/name	2022	2021
Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 25,117	$ 37,163

After referring to market price quotations and negotiating, the payment terms are set at 60 days EOM.

iv. Receivables from related parties (excluding loans to related parties)

Account item	Related party category/name	December 31, 2022	December 31, 2021
Accounts receivable - related parties	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 11,811	$ 16,756

	Subsidiary/Other	4,090	12,102
	Associate/Other	1,191	424
		$ 17,092	$ 29,282
Other receivables - related parties	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 7,678	$ 13,840

No guarantees have been collected for receivables from related parties outstanding. In 2022 and 2021, no provisions for losses were made on receivables from related parties.

v. Payables to related parties

Account item	Related party category/name	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 9,071	$ 18,709
Other payables	Subsidiary/Other	$ 768	$ -

No guarantees are provided for payables to related parties outstanding.

vi. Loans to related parties

Account item	Related party category/name	2022	2021
Other receivables	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ -	$ -
Interest income	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ -	$ 44

vii. Borrowings from related parties

Account item	Related party category/name	2022	2021
Other payables	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ 41,559	$ 32,949
Interest expense	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ 901	$ 829

Subsidiary LEATEC Fine Ceramics (Samoa) Co., Ltd. provided short-term financing to the Company in 2022 and 2021, with an annual interest rate of 2%.

viii. Endorsement/guarantee

Endorsements/guarantees provided

Account item	Related party category/name	December 31, 2022	December 31, 2021
Guarantee amount	Subsidiary		
	LEATEC Fine Ceramics (Samoa) Co., Ltd.	USD 2,430	USD 710
	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	RMB 8,000	RMB 8,000
Actual disbursed amount	Subsidiary		
	LEATEC Fine Ceramics (Samoa) Co., Ltd.	USD 1,885	USD 630
	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	RMB -	RMB 3,886

ix. Other

Account item	Related party category/name	2022	2021
Operating expenses	Subsidiary/Other	$ 1,793	$ 3,145
Other income	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ -	$ 6,990
Other expenses	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 7,382	$ -

x. Compensation to key management personnel

The total compensation for directors and other key management personnel in 2022 and 2021 is as follows:

	2022	2021
Short-term employee benefits	$ 21,040	$ 19,136
Post-retirement benefits	29	50

	2022	2021
	$ 21,069	$ 19,186

Compensation for directors and other key management personnel is determined by the Compensation Committee based on individual performance and market trends.

30. PLEDGED ASSETS

The following assets of the Company have been provided as collateral for borrowings from banks and leasing companies:

	December 31, 2022	December 31, 2021
Financial assets measured at fair value through profit or loss	$ 13,607	$ -
Accounts receivable	22,375	34,309
Inventories	-	126,474
Other financial assets	69,316	178,401
Land	118,033	118,033
Buildings - net amount	145,251	150,635
Machinery and equipment - net amount	12,544	54,425
	$ 381,126	$ 662,277

The market interest rate range for bank deposits as of the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Pledged time deposits (accounted for as other financial assets)	0.60%~1.15%	0.76%

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to what is described in other notes, the Company has the following significant commitments and contingencies as of the balance sheet date:

i. The unused letters of credit are as follows:

	December 31, 2022	December 31, 2021
USD	$ -	$ 28
JPY	5,750	-

ii. Notes issued due to borrowings are as follows:

	December 31, 2022	December 31, 2021
USD	$ 7,030	$ 2,210
NTD	1,374,500	823,000

iii. The Company's unrecognized contract commitments are as follows:

	December 31, 2022	December 31, 2021
Purchase of property, plant, and equipment	$ 12,985	$ 14,987

32. OTHER MATTERS

The Company has been affected by the global pandemic of COVID-19. In response to the impact of the epidemic, the Company has taken the following actions:

i. Ceramic substrates for resistors: Mainly used in consumer electronics products, the market has larger variables due to the epidemic. The Company adopts planned production and adjusts production plans based on customer orders to appropriately control inventory.

ii. Ceramic for automotive use: In response to the closed management between countries, the shipment days are extended, and the demand specifications are confirmed with customers, especially the information of transportation tools listed as the primary shipping condition.

iii. New material development: Carefully assess the customer's prototype and market launch of the product, and whether the epidemic impact will delay the launch of new products.

iv. Capital expenditure: In the short term, investment will focus on improving production efficiency, and equipment with other medium-to-long-term benefits will be cautiously evaluated before investing.

33. SIGNIFICANT 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:

December 31, 2022

Financial assets	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Monetary items			
USD	$ 2,811	30.71	$ 86,328
RMB	34	4.409434	150
HKD	16	3.938	63
EUR	20	32.72	654
JPY	131,024	0.2324	30,450
Non-monetary items			

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Subsidiaries, associates, and joint ventures accounted for using the equity method			
USD	775	30.71	23,813
RMB	333,295	4.409434	1,417,723
Financial liabilities			
Monetary items			
USD	6,906	30.71	212,083
JPY	15,517	0.2324	3,606

December 31, 2021

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 9,146	27.68	$ 253,160
RMB	103	4.341484	448
HKD	10	3.549	36
EUR	2	31.32	63
JPY	1,836	0.2405	442
Non-monetary items			
Subsidiaries, associates, and joint ventures accounted for using the equity method			
USD	830	27.68	22,987
RMB	367,882	4.341484	1,336,663
Financial liabilities			
Monetary items			
USD	3,408	27.68	94,342
RMB	4	4.341484	16
JPY	17,620	0.2405	4,475

The Company's foreign exchange gains (losses) (realized and unrealized) for 2022 and 2021 were $(7,533) thousand and $443 thousand, respectively. Due to the variety of foreign currency transactions, it is not possible to disclose exchange gains or losses by each major currency.

