



**SHIH HER  
TECHNOLOGIES INC.**

# **Annual Report in 2022**

Prepared by SHIH HER TECHNOLOGIES INC.

Printed on May 4, 2023

Website where the annual report can be found:

[http : //mops.twse.com.tw](http://mops.twse.com.tw)

Website of the Company: [http : //www.sht.com.tw](http://www.sht.com.tw)

Name, title, telephone number and email of the spokesperson and acting spokesperson of the Company:

	<u>Spokesperson</u>	<u>Acting Spokesperson:</u>
Name:	CHERN,SHYUE-JER	KU,HUI-YU
Title:	President	Manager of Finance Department
TEL:	8863-598-1100	8863-598-1100#250
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1. Address and telephone number of the head office, branch and factory

2. Unit	Address	Tel
Head office	No. 18, Renzheng Road, Hsinchu Industrial Park, Hukou Township, Hsinchu County	8863-598-1100
Factory II	No. 30, Fuxing Road, Hsinchu Industrial Park, Hukou Township, Hsinchu County	8863-597-9619
Branch I, Branch II of Factory III	No. 35, Gongye 2nd Road, Tainan Science and Technology Industrial Zone, Annan District, Tainan City	8866-384-1300
Branch III of Factory III	No. 37, Gongye 2nd Road, Tainan Science and Technology Industrial Zone, Annan District, Tainan City	8866-384-1300
Factory V	No. 117, Guangfu North Road, Hsinchu Industrial Park, Hukou Township, Hsinchu County	8863-597-0913
Branch II of Factory V	No. 117-1, Guangfu North Road, Hsinchu Industrial Park, Hukou Township, Hsinchu County	8863-597-0913
Office in Shenzhen	11F, No. 1, Bieshu Road, Xinzhuang Community, Matian Sub-district, Guangming District, Shenzhen	86755-88213335
Factory in Dongguan	No. 12, Xinfeng Street, Changlong Industrial Zone, Huangjiang Town, Dongguan City	86769-83636266
Factory in Xiamen	No. 891, Tonglong 2nd Road, (Xiang'an) Industrial Zone, Xiamen Torch High-tech Development Zone	86592-7205815
Factory in Hefei	No. 156, Luohe Road, Economic Development Zone, Lujiang County, Hefei City, Anhui Province	86551-82568000
Factory in Chengdu	No. 3000, Section 2, Huanglong Avenue, Huangjia Sub-district, Southwest Airport-based Economic Development Zone, Shuangliu District, Chengdu City	8628-64463939

3. Name, address, Tel and website of the agency for stock transfer:

Name: Stock Agency Department, Taishin Securities Co., Ltd.  
 Address: (104) B1, No. 96, Section 1 Jianguo North Road, Taipei City  
 TEL: 8862-2504-8125  
 Website: <https://www.tssco.com.tw/>

4. The name, firm name, address, Tel and website of the Certified Public Accountant for financial report in the most recent year:

Name of Certified Public Accountant: Chen Zhenqian, Huang Yonghua  
 Name of accounting firm: KPMG  
 Address: 68F, No. 7, Section 5, Xinyi Road, Xinyi District, Taipei City  
 TEL: 8862-8101-6666  
 Website: <http://www.kpmg.com.tw>

5. The name of the trading place where the overseas securities are listed and traded and the method for inquiring the information of the overseas securities: None

6. Company website: <http://www.sht.com.tw>

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### **Appendix I. Consolidated Financial Report**

### **Appendix II. Standalone Financial Report**

## I. Report to Shareholders

Dear Ladies and Gentlemen, and shareholders:

The long-term use of 5G, AI, HPC, and vehicles continues to drive demand for semiconductor products as a result of the global digital transformation due to the outbreak of the COVID-19 pandemic. The 2022 global semiconductors will continue to grow as it was in 2021. However, due to the influence of uncertainties, including Russia-Ukraine war, inflation, and the accelerating interest increase by the United States, the demand for electronic products by the end users declined in the second half of 2022, and the consumption declined, resulting in the growth rate of the semiconductor market in 2022 failed to meet the expectation with only a small growth rate recorded. The continuing expansion in production by semiconductor customers has driven the demand for cleaning and reprocessing related equipment and components to grow. The Company provides customers with excellent cleaning and reprocessing services and optimizes product portfolio to help increase operating income and business gains continuously.

### I. The 2022 Business results

#### (I) Business plan implementation results

Unit: NTD 1,000

Item	2022	2021	Increase (decrease) amount	Increase (decrease) percentage (%)
Operating income	2,392,764	2,136,895	255,869	11.97
Business gross profit	888,941	763,623	125,318	16.41
Business gains	445,787	416,898	28,889	6.93
Net income	363,156	407,061	(43,905)	(10.79)

#### (II) Budget implementation

The Company did not disclose the financial forecast for 2022 according to the current laws and regulations.

#### (III) Financial revenue and expenditure analysis and profitability analysis

Items		2022	2021
Financial structure	Ratio of debt to assets (%)	28.93	28.21
	Ratio of long-term funds to fixed assets (%)	157.96	178.31
Solvency	Current ratio (%)	218.98	245.99
	Quick ratio (%)	199.57	231.11
Profitability	Return on investment (%)	8.01	6.42
	Return on shareholders' equity (%)	10.93	8.79
	Ratio of net income before tax to	83.69	59.35

	paid-in capital (%)		
	Profit ratio (%)	15.18	12.21
	Earnings per share (NTD) after tax	6.40	4.44

#### (IV) Research and development

The Company, in addition to actively improving the cleaning and reprocessing technology, continues to cooperate with customers and manufacturers in the development and innovative research of advanced process equipment and materials and workpiece cleaning in order to effectively prolong the life of equipment and parts and greatly reduce costs for the best interest of the customers; also, helps the Company become an excellent full-spectrum service supplier for cleaning and reprocessing precision parts.

Future research and development plans:

R&D project	Intended use
1. ALD Coating for Y2O3 & Al2O3	Improve the customer's production yield and prolong the life of the workpiece through the research and development of ALD coating technology, reducing the porosity of the coating, and increasing the adhesion.
2. ESC debound and bound	Strive to help customers realize the effort of cost down and enhance the Company's competitiveness through the research and development of ESC debound & bound.

## II. The 2022 Business plan outline

### (I) Operating strategy

The Company aims to provide customers with high-quality and excellent cleaned and reprocessed products along with the continuous innovation of semiconductor advanced process technology. The Company provides good cleaning and reprocessing services in line with the semiconductor customers' continuous expansion of advanced manufacturing processes; also, adopts the following strategies in response to changes in the market:

1. Promote the establishment of smart factories, provide real-time production quality analysis, and optimize production capacity analysis to improve efficiency and to construct factories with quality, efficiency, and competitiveness.
2. Expand cooperation with the manufacturers and customers to innovate and develop cleaning and reprocessing technologies, and to reinforce cost advantages.
3. Continue to expand the cleaning and reprocessing business in China (Mainland), enhance cooperation with regional partners, and expand market share.

## (II) Expected sales volume

The World Semiconductor Trade Statistics Organization (WSTS) predicts that global semiconductor revenue may drop to US\$556.5 billion in 2023, a decrease of 4.1% from the year of 2022; memory revenue may decrease by 17%, which could be the product with the most severe decline. In terms of regions, WSTS estimates that the US market revenue is expected to grow by 17%, which will be the region with the highest growth generated; the European and Japanese market revenues will also grow by 12.6% and 10% respectively; while the Asia-Pacific market revenue may decrease by 2%, will be the region with the worst performance resulted.

## (III) Important production and marketing policies

1. Introduce the automated production equipment continuously, enhance operational efficiency, upgrade and improve the cleaning and reprocessing service quality, and shorten the lead time of workpieces.
2. Optimizes product portfolio and increase the ratio of revenue from performing cleaning and reprocessing services to advanced semiconductor manufacturing industry.

## III. The Company's future development strategy

The rebound of the consumption of terminal consumer electronic products is limited under high inflation, and it takes time for the clients to deplete excessive inventory; therefore, the semiconductor industry is expected to experience a recession in the first half of 2023. The Company will continue to provide excellent cleaning and reprocessing services to customers in this industry and will continue to promote the renewal of energy-saving equipment and to establish smart factories with energy saving and carbon reduction considered. In terms of technology, the Company will cooperate with customers in developing semiconductor advanced process cleaning technology; also, the Company in line with the expansion plan of the semiconductor manufacturers will increase manufacturing equipment, increase advanced process cleaning capacity, and expand market share and profitability.

## IV. The impact of external competitive environment, regulatory environment, and overall business environment

In terms of the external competitive environment, the Company will actively fulfill the client's customized cleaning needs, and enhance the Company's niche to maintain competitive advantage. In terms of the regulatory environment, the "2050 Net Zero Emissions" of the "Climate Change Response Act" has been legislated successfully. The Financial Supervisory Commission has specified a timetable for listed companies to complete their carbon inventory; also, the Company will organize a sustainable promotional organization to respond. In terms of

the overall operating environment, the COVID-19 pandemic, inflation, interest soaring, and the US-China technology war have caused the market uncertainty and unstable supply chain worsening, which has affected the Company's revenue realization and operating costs. The Company will enhance the technical capabilities to respond to the impact of environmental changes.

Many countries have lowered their expected economic growth rates for next year due to the disappointing international economic situation. The international economic outlook is full of uncertainties. The Company will continue to observe the development of the overall economic situation and the status of customers, adjust business strategies in a timely manner, and enhance the cooperation with customers and suppliers in order to improve the quality of cleaning and reprocessing, reduce production costs, and generate profits.

I would like to thank all our shareholders for your long-term support and encouragement extended to the Company. The management team and all employees of Shih Her Technologies Inc. will strive to bring profits and growth to shareholders continuously.