34. SEPARATELY DISCLOSED ITEMS

i. INFORMATION ABOUT SIGNIFICANT TRANSACTIONS and ii. INFORMATION ON INVESTEES:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint venture control components): Table 3.
4. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual property at costs of at least NT$300 million or 20% of the paid-in capital: Table 4.
6. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.
9. Trading in derivative instruments: None.
10. Information on investees: Table 6.

iii. INFORMATION ON INVESTMENTS IN MAINLAND CHINA:

1. The names of invested companies in Mainland China, main business items, paid-in capital, investment methods, fund remittance and inflow situation, shareholding ratio, investment profit and loss, the book value of investment at the end of the period, repatriated investment profit and loss, and investment quota for Mainland China: Table 7.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 8.
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.

(6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

iv. Major shareholder information: No shareholders with a shareholding ratio of 5% or more.

LEATEC FINE CERAMICS CO., LTD.

FINANCING PROVIDED TO OTHERS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 1

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lending Company	Borrower	Transaction Item	Related Party or Not	Highest Balance of the Current Period	Ending Balance	Actual Disbursement Amount	Interest Rate Range	Nature of Funds Lent	Amount of Business Transactions	Reason for the Necessity of Short-term Financing	Provision for Bad Debts Amount	Collateral		Individual Borrower Lending Limit	Total Lending Limit	Remarks
													Name	Value			
1	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	Other receivables - related parties	Y	$ 531,548	$ 506,715	$ 390,015	—	Necessity for short-term financing	$ -	Operating turnover	$ -	—	$ -	Note 1	$ 586,533	
2	COSMOS Harvest International Limited	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Other receivables - related parties	Y	32,215	30,710	-	2%	Necessity for short-term financing	-	Operating turnover	-	—	-	Note 2	71,439	
3	LEATEC Fine Ceramics (Samoa) Co., Ltd.	LEATEC Fine Ceramics Co., Ltd.	Other receivables - related parties	Y	64,430	61,420	41,559	2%	Necessity for short-term financing	-	Operating turnover	-	—	-	Note 3	568,622	

Note 1: The individual borrower's lending limit is 60% of the lending company's net value, which is $977,555 thousand x 60% = $586,533 thousand.

Note 2: The individual borrower's lending limit is 300% of the lending company's net value, which is $23,813 thousand x 300% = $71,439 thousand.

Note 3: The individual borrower's lending limit is 40% of the lending company's net value, which is $1,421,555 thousand x 40% = $568,622 thousand.

LEATEC FINE CERAMICS CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 2

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number (Note 1)	Endorser	Endorsee		Endorsement and guarantee limit for a single company	Maximum balance for the period	Ending balance	Actual expenditure	Endorsement and guarantee amount by assets	Ratio of cumulative endorsement/ guarantee amount to net worth as stated in the latest financial statements (%)	Maximum limit of endorsement and guarantee	Endorsement and guarantee from parent to subsidiary	Endorsement and guarantee from subsidiary to parent	Endorsement and guarantee for Mainland China
		Company name	Relationship										
0	LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	2	(Note 1)	$ 80,860 thousand (USD 2,510 thousand)	$ 74,625 thousand (USD 2,430 thousand)	$ 57,888 thousand (USD 1,885 thousand)	$	6.56%	(Note 2)	Y	-	-
1	LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	2	(Note 1)	36,073 thousand (RMB 8,000 thousand)	35,276 thousand (RMB 8,000 thousand)	- thousand (RMB - thousand)		3.10%	(Note 2)	Y	-	Y

Note 1: The maximum endorsement guarantee limit for a single enterprise is 40% of the company's net value, which is $1,136,915 thousand x 40% = $454,766 thousand.

Note 2: The maximum total limit for endorsement guarantees is 50% of the company's net value, which is $1,136,915 thousand x 50% = $568,458 thousand.

LEATEC FINE CERAMICS CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

TABLE 3

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Securities	Relationship with the Securities Issuer	Accounting Item	Ending				Remarks
				Face Value (USD)	Book Value	Shareholding Ratio	Fair Value	
The Company	Domestic corporate bonds							
	Cathay TSMC Global Limited USD Bonds TAISEM	None	Financial assets measured at fair value through profit or loss - current	550,000	$ 13,607	-	$ 13,607	None

LEATEC FINE CERAMICS CO., LTD.

ACQUISITION OF INDIVIDUAL PROPERTY AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 4

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Acquiring Company for Property	Property Name	Date of Event	Transaction Amount	Payment Status	Transaction Counterparty	Relationship	If the Transaction Counterparty is a Related Party, its Previous Transfer Information				Reference Basis for Price Determination	Purpose and Use	Other Agreements
							Owner	Relationship with the Issuer	Transfer Date	Amount			
LEATEC Application Materials (Kunshan) Co., Ltd.	Plant	2014.6.14	$ 278,275	$ 278,275	Zhongyu Construction Engineering Limited Company Kunshan Branch	Unrelated party	—	—	—	$ -	Tender negotiation	For own use	None
〃	〃	2016.5.15	216,588	216,588	〃	〃	—	—	—	-	〃	〃	〃
〃	〃	2018.7.16	374,951	368,561	〃	〃	—	—	—	-	〃	〃	〃

LEATEC FINE CERAMICS CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 5

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Companies with Accounts Receivable	Transaction Counterparty Name	Relationship	Outstanding Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Collected after the Period for Receivables from Related Parties	Allowance for Doubtful Accounts Amount
					Amount	Handling Method		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	3	$ 401,894	-	$ -	—	$ -	$ -

Note: This is for loan receivables and interest, so the turnover rate is not calculated.

LEATEC FINE CERAMICS CO., LTD.

INFORMATION ON INVESTEE COMPANIES, LOCATIONS, ETC.

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investment Company Name	Invested Company Name	Location	Main Business Items	Original Investment Amount		End of Period Holdings			Invested Company's Current Period (Loss) Profit	Current Period Recognized Investment (Loss) Profit	Remarks
				End of Current Period	End of Last Year	Number of Shares	Ratio	Book Value			
LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Western Samoa	Investment holding and buying and selling of machinery and equipment	$ 853,056	$ 853,056	26,700,000	100%	$ 1,415,619	$ 60,441	$ 60,441	Subsidiary
	COSMOS Harvest International Limited	Western Samoa	Sales of raw materials, ceramic substrates, and machinery and equipment parts	66,669	66,669	2,000,000	100%	23,813	(1,640)	(1,640)	Subsidiary
	ECOCERA Optronics Co., Ltd.	2F., No. 303, Sec. 2, Nanshan Rd., Luzhu Dist., Taoyuan City	Manufacturing, buying and selling, and wholesale of machinery, equipment, molds, and electrical appliances	44,412	44,412	3,161,664	12%	51,344	30,070	3,264	Associate

LEATEC FINE CERAMICS CO., LTD.

MAINLAND CHINA INVESTMENT INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 7

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Invested Company in Mainland China	Main Business Items	Paid-in Capital	Investment Method	Cumulative Investment Amount Remitted from Taiwan at the Beginning of the Current Period	Investment Amount Remitted or Recovered in the Current Period		Cumulative Investment Amount Remitted from Taiwan at the End of the Current Period	Invested Company's Current Period Profit and Loss	The Company's Direct or Indirect Investment Shareholding Ratio	Current Period Recognized Investment Profit and Loss (Note 1)	End of Period Investment Book Value	Investment Income Repatriated up to the Current Period	Remark
					Remittance	Recovery							
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Manufacture and sale of precision electronic ceramic substrates	$ 447,137 (USD 13,200 thousand)	Investing in Mainland China companies through setting up a company in a third region	$ 414,972 (USD 12,000 thousand)	$ -	$ -	$ 414,972 (USD 12,000 thousand)	$ 48,469	100.00	$ 48,469	$ 977,555	$ -	
LEATEC Application Materials (Kunshan) Co., Ltd.	Manufacture and sale of precision electronic ceramics and photovoltaic solar products	542,439 (USD 18,000 thousand)	Investing in Mainland China companies through setting up a company in a third region	542,439 (USD 18,000 thousand)	-	-	542,439 (USD 18,000 thousand)	16,041	100.00	16,041	440,959	-	
Kunshan Leatec Optoelectronics Technology Co., Ltd.	Research and development and sale of solar photovoltaic products	2,461 (RMB 500 thousand)	Investing in Mainland China companies through LEATEC Fine Ceramics (Kunshan) Co., Ltd.		-	-		(2,745)	100.00	(2,745)	2,503	-	
Jiangsu Yongsheng New Energy Technology Co., Ltd.	Research, development, and manufacturing of biomass boilers, hot air furnaces, and other products	303,789 (RMB 67,910 thousand)	Investing in Mainland China companies through LEATEC Fine Ceramics (Kunshan) Co., Ltd.		-	-		(42,383)	20.25	(8,581)	23,381	-	

Note 1: The recognition basis for the current period's investment profit and loss is based on the financial statements audited by the Taiwan parent company's certified public accountant during the same period.

Note 2: Kunshan Leatec Optoelectronics Technology Co., Ltd. was established with investment from LEATEC Fine Ceramics (Kunshan) Co., Ltd.

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	Investment limit for investing in Mainland China according to the Investment Commission, MOEA regulations
$957,411	USD35,700 thousand	Note 4

Note 3: Jiangsu Yongsheng New Energy Technology Co., Ltd. was reinvested by LEATEC Fine Ceramics (Kunshan) Co., Ltd.

Note 4: In accordance with the regulations of the Industrial Development Bureau, MOEA, there is no investment limit for investments in Mainland China.

LEATEC FINE CERAMICS CO., LTD.

SIGNIFICANT TRANSACTION MATTERS DIRECTLY OR INDIRECTLY OCCURRING THROUGH A THIRD REGION WITH INVESTED COMPANIES IN MAINLAND CHINA, AS WELL AS THEIR PRICES, PAYMENT CONDITIONS, UNREALIZED GAINS AND LOSSES, AND OTHER RELATED INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 8

(In Thousands of New Taiwan Dollars)

Name of Invested Company in Mainland China	Transaction Type	Purchase and Sale		Price	Transaction Conditions		Notes and Accounts Receivable (Payable)		Unrealized (Loss) Gain	Remarks
		Amount	Percentage		Payment Conditions	Comparison with General Transactions	Amount	Percentage		
The Company sells to LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Sales	$ 37,251	9%	Negotiation	150 days EOM	—	$ 11,811	9%	$ 638	
Sold by LEATEC Fine Ceramics (Kunshan) Co., Ltd. to the Company	Purchases	25,117	17%	〃	150 days EOM	—	(9,071)	23%	3,831	

1. The situation of providing endorsements, guarantees, or collateral directly and indirectly through third-region businesses by Mainland China invested companies: see Table 2.
2. The situation of providing financial support directly and indirectly through third-region businesses with Mainland China invested companies: see Table

6. Impact on the financial condition of the company and its related enterprises in the most recent year and up to the date of the annual report, if there are financial difficulties: None.