Wish all shareholders, ladies and gentlemen

Good health and good life

Chairman: CHEN, HSUEH-SHEN



## II. II. Company Profile

I. Date of establishment	June 23, 1997
II. History of the Company	
June 1997	The Company was established, becoming the first professional regenerative flushing factory in Taiwan. Paid-in capital was NTD 5 million.
June 1998	Started the regenerative flushing of the CD-RW sputtering equipment and parts.
May 1999	Completed the cash capital increase of NTD 55 million.
November 1999	Completed the cash capital increase of NTD 25 million.
August 2000	Completed the cash capital increase of NTD 25 million.
November 2002	Passed ISO 9001:2000 quality certification.
February 2003	Set up Factory II in Hukou.
January 2005	Completed construction of Factory III in Tainan.
August 2006	Completed the cash capital increase of NTD 50 million.
December 2006	Approved by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan for public offering.
February 2007	Approved by Taipei Exchange, TPEX for trading at its emerging stock counter.
March 2007	Purchased the plot at No. 18, Renzheng Road, Hsinchu Industrial Park, Hsinchu County, for building new plant.
October 2007	The surplus was converted into a capital increase of NTD 14.584 million, and the paid-up capital increased to NTD 306.254 million.
October 2007	Approved by the Securities and Futures Bureau for OTC.
April 2008	Officially traded for OTC.
May 2008	The cash capital increase of NTD 33.170 million was completed and the paid-up capital increased to NTD 339.424 million.
June 2008	Reinvested in China.
September 2008	The surplus was converted into a capital increase of NTD 15.312 million, and the paid-up capital increased to NTD 354.736 million.
September 2008	Issued the first unsecured convertible corporate bonds in Taiwan, with NTD 0.3 billion.
October 2008	Conducted the first buy-back corporate shares, with the total amount of NTD 45.72 million for 1,165,000 shares.

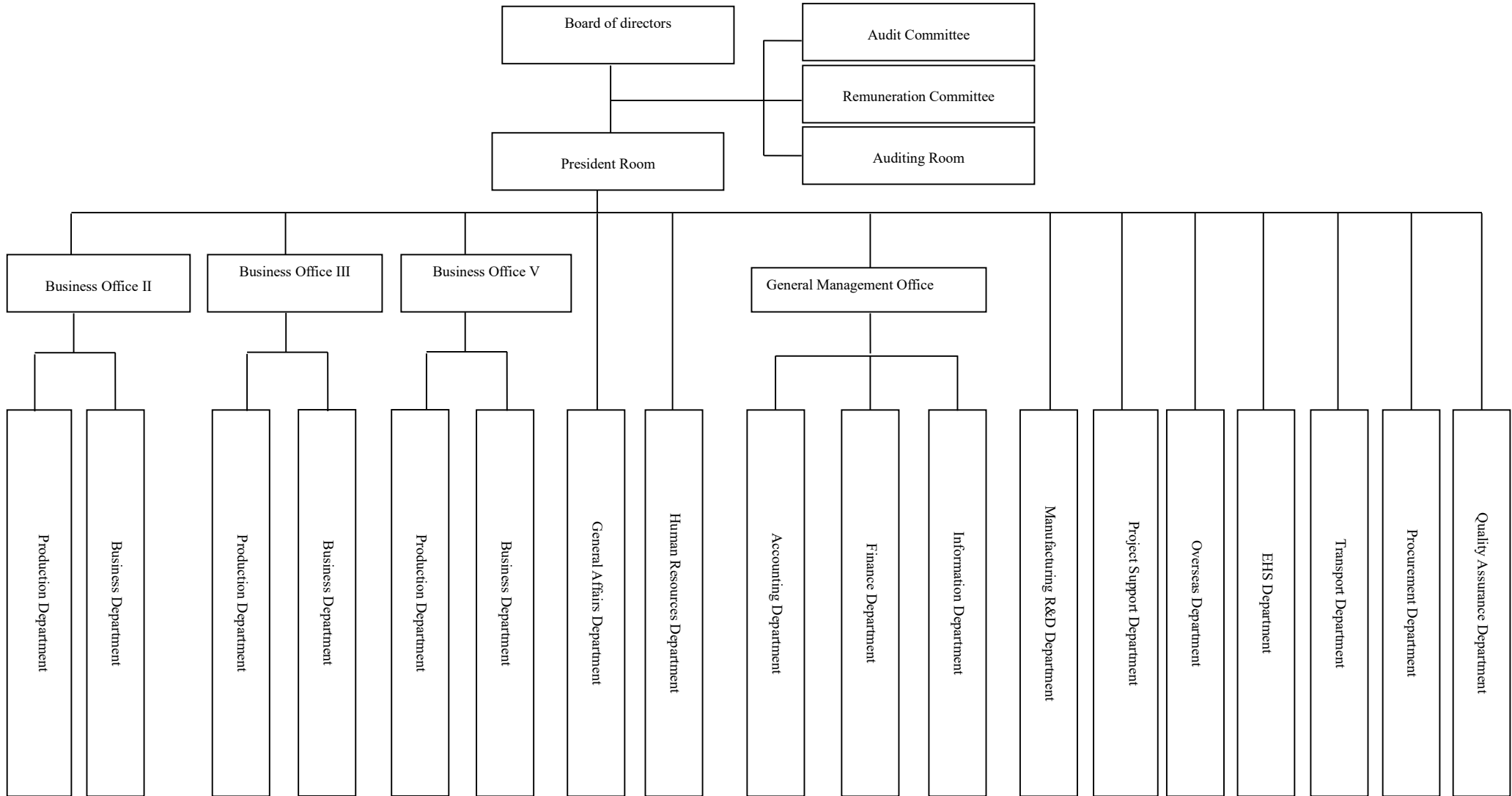
August 2009	The surplus was converted into a capital increase of NTD 34.309 million, and the paid-up capital increased to NTD 389.045 million.
October 2009	Convertible bonds were converted and the paid-in capital increased to NTD 437.473 million.
April 2010	Convertible bonds were converted and the paid-in capital increased to NTD 478.850 million.
June 2010	Issued the second secured convertible corporate bonds in Taiwan, with NTD 0.35 billion.
December 2010	Transferred 1,165,000 treasury shares to employees.
October 2011	Purchased the plant at Guangfu North Road, Hsinchu Industrial Park, Hsinchu County.
December 2011	Convertible bonds were converted and the paid-in capital increased to NTD 499.964 million.
July 2012	Convertible bonds were converted and the paid-in capital increased to NTD 568.264 million.
November 2012	Ministry of Economic Affairs approved the reinvestment of USD 7 million in SHI JU TECHNOLOGY ( HEFEI) CO.,LTD.
July 2013	Convertible bonds were converted and the paid-in capital increased to NTD 575.009 million.
August 2013	Purchased the plant at Tainan Technology Industrial Park, Annan District, Tainan City as Factory III.
December 2013	Purchased plot and buildings in Dongguan City, setting up DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD
June 2014	Ministry of Economic Affairs approved the reinvestment of USD 3 million in SHI JU TECHNOLOGY ( HEFEI) CO.,LTD.
December 2014	Reinvested the cash capital increase of RMB 40 million in DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD
November 2015	The capital of treasury stock decreased by NTD 7,260,000, and the paid-in capital was changed to NTD 567.749 million.
January 2016	Ministry of Economic Affairs approved the reinvestment of USD 15 million in SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO.,LTD.