VII. Review and Analysis of Financial Condition and Operational Performance and Risk Matters

1. Financial Condition

Financial Condition Comparative Analysis

Unit: NT$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	1,258,972	977,103	281,869	28.85
Investments accounted for using the equity method	74,725	78,519	(3,794)	(4.83)
Property, plant and equipment	1,379,412	1,468,044	(88,632)	(6.04)
Right-of-use Assets	149,248	165,661	(16,413)	(9.91)
Investment Property	371,197	378,688	(7,491)	(1.98)
Other Intangible Assets	4,109	5,102	(993)	(19.46)
Other Non-current Assets	204,477	122,956	81,521	66.30
Total Assets	3,442,140	3,196,073	246,067	7.70
Current Liabilities	1,121,700	1,104,994	16,706	1.51
Long-term Borrowings	782,219	807,216	(24,997)	(3.10)
Other Non-current Liabilities	401,306	135,238	266,068	196.74
Total Liabilities	2,305,225	2,047,448	257,777	12.59
Share Capital	1,080,798	1,080,798	0	0.00
Capital Surplus	102,301	353,093	(250,792)	(71.03)
Retained Earnings	(34,150)	(250,147)	215,997	(86.35)
Other Equity	(12,034)	(35,119)	23,085	(65.73)
Treasury Stock	0	0	0	0.00
Total Equity	1,136,915	1,148,625	(11,710)	(1.02)

Explanation for Changes Exceeding 20%:

1. Current Assets: The increase is mainly due to a 108,981 thousand NT$ increase in inventory, in response to the early stocking for future sales and production related to the relocation of the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. There is also a 124,326 thousand NT$ increase in non-current assets held for sale, primarily due to the agreement with the Kunshan government regarding the relocation, resulting in the reclassification of land use rights, buildings, and structures, which will be disposed of within one year.
2. Other Non-current Assets: The increase is primarily due to a 75,800 thousand NT$ increase in prepaid equipment purchases related to the expansion and installation of related equipment by the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. after the relocation.
3. Other Non-current Liabilities: The increase is primarily due to the issuance of 250,000 thousand NT$ payable corporate bonds in December 2022.
4. Capital Surplus and Retained Earnings: The changes are primarily due to the approval by the shareholders' meeting in 2022 to offset the accumulated losses with the capital surplus.
5. Other Equity: The increase is primarily due to the decrease in foreign exchange differences resulting from the translation of the financial statements of overseas operating entities.

2. Analysis of Operation Results

(1) Financial performance comparative analysis

Unit: NT$1,000

Item \ Year	2022	2021	Amount of increase or decrease	Variation (%)
Operating Income	783,512	1,033,429	(249,917)	(24.18)
Operating Costs	614,529	711,271	(96,742)	(13.60)
Net gross profit	168,983	322,158	(153,175)	(47.55)
Operating Expenses	299,766	222,978	(76,788)	(34.44)
Operating profit	(130,783)	99,180	(229,963)	(231.86)
Non-operating income and (expenses)	106,365	(14,514)	120,879	(832.84)
Profit before tax **from continuing operations**	(24,418)	84,666	(109,084)	(128.84)
Income tax benefit (expense)	(9,058)	(33,832)	24,774	(73.23)
Net profit (loss) for the period	(33,476)	50,834	(84,310)	(165.85)

Explanation for Changes Exceeding 20%:

1. Operating Revenue, Gross Profit, Operating Expenses, and Operating Net Income: The decrease is primarily due to the relocation agreement between the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. and the Kunshan government, resulting in the shutdown and relocation of production lines, leading to a decrease in production capacity and output, resulting in a decline in operating revenue and gross profit. Additionally, there is an increase in operating expenses during the relocation process.
2. Non-operating Income and Expenses: The increase is primarily due to subsidies for relocation and downtime provided by the Kunshan government to the subsidiary LEATEC FINE CERAMICS (KUNSHAN) CO., LTD., amounting to 39,360 thousand NT$. Furthermore, there is recognition of gains from the disposal of certain non-current assets during the relocation, amounting to 68,852 thousand NT$.
3. Profit from Continuing Operations Before Tax: The decrease is primarily due to the reasons mentioned above.
4. Income Tax Expense: The decrease is primarily due to the lower current and deferred income tax resulting from the losses incurred in the current year.
5. Net Profit for the Year: The increase is primarily due to the reasons mentioned above.

(2) Expected Sales Quantity and Basis

The expected sales quantities for the year 2023 are 162,000 thousand pieces of resistive substrates and 17,000 thousand pieces of non-resistive substrates. These estimations are based on the company's production capacity planning, information obtained from professional organizations and clients, and input from business personnel.

(3) Potential Impact on the Company's Future Financial Operations and Response Plans

The mentioned growth and product structure adjustments are expected to bring stability to the company's future financial operations.

3. Analysis of Cash Flow

(1) Analysis of recent annual cash flow movements:

Unit: NT$1,000

Initial cash balance at the beginning of the period	Full year net cash flow from operating activities	Annual cash outflow	Surplus (shortfall) of cash	Remedial measures for cash shortfall	
				Investment Plan	Financial Planning
122,600	(28,355)	85,791	180,036	None	None

1. Analysis of Cash Flow Changes for the Year 2022:
   (1) Operating Activities: Net cash outflow of 28,355 thousand NT$ is primarily due to a decrease of 133,850 thousand NT$ in accounts receivable, gains from the disposal of non-current assets by LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. amounting to 68,852 thousand NT$, and an increase of 99,685 thousand NT$ in inventory reserves for future sales and production.
   (2) Investing Activities: Net cash inflow of 214,507 thousand NT$ is primarily due to an increase in prepaid income related to the relocation of LEATEC FINE CERAMICS (KUNSHAN) CO., LTD.
   (3) Financing Activities: Net cash outflow of 133,192 thousand NT$ is primarily due to the repayment of bank loans.
2. Remedial Measures for Cash Shortages and Improvement Plans for Insufficient Liquidity: Not applicable.

(2) Cash flow analysis for the coming year:

Initial cash balance at the beginning of the period	Full year net cash flow from operating activities	Annual cash outflow	Surplus (shortfall) of cash	Remedial measures for cash shortfall	
				Investment Plan	Financial Planning
180,036	265,000	(220,000)	225,036	0	0

1. Analysis of Expected Cash Flow Changes for the Year 2023:
   The projected cash outflows for the next year mainly consist of daily operational expenses such as material purchases, inventory replenishment, and payroll payments, as well as partial repayment of bank loans. Capital expenditures for setting up new plants will be carefully evaluated based on product development and production needs, with consideration given to operating cash inflows and fund security as the guiding principles. The required funds will be sourced from internal funds and loans contracted with banks.
2. Remedial Measures for Cash Shortages and Improvement Plans for Insufficient Liquidity: Not applicable.

4. Major Capital Expenditure Items:

(1) Utilization of Significant Capital Expenditures:

Unit: NT$1,000

Company Acquiring Real Estate	Property Name	Date of Occurrence	Transaction Amount	Status of Payment	Transaction Counterparty	Relationship	Basis for Price Determination	Purpose and Usage of Acquisition	Other Agreed Matters
LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	Factory	103.6.14	278,275	278,275	Kunshan Branch of Jiangsu Zhongyu Construction Engineering Co., Ltd.	None	Tender Negotiation	Self-use	None

LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	Factory	105.5.15	216,588	216,588	Kunshan Branch of Jiangsu Zhongyu Construction Engineering Co., Ltd.	None	Tender Negotiation	Self-use	None
LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	Factory	107.7.16	374,951	368,561	Kunshan Branch of Jiangsu Zhongyu Construction Engineering Co., Ltd.	None	Tender Negotiation	Self-use	None

(2) Impact on Financial Operations:

The utilization of funds does not have a significant impact on the company's operations and financial activities. The key points are as follows:

1. Impact on Operational Status: The Company plans to complete the construction and installation of new plant facilities and start production immediately. The construction project of the new plant in Kunshan, China, is being executed according to the business needs and the plan for compensation income. The company adopts a progressive investment approach to maximize operational support and safety. The current status is in accordance with the plan, and operational plans are being implemented as scheduled.
2. Impact on Financial Condition: The allocation of funds depends on the company's operational status. Capital expenditures are carefully evaluated before implementation to avoid significant impact on working capital. The safety cash position is gradually increased to provide appropriate protection for the company's financial security. Cash inflows are in line with the operational plan.

5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

(1) The main reason for the profitability of the businesses invested in the recent year is that in 2022, the production capacity and sales scale of the investee business ECOCERA OPTRONICS CO., LTD. gradually stabilized, leading to business growth and profit. Although LEATEC FINE CERAMICS (SAMOA) CO., LTD. and LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. were affected by the pandemic, regional control measures implemented in the first half of 2022 led to reduced factory operation, but business activities somewhat recovered in the second half of the year. LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD. is still under construction, so expenses have occurred, but some factory buildings are rented out and generate rental income. KUNSHAN LEATEC SOLAR PV CO., LTD. suffered a slight loss due to control measures in mainland China. COSMOS HARVEST INTERNATIONAL LIMITED showed a slight loss due to exchange rate effects. The newly invested Jiangsu Yongsheng

New Energy Technology Co., Ltd. was heavily affected by the pandemic and the real estate market in mainland China, which hindered its production and sales, resulting in losses. In summary, due to the impact of the pandemic, the rise in raw material prices, and the fact that new products are still in the stages of technical and process adjustment, operating results led to losses. In 2023, as the pandemic and external environment gradually improve, revenue growth and good yield rates can be expected. However, external factors such as the pandemic and warfare could introduce uncertainties, and the Company needs to actively develop potential customers to fully utilize the efficiency of overall production and sales, so that market benefits can gradually emerge.

(2) Analysis of Profit or Loss of Investee Companies:

Unit: NT$1,000

Company Name	Shareholding	Income (Loss) of Investee Companies for the Year 2022	Explanation
LEATEC FINE CERAMICS (SAMOA) CO., LTD.	100%	60,441	Recognition of investee company income.
COSMOS HARVEST INTERNATIONAL LIMITED	100%	(1,640)	Impact of exchange rate fluctuations.
LEATEC FINE CERAMICS (KUNSHAN) CO., LTD.	100%	48,469	Compensation fee income.
LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	100%	16,041	Rental income.
KUNSHAN LEATEC SOLAR PV CO.,LTD	100%	(2,745)	Performance decline due to the pandemic.
Jiangsu Yongsheng New Energy Technology Co., Ltd.	20.25%	(42,383)	Impact of the COVID-19 pandemic and real estate market in China.
ECOCERA OPTRONICS CO.,LTD.	12.00%	30,070	Stable improvement in process efficiency and revenue.