January 2016	Purchased plot and buildings in Xiamen City, setting up SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO.,LTD.
June 2017	Reinvested the cash capital increase of RMB 30 million in DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD.
June 2017	Ministry of Economic Affairs approved the investment of USD 2.5 million in NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO.,LTD.
June 2017	Ministry of Economic Affairs approved that SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.'s surplus was converted into a capital increase of USD 4.5 million.
November 2018	Ministry of Economic Affairs approved the reinvestment of USD 2 million in SHI JU TECHNOLOGY (HEFEI) CO.,LTD.
May 2019	Ministry of Economic Affairs approved the Operation Headquarters of Taiwan Head Office was established.
August 2019	Reinvested RMB 140 million in CHENGDU SHIZHENG TECHNOLOGY CO., LTD.
September 2019	Ministry of Economic Affairs approved reinvestment of USD 9 million in SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.
June 2020	Ministry of Economic Affairs approved the capital increase of USD 9 million in SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.
August 2020	Built new factories, i.e. Hsinchu Factory 5-2.
January 2021	Ministry of Economic Affairs approved the capital increase of USD 2 million in SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.
February 2021	Sold the real estate property, plant at Datong, Taiwan.
February 2021	Purchased the plot at Tainan Science and Technology Industrial Zone, Annan District, Tainan City.
December 2021	Restructured the investment structure of reinvested subsidiary in China.
August 2022	The subsidiaries, Skill High Management Ltd. and Shih-Hang Management Co., Ltd., reduced capital by USD 2.5 million due to the Group's organizational restructuring.

# III. Corporate Governance Report

## I. Organizational system

### (i) Organizational structure



## (ii) Businesses of main departments

Main departments		Businesses
President Room		<p>Assist the President in managing the Company's businesses, by adhering to the resolutions of the shareholders' meeting and the board of directors.</p> <p>Set and promote business objectives.</p> <p>Organize the implementation, coordination of businesses by cooperating with each unit, and plan the organizational structure.</p> <p>Supervise the preparation and implementation of the annual operating plan and budget.</p>
General Management Office		<p>Responsible for corporate governance.</p> <p>Review the terms of contracts with external companies and provide legal advices.</p> <p>Handle and track lawsuits.</p> <p>Conduct all matters related to planning and operation.</p> <p>Supervise the related businesses of the units under the General Management Office.</p>
Auditing Room		<p>Establish, revise and verify the auditing system.</p> <p>Make the auditing plan of the Company and conduct auditing.</p> <p>Investigate and evaluate the completeness, rationality, effectiveness and implementation of internal control systems of each department.</p>
Business Office II	Business Department	<p>Seek for new customers and investigate the customer credit by cooperating with financial unit.</p> <p>Improve the response report for customer complaints.</p> <p>Transform original customer's workpieces.</p> <p>Seek for customers.</p> <p>Seek for large-size CVD and ETCH customers.</p>
	Production Department	<p>Develop cleaning technology for new customers.</p> <p>Improve original flushing technology and reduce its cost.</p> <p>Develop CVD, etching and flushing technology.</p> <p>Enhance and integrate the quality assurance system.</p> <p>Enhance the education, training and professional skills of employees.</p>
Business Office III	Business Department	<p>Seek for new customers from Central Taiwan Science Park and South Taiwan Science Park, develop and implement marketing plans.</p> <p>Statistics and analysis of sales businesses.</p> <p>Handle customer complaints, improve service quality for betterment, and continuously pursue customer satisfaction.</p>
	Production Department	<p>Responsible for precisely regenerative flushing, surface treatment and manufacturing of semiconductor and photoelectric process equipment components.</p>