(3) Investment Plans for the Next Year: The main investment plans for LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD. include the installation of new production equipment and the renovation of plant facilities. However, the company will consider the operational and profit conditions to ensure secure investments.

6. Analysis of Risk Management

(1) Impact of changes in interest rates, exchange rates and inflation on the Company's profit and the response of the Company:

1. Impact of Recent Interest Rate Changes on the Company's Profit and Loss and Future Countermeasures:

   In 2022, market interest rates gradually increased due to inflation, putting pressure on the company's financial costs. The company will adjust its financing channels to mitigate the impact of financial costs. Although interest rates are expected to rise globally in the future, the company will adjust its financial structure accordingly. With the gradual improvement of operational cash flow and the appropriate utilization of financing channels, the impact of interest costs on the profit and loss will gradually decrease.

2. Impact of Recent Exchange Rate Changes on the Company's Profit and Loss and Future Countermeasures:

   The company primarily imports materials and equipment and exports goods based on U.S. dollar quotations, which helps mitigate the impact of exchange rate fluctuations on the profit and loss. However, the company's international market expansion and its exposure to the U.S. dollar have increased. The international foreign exchange market undergoes rapid changes. In 2022, the company incurred a foreign exchange loss of 701 thousand NT$. The impact of exchange rates in the current year is minor but still requires careful consideration and response.

   The Company has implemented the following specific measures to reduce the impact of exchange rate fluctuations on import costs and profitability:

   (1) Natural hedging: Strive to match income and expenses in the same currency as much as possible.

   (2) Stay updated on relevant information regarding exchange rate fluctuations, maintain close communication with banks, and have a thorough understanding of exchange rate trends.

3. Impact of recent inflation on the company's profit and loss and future response measures:

   In 2022, global inflation rates increased, and it is expected that the pressure from inflation will further increase in 2023. The company aims to absorb inflation concerns through cost improvements and increasing business scale.

(2) Policies on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative transactions, the main reasons for profits or losses and the response of the Company:

1. In 2022, the company did not engage in high-risk, high-leverage investments or derivatives trading. In the future, besides hedging requirements, the company will refrain from engaging in high-risk financial instrument operations.

2. Apart from related-party transactions, there were no instances of lending funds to others or providing endorsement guarantees in 2022. In the future, related operations will be strictly controlled in accordance with the company's established endorsement and lending management policies.

(3) Future Research and Development Plans and Estimated R&D Expenditure

The Company focuses on precision ceramic research, development, and production technologies and collaborates with authoritative external institutions to create product advantages. In addition to upgrading resistive ceramic substrates for advanced product applications, the Company actively develops applications for different ceramic material substrates and establishes low-cost process technology barriers to cater to future applications in electronic communication, automotive, and energy fields. Therefore, the Company is increasing resource allocation for the production of new materials and composite materials, including:

Unit: NT$1,000

Research and Development Products	Current Progress	Further Investment	Expected Completion Date	Key Factors for Success
High-purity 99.6% alumina substrates	Sample production	6,000	2024/09	Microcrystalline structure control
High-purity 99.6% alumina polished substrates	Sample production	5,000	2024/12	Highly smooth surface with zero defects
Ultra-high thermal conductivity aluminum nitride substrates	Sample production	7,000	2024/12	Secondary phase control at grain boundaries
High-strength high thermal conductivity aluminum nitride substrates	Formula design	1,000	2025/03	Material formula design
High-strength silicon nitride substrates	Formula design	20,000	2025/12	Pressure sintering technique

(4) Impact of important domestic and international Law and legal changes on the Company's financial operations and the response of the Company

The Company has complied with the regulations issued by regulatory authorities, such as the Company Law, various processing guidelines, and corporate governance principles. Currently, there are no significant impacts on the Company's financial operations.

(5) Impact of technological changes (<u>including cyber security risk</u>) and industry changes on the Company's financial operations and the response of the Company:

The Company is dedicated to research and development of ceramic substrates and automotive materials, focusing on market and customer demands. It allocates resources to develop various functional products, maintaining a leading position in technology and products. Information security is essential for the operation and management security of the Company.

The Company collaborates with professional vendors to strengthen hardware and software security and promotes information security awareness among employees. The Company has a dedicated information department that constantly monitors information and communication security.

(6) Impact of the change in corporate image due to corporate crisis management and the response of the Company:

The Company has always adhered to professional, integrity, and excellence principles in its operations, maintaining good interactive relationships and corporate image with customers, suppliers, banks, shareholders, and employees. No factors have caused a crisis situation or any changes in the Company's corporate image.

(7) Expected benefits, possible risks and responses to mergers and acquisitions:

As of the date of printing the prospectus, the Company has not acquired or been acquired by any other company.

(8) Expected benefits, possible risks and contingency measures for plant expansion:

Regarding the funding for the construction of the new plant in China, the Company has a secure plan for funding sources, and equipment investment will be gradually made based on market demand, which is very positive for the Company's financial soundness.

(9) Risks of concentration of imports or sales and the response of the Company:

The Company is currently actively adjusting its product structure, diversifying its sales targets, and has implemented risk management. Material supply planning follows the principle of diversification in domestic and international regions and suppliers, with preparations made with multiple suppliers. Based on the above situations and principles, the Company has reduced the cost and market risks of its products.