Main departments		Businesses
		<p>Improve precisely regenerative flushing technology and reduce the production cost.</p> <p>Control the demand for product quality, delivery and service, so that all staff can understand and implement the quality policies.</p>
Business Office V	Business Department	<p>Seek new customers, develop, and implement marketing plans.</p> <p>Statistics and analysis of sales businesses.</p> <p>Handle customer complaints, improve service quality for betterment, and continuously pursue customer satisfaction.</p> <p>Develop new customers of semiconductor ETCH, Litho and CVD areas and investigate their credit.</p> <p>Develop and implement marketing plans.</p> <p>Develop the sales plan of peripherals and implement it.</p>
Main departments		Businesses
Business Office V	Production Department	<p>Responsible for precisely regenerative flushing, surface treatment and manufacturing of semiconductor and process equipment components.</p> <p>Improve precisely regenerative flushing technology and reduce the production cost.</p> <p>Control the demand for product quality, delivery and service, so that all staff can understand and implement the quality policies.</p> <p>Responsible for semiconductor etching, Litho as well as precisely flushing, surface treatment, regeneration and manufacturing of equipment components for CVD area.</p> <p>Improve flushing technology and reduce the production cost.</p>
General Affairs Department		<p>Responsible for factory affairs and maintenance and execution of engineering.</p> <p>Supervise and implement fire protection, environmental protection and industrial safety.</p> <p>Prepare and implement departmental budget.</p>
Human Resources Department		<p>Manage employees' salary and welfare, performance management, education and training, organization and manpower development, as well as the preparation and implementation of annual plan and budget related to organization and manpower development.</p>
Accounting Department		<p>Establish, control and revise accounting system.</p> <p>Summarize, develop, implement the annual budget and analyze its results.</p> <p>Review all kinds of original vouchers, prepare financial statements, and analyze, compare and control each item of the financial statements.</p> <p>Declare all taxes and upload information of financial statements for declaration.</p>
Finance Department		<p>Manage the Group's working capital.</p>

Main departments	Businesses
	<p>Manage collection and payment as well as foreign exchange.</p> <p>Manage short- and long-term investment.</p> <p>Manage the Company's license change.</p> <p>Manage the control and development of bank loan amount.</p> <p>Manage stock affairs.</p> <p>Coordinate the convening of the meeting of board of directors, shareholders' meeting and committees' meeting.</p>
Information Department	<p>Maintain ERP system and manage ERP information.</p> <p>Execute various information projects of the Company.</p> <p>Manage and maintain hardware such as PC host, machine room and network system.</p>
Manufacturing R&D Department	Research and develop new products and technologies, and improve manufacturing process.
Project Support Department	Support the specific project of the subsidiary
Overseas Department	Expand overseas businesses
EHS Department	Establish and implement the safety and health system as well as environmental protection system
Transport Department	Receive and deliver products
Procurement Department	Manage and implement purchasing affairs of the Company and each factory.
Quality Assurance Department	Complete product quality assurance system (to improve customer satisfaction/product quality).

II. Information of Director, President, Deputy President, Director, Heads of various departments and branches

(i) Directors

1. Information of directors

April 9, 2023 Unit: 1,000 shares

Title	Nationality or place of registration	Name	Gender (Age)	Date of election (appointment)	Term of office	Date of election for the first time	Shares held when elected		Number of shares held currently		Shares held by spouses and minor children currently		Shareholding in others' name		Main experiences (education background) (Note 3)	Current positions in the Company and other companies	Other heads, directors who have spouses or relatives within the second-degree relationship			Remarks
							The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Taiwan	CHEN,HSUEH-SHEN	Male (69)	June 22, 2022	3 years	June 13, 2007	720	1.27%	720	1.27%	470	0.83%	0	0	Experience: President of Taiwan Business Office of Continental Engineering Corporation  Education: Department of Hydraulic Engineering, Chung Yuan Christian University  Director of SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD. Director of SHI JU TECHNOLOGY (HEFEI) CO.,LTD. Director of SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO., LTD. Director of DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD Director of CHENGDU SHIZHENG TECHNOLOGY CO., LTD Director Representative of TFEDERAL CORPORATION Chairman and President of Jinxiexing Construction INC. Chairman and President of Junjie Construction INC.	Corporate Entity, Director Representative of Management Office	CHERN,SHYUE-JER  CHEN,HSUEH-YUAN	Brothers  Brother & sister	-	



Title	Nationality or place of registration	Name	Gender (Age)	Date of election (appointment)	Term of office	Date of election for the first time	Shares held when elected		Number of shares held currently		Shares held by spouses and minor children currently		Shareholding in others' name		Main experiences (education background) (Note 3)	Current positions in the Company and other companies	Other heads, directors who have spouses or relatives within the second-degree relationship			Remarks
							The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Taiwan	GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER	Male (64)	June 22, 2022	3 years	September 21, 2004	8,541	15.04%	8,558	15.07%	0	0	0	0	<p>Experience: Engineer of Regional Service Department in Lam Research Weiji INC.President</p> <p>Education: Department of Marine Engineering, Taipei College of Maritime Technology</p>	<p>Director Representative, President of CHANG YORK TECHNOLOGIES INC. Director Representative, President of YUAN GUANG TECHNOLOGIES INC. Director Representative, President of MINERVA WORKS PTE LTD in Singapore Director Representative, President of TOP VACUUM CO., LTD. Director of SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD. Director of SHI JU TECHNOLOGY (HEFEI) CO.,LTD. Director of SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO., LTD. Director of DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD Director of CHENGDU SHIZHENG TECHNOLOGY CO., LTD</p>	Chairman of Management Office	CHEN,HSUEH-SHEN CHEN,HSUEH-YUAN	Brothers Sister & brother	-

Title	Nationality or place of registration	Name	Gender (Age)	Date of election (appointment)	Term of office	Date of election for the first time	Shares held when elected		Number of shares held currently		Shares held by spouses and minor children currently		Shareholding in others' name		Main experiences (education background) (Note 3)	Current positions in the Company and other companies	Other heads, directors who have spouses or relatives within the second-degree relationship			Remarks
							The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Taiwan	CHENG, CHIH-FA	Male (64)	June 22, 2022	3 years	June 13, 2007	0	0	0	0	0	0	0	0	<p>Experience: Certified Public Accountant of Jingxing Accounting Firm</p> <p>Education: Accounting Department, Chung Hsing University</p>	<p>Certified Public Accountant of Jingxing Accounting Firm Chairman of Yuxing Management Consultant INC. Director of GOLDEN POINT MANAGEMENT LTD. Director of Senboge Investment INC. Director of Yuanfutai Development Co., Ltd. Director of COREMAX TAIWAN CORPORATION Director of URANUS CHEMICALS CO., LTD. Independent Director of Hong Yi Fiber Ind. Co., Ltd. Independent Director of SHIN ZU SHING CO., LTD. Director Representative of Ezfly International Travel Agent Co., Ltd. Director of GSD TECHNOLOGIES CO.,LTD.</p>	-	-	-	-
Director	Taiwan	JHANG, CHUN-RONG (Note 1)	Male (66)	June 22, 2022	3 years	June 19, 2012	3	0.01%	15	0.03%	6	0.01%	0	0	<p>Experience: President of Croslene Chemical Industries Ltd.</p> <p>Education: Master of Institute of Chemistry, Tsinghua University</p>	President of Croslene Chemical Industries Ltd.	-	-	-	-

Title	Nationality or place of registration	Name	Gender (Age)	Date of election (appointment)	Term of office	Date of election for the first time	Shares held when elected		Number of shares held currently		Shares held by spouses and minor children currently		Shareholding in others' name		Main experiences (education background) (Note 3)	Current positions in the Company and other companies	Other heads, directors who have spouses or relatives within the second-degree relationship			Remarks
							The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
Independent director	Taiwan	CHIA, CHAO-YI (Note 2)	Male (67)	June 22, 2022	3 years	June 27, 2019	0	0	0	0	0	0	0	0	Experience: Continental Engineering Corporation ABC Bridge Engineering Company of America  Education: Doctor of Reliability Engineering, University of Maryland, USA	None.	-	-	-	-
Independent director	Taiwan	GONG, SHUANG-SYONG (Note 2)	Male (64)	June 22, 2022	3 years	June 22, 2022	0	0	0	0	0	0	0	0	Experience: Certified Public Accountant of Deloitte & Touche  Education: Master, Institute of Business School, National Taiwan University	Independent Director of TAIWAN CHI CHENG ENTERPRISE CO., LTD.	-	-	-	-
Independent director	Taiwan	LIN, KAI (Note 2)	Male (63)	June 22, 2022	3 years	June 22, 2022	0	0	0	0	0	0	0	0	Experience: Judge of Taoyuan District Court, Taiwan Judge of Tainan District Court, Taiwan Judge of Pingdong District Court, Taiwan  Education: Master of Law Institute, National Chengchi University	Chief Lawyer of Haw Yeu Attorneys-at-Law Review Committee Member of Legal Aid Foundation Independent Director of AXIS CORPORATION	-	-	-	-

Note 1: On June 22, 2022, the Company overall reelected new directors. JHANG, CHUN-RONG's term of office as Independent Director expired, and he was transferred to General Director.  
Note 2: On June 22, 2022, the Company overall reelected new directors. CHIA, CHAO-YI, GONG, SHUANG-SYONG and LIN, KAI were elected as Independent Directors from June 22, 2022 to June 21, 2025.

## 2. Major shareholders of corporate shareholders

April 9, 2023

Name of corporate shareholder	Major shareholders of corporate shareholder
GUAN LIN INVESTMENT CORPORATION LIMITED	CHEN, SHYUE-JER 28.17%
TOPCO SCIENTIFIC Co., Ltd.	J.W. Kuo 4.04% Jia Pin Investment Development Co., Ltd. 3.84% Fidelity Puritan Trust held in trust by Standard Chartered Bank: Fidelity Low-Priced Stock Fund 3.25% HSIEH, CHIN-YEN 2.69% Shin Kong Life Insurance Co., Ltd. 2.59% CHANG, YING-FANG 1.58% Chunghwa Post Co.,Ltd. 1.56% Trust Account of the Employee Stock Ownership Association held in trust by CTBC Bank Co., Ltd. 1.31% Investment Account with Norges Bank held in trust by Citibank 1.26% Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds, held in trust by Taipei Branch, JPMorgan Chase Bank, N.A. 1.17%
Da Bao Ying Limited Company	CHEN, HSIU-SHIH 100%
Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Co., Ltd. 100%
Jing Ding Investment Co., Ltd.	CHEN, TSENG-CHING 92.5%