(10) Impact, risk and response to the substantial shift or change in shareholding of directors or substantial shareholders holding more than 10% of the shares of the Company:

The Company currently does not have any directors or major shareholders holding more than 10% of the shares. The Company can identify the major shareholders who effectively control the Company and the ultimate controllers of the major shareholders. The Company complies with the provisions of the Securities Exchange Act and timely reports the shareholding status of directors and the top 10 shareholders.

(11) Impact of changes in operating rights on the Company, risks and the response of the Company: None.

(12) Litigation or non-litigation events:

1. Significant lawsuits, non-litigation, or administrative disputes that have been determined or are currently pending as of the recent fiscal year or the date of printing the annual report, and may have a significant impact on shareholders' equity or securities prices: None.
2. Significant lawsuits, non-litigation, or administrative disputes involving directors, the President, the substantial responsible person, major shareholders holding more than 10% of the shares, and subsidiary companies, that have been determined or are currently pending as of the recent fiscal year or the date of printing the annual report, and may have a significant impact on shareholders' equity or securities prices: None.

(13) Other significant risks and the response of the Company: None.

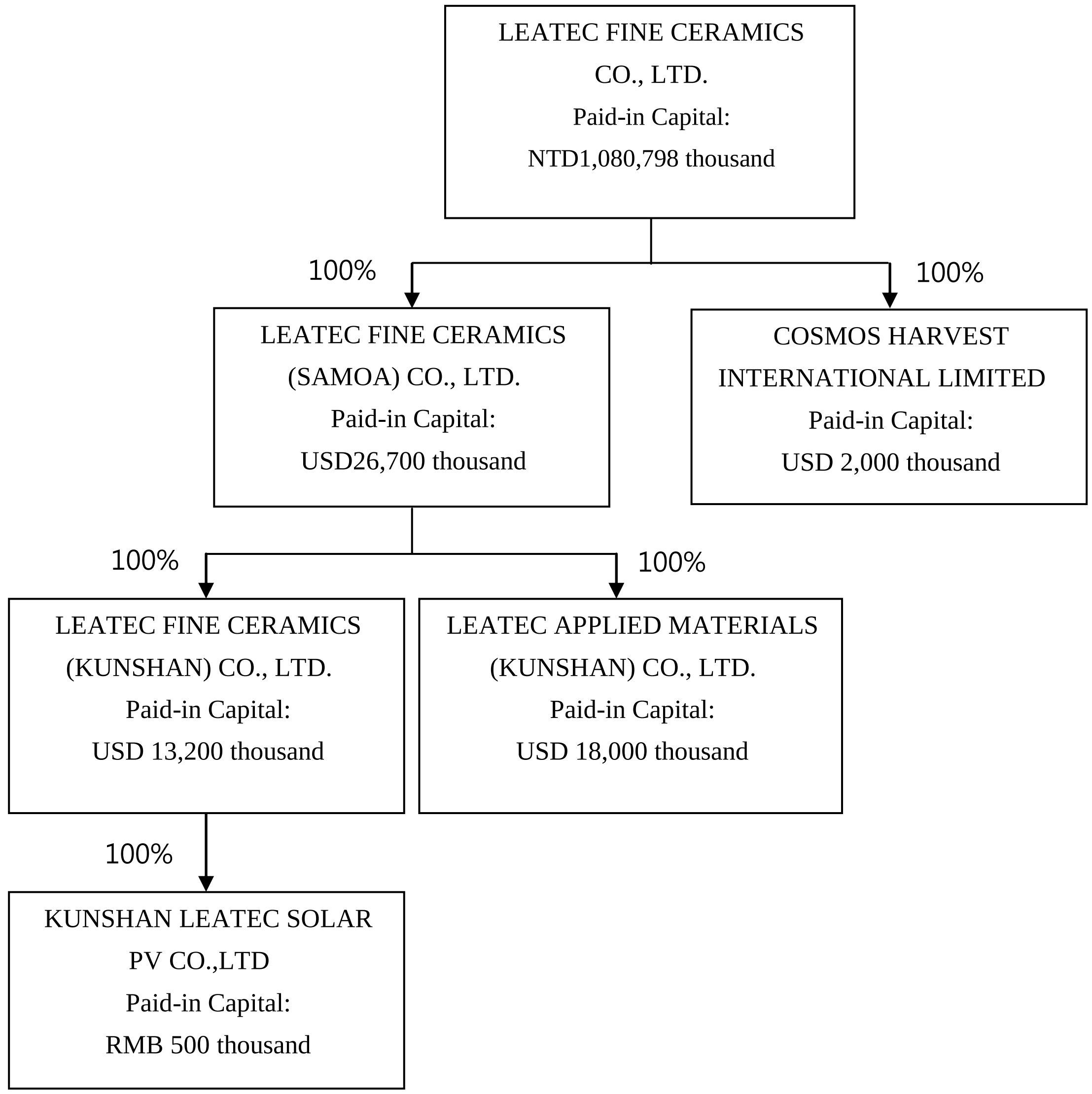
7. Other Important Matters: None

VIII. SPECIAL DISCLOSURE

1. Summary of Affiliated Companies

(1) Business reports of related parties:

1. Organizational Chart



2. Basic Information on Affiliates:

December 31, 2022

Unit: NT$1,000

Name	Date of establishment	Location	Paid-in capital	Business
LEATEC FINE CERAMICS (SAMOA) CO., LTD.	2000.09.12	P.O. Box 217, Apia, Samoa	853,056 (US$26.7 million)	Investment holding and trading of machinery and equipment
COSMOS HARVEST INTERNATIONAL LIMITED	2001.05.25	P.O. Box 217, Apia, Samoa	66,669 (US$2 million)	Sales of raw materials, ceramic substrates, and machinery and equipment parts
LEATEC FINE CERAMICS (KUNSHAN) CO., LTD.	2000.11.01	No. 1, Gingko Road, Zhengyi Management Area, Bajie Town, Kunshan City, Jiangsu Province	447,137 (US$13.2 million)	Manufacturing and trading of precision electronic ceramic substrates, new electronic components, photoelectric-sensitive devices, etc.
LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	2012.07.03	West side of Gucheng Road, east side of Mazhuang Road, Yushan Town, Kunshan City, Jiangsu Province	542,439 (US$18 million)	Manufacturing and trading of precision electronic ceramic substrates and solar photovoltaic products
KUNSHAN LEATEC SOLAR PV CO.,LTD	2014.01.09	No. 1, Gingko Road, Zhengyi Management Area, Bajie Town, Kunshan City, Jiangsu Province	2,461 (RMB500,000)	Manufacturing and trading of solar photovoltaic products

3. Same shareholder information presumed to have control or subsidiary relationship: None.

4. Industries covered by the business of related parties and their mutual relationships:

Industry Type	Name	Association with Other Related Enterprises' Business Operations
Holding company	LEATEC FINE CERAMICS (SAMOA) CO., LTD.	Investment in subsidiary companies in mainland China and procurement of machinery and equipment on behalf of subsidiary companies
Trading industry	COSMOS HARVEST INTERNATIONAL LIMITED	Sales of products from the parent company and mainland subsidiary companies, and procurement of materials and spare parts equipment on behalf of mainland subsidiary companies
Product manufacturing Sales industry	LEATEC FINE CERAMICS (KUNSHAN) CO., LTD.	Production, sales, and after-sales services of products

Product manufacturing Sales industry	LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	Production, sales, and after-sales services of products
Trading industry	KUNSHAN LEATEC SOLAR PV CO.,LTD	Sales of products from the parent company and mainland subsidiary companies, and trading of solar photovoltaic products

5. Directors, supervisors, and president information of related parties:

Name	Title	Name of Representative	Shareholding	
			Shares	Ratio
LEATEC FINE CERAMICS (SAMOA) CO., LTD.	Chairman	LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, QING-JIN)	26,700,000	100%
COSMOS HARVEST INTERNATIONAL LIMITED	Chairman	LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, QING-JIN)	2,000,000	100%
LEATEC FINE CERAMICS (KUNSHAN) CO., LTD.	Chairman Director Director	LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, QING-JIN) LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, JUAN-TING) LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, YONG-CANG)	(Note 1)	100%
LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	Chairman Director Director	LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, QING-JIN) LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, JUAN-TING) LEATEC FINE CERAMICS CO., LTD. (Rep: CHEN, YONG-CANG)	(Note 1)	100%
KUNSHAN LEATEC SOLAR PV CO.,LTD	Chairman	LEATEC FINE CERAMICS (KUNSHAN) CO., LTD. (Rep: CHEN, YONG-CANG)	(Note 1)	100%

Note 1: Non-limited liability companies do not issue stocks.

6. Overview of related party operations:

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

Name	Amount of capital	Total assets	Total liabilities	Net value	Operating income	Operating (loss) profit	Current period (loss) profit (after tax)	Earnings (loss) per share (NT$) (after tax)
LEATEC FINE CERAMICS (SAMOA) CO., LTD.	853,056	1,479,757	58,202	1,421,555	0	(3,269)	61,214	0.07
COSMOS HARVEST INTERNATION AL LIMITED	66,669	23,813	0	22,813	420	(1,515)	(1,640)	(0.02)
LEATEC FINE CERAMICS (KUNSHAN) CO., LTD.	447,137	1,472,827	495,272	977,555	429,289	(64,521)	48,469	0(Note 1)
LEATEC APPLIED MATERIALS (KUNSHAN) CO., LTD.	542,439	1,228,299	787,340	440,959	0	(78,446)	16,041	0(Note 1)
KUNSHAN LEATEC SOLAR PV CO.,LTD	2,461	6,614	4,112	2,502	8,411	(1,245)	(2,745)	0(Note 1)

Note 1: Non-limited liability companies do not issue stocks.

Note 2: Capital amount calculated based on the original investment exchange rate.

(2) Consolidated Financial Statements of Related Parties

Statement of Consolidated Financial Reports of Related Parties

The Company's financial statements for the year 2022 (from January 1, 2022, to December 31, 2022) are prepared in accordance with the "Guidelines for the Preparation of Consolidated Financial Statements of Related Parties in Related Party Business Reports, Consolidated Financial Statements of Parent and Subsidiary Companies under International Financial Reporting Standards No. 10." The information required to be disclosed in the consolidated financial statements of related parties has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, there is no separate preparation of consolidated financial statements of related parties.

Company Name: LEATEC FINE CERAMICS CO., LTD.

Person in charge: CHEN, QING-JIN

March 24, 2023

(3) Related Party Report: Not applicable.

2. Private Placement Securities in the Most Recent Years: None.

3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

4. Other necessary supplementary explanations: None.

5. For the most recent year and up to the date of printing the annual report, if any significant event that impacts shareholder rights or securities prices as specified in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act has occurred: None.

LEATEC FINE CERAMICS CO., LTD.

Chairman: CHEN, QING-JIN