## 3. Major shareholders of major corporate shareholders

April 9, 2023

Name of corporate entity	Major shareholders of corporate entity
Mega Financial Holdings Co., Ltd.	Ministry of Finance 8.40% National Development Foundation, Executive Yuan 6.11% Chunghwa Post Co.,Ltd. 3.61% Cathay Life Insurance Co., Ltd. 3.07% Bank of Taiwan 2.46% Taiwan Life Insurance Co., Ltd. 2.24% Fubon Life Insurance Co., Ltd. 1.94% New Labor Pension Fund 1.88% Pou Chen Corporation 1.41% Taiwan Tobacco & Liquor Corporation 1.33%

4. Disclosure of professional qualification of the Director and information on independence of the Independent Director:

April 9, 2023

Name	Professional qualification and experience	Independence	The number of public offering companies which he/she concurrently works for as an Independent Director
CHEN,HSUEH-SHEN Chairman	With more than five years of working experience required by the business of the Company, he currently serves as the Chairman and President of Jinxiexing Construction INC. and Junjie Construction INC., and does not have one of the circumstances specified in Article 30 of the Company Act.	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or its related enterprises.</li> <li>(2) Not a director, Supervisor or employee of other companies whose director number or more than half of the voting shares and are controlled by the same person as that of the Company.</li> <li>(3) Not a director, Supervisor or employee of other companies or institutions whose director, Supervisor or employee is each other the same person or spouse as the Chairman, President or the person equivalent in position of the Company.</li> <li>(4) Not a director, Supervisor, manager or shareholder holding more than 5% of the shares of specific companies or institutions that have financial or business dealings with the Company.</li> <li>(5) Not elected on behalf of government, corporate entity or its representative in accordance with Article 27 of the Company Act.</li> </ul>	None
GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER Director	With more than five years of working experience required by the business of the Company, he is engaged in the fields related to semiconductor and photoelectric regenerative flushing for nearly 30 years, and does not have one of the circumstances specified in Article 30 of the Company Act.	<ul style="list-style-type: none"> <li>(1) Not a director, Supervisor or employee of other companies whose director number or more than half of the voting shares and are controlled by the same person as that of the Company.</li> <li>(2) Not a director, Supervisor or employee of other companies or institutions whose director, Supervisor or employee is each other the same person or spouse as the Chairman, President or the person equivalent in position of the Company.</li> <li>(3) Not elected on behalf of government, corporate entity or its representative in accordance with Article 27 of the Company Act.</li> </ul>	None
CHENG,CHIH-FA Director	With more than five years of working experience required by the business of the Company, he currently serves as the Certified Public Accountant of Jingxing Accounting Firm, and does not have one of the circumstances specified in Article 30 of the Company	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or its related enterprises.</li> <li>(2) Not a director, Supervisor of the Company or its related.</li> <li>(3) Not a natural person shareholder who and whose spouse, minor children hold, or hold in others' name, 1% or more of the total number of shares issued by the Company or the shares (the number of shares takes top ten).</li> </ul>	2

Name	Conditions	Professional qualification and experience	Independence	The number of public offering companies which he/she concurrently works for as an Independent Director
	Act.	<p>(4) Not a spouse, relative in the second-degree relationship or the lineal relative by blood in the three-degree relationship of the manager listed in (1) or the personnel listed in (2) and (3).</p> <p>(5) Not a director, Supervisor or employee of corporate shareholders who directly holds more than 5% of the total shares issued by the Company, holds the shares (the number of shares takes the top 5), or appoints the representative as a director or Supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>(6) Not a director, Supervisor or employee of other companies whose director number or more than half of the voting shares and are controlled by the same person as that of the Company.</p> <p>(7) Not a director, Supervisor or employee of other companies or institutions whose director, Supervisor or employee is each other the same person or spouse as the Chairman, President or the person equivalent in position of the Company.</p> <p>(8) No spouse relation or family relation in the second-degree relationship with other directors.</p> <p>(9) Not elected on behalf of government, corporate entity or its representative in accordance with Article 27 of the Company Act.</p>		
JHANG,CHUN-RONG Director (Note 1)	With more than five years of working experience required by the business of the Company, and Master Degree of Institute of Chemistry, Tsinghua University, he currently serves as the President of Croslene Chemical Industries Ltd., and does not have one of the circumstances specified in Article 30 of the Company Act.	<p>(1) Not an employee of the Company or its related enterprises.</p> <p>(2) Not a director, Supervisor of the Company or its related.</p> <p>(3) Not a natural person shareholder who and whose spouse, minor children hold, or hold in others' name, 1% or more of the total number of shares issued by the Company or the shares (the number of shares takes top ten).</p> <p>(4) Not a spouse, relative in the second-degree relationship or the lineal relative by blood in the three-degree relationship of the manager listed in (1) or the personnel listed in (2) and (3).</p> <p>(5) Not a director, Supervisor or employee of corporate shareholders who directly holds more than 5% of the total shares issued by the Company, holds the shares</p>	None	

Conditions  Name	Professional qualification and experience	Independence	The number of public offering companies which he/she concurrently works for as an Independent Director
		<p>(the number of shares takes the top 5), or appoints the representative as a director or Supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>(6) Not a director, Supervisor or employee of other companies whose director number or more than half of the voting shares and are controlled by the same person as that of the Company.</p> <p>(7) Not a director, Supervisor or employee of other companies or institutions whose director, Supervisor or employee is each other the same person or spouse as the Chairman, President or the person equivalent in position of the Company.</p> <p>(8) No spouse relation or family relation in the second-degree relationship with other directors.</p> <p>(9) Not elected on behalf of government, corporate entity or its representative in accordance with Article 27 of the Company Act.</p>	
CHIA, CHAO-YI Independent director (Note 2)	With more than five years of working experience required by the business of the Company, and Doctor Degree of Reliability Engineering, University of Maryland, USA, he does not have one of the circumstances specified in Article 30 of the Company Act.	<p>(1) Not an employee of the Company or its related enterprises.</p> <p>(2) Not a director, Supervisor of the Company or its related.</p> <p>(3) Not a natural person shareholder who and whose spouse, minor children hold, or hold in others' name, 1% or more of the total number of shares issued by the Company or the shares (the number of shares takes top ten).</p> <p>(4) Not a spouse, relative in the second-degree relationship or the lineal relative by blood in the three-degree relationship of the manager listed in (1) or the personnel listed in (2) and (3).</p>	None
GONG, SHUANG-SYONG Independent director (Note 2)	With more than five years of working experience required by the business of the Company, he has ever served as a Certified Public Accountant of Deloitte & Touche, and does not have one of the circumstances specified in Article 30 of the Company Act.	<p>(5) Not a director, Supervisor or employee of corporate shareholders who directly holds more than 5% of the total shares issued by the Company, holds the shares (the number of shares takes the top 5), or appoints the representative as a director or Supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act.</p>	1
LIN, KAI Independent director (Note 2)	With more than five years of working experience required by the business of the Company, he currently serves as Chief Lawyer of Haw Yeu Attorneys-at-Law,	<p>(6) Not a director, Supervisor or employee of other companies whose director number or more than half of the voting shares and are controlled by the same</p>	1

Name	Conditions	Professional qualification and experience	Independence	The number of public offering companies which he/she concurrently works for as an Independent Director
		and does not have one of the circumstances specified in Article 30 of the Company Act.	person as that of the Company. (7) Not a director, Supervisor or employee of other companies or institutions whose director, Supervisor or employee is each other the same person or spouse as the Chairman, President or the person equivalent in position of the Company. (8) No spouse relation or family relation in the second-degree relationship with other directors. (9) Not elected on behalf of government, corporate entity or its representative in accordance with Article 27 of the Company Act.	

Note 1: On June 22, 2022, the Company overall reelected new directors. JHANG, CHUN-RONG's term of office as Independent Director expired, and he was transferred to General Director.

Note 2: On June 22, 2022, the Company overall reelected new directors. CHIA, CHAO-YI, GONG, SHUANG-SYONG and LIN, KAI were elected as Independent Directors from June 22, 2022 to June 21, 2025.

5. Diversity and independence of the board of directors:

(1) Diversity of the board of directors:

Based on the Company's diversity policy, to strengthen corporate governance and improve composition and structure of the board of directors, the nomination of candidates for directors of the Company is carried out by means of the system of nominating candidates in accordance with the provisions of Articles of Incorporation. Namely, evaluate the education/experience qualifications of each candidate, measure their professional background, integrity or relevant professional qualifications, etc. After passed by the resolution of the board of directors, nominations are submitted to the meeting of shareholders for the election of directors. Directors who concurrently serve as manager of the Company in the board of directors shall not exceed one-third of the number of directors. In addition, the Company shall formulate the appropriate diversity policies in terms of its own operation, types of operation, and development needs, including but not limited to the following:

- ① Basic conditions and values: Gender, age, nationality and culture.
  - ② Professional knowledge and skills: Operation judgment ability, accounting and financial analysis ability, operation management ability, crisis handling ability, industrial knowledge, international market outlook, leadership ability and decision-making ability.
- The current board of directors of the Company consists of seven directors. The specific management objectives and whether to achieve of the diversity policies in terms of the composition of the board of directors of the Company are as follows:



Management objectives	Whether to achieve
The number of Independent Directors exceeds one-third of the number of directors	Achieved
The number of directors concurrently serving as manager of the Company shall not exceed one-third of the number of directors	Achieved
The term of office for Independent Directors has not exceeded 3 terms	There are 3 Independent Directors, all of whom have served less than 3 terms.
Adequate and diversified professional knowledge and skills	Achieved

The status of implementation of diversity policies for members of board of directors is as follows:

Name	Title	Gender	Age			Term of office for Independent Directors			Whether to concurrently serve as employee	Professional knowledge and skills							
			Aged from 51 to 60	Aged from 61 to 70	Aged from 71 to 80	Less than 3 years	3 to 9 years	Over 9 years		Operation judgment ability	Accounting and financial analysis ability	Operation management ability	Crisis handling ability	Industrial knowledge	International market outlook	Leadership ability	Decision-making ability
CHEN,HSUEH-SHEN	Chairman	Male		V						V		V	V	V	V	V	V
GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER	Director	Male		V					V	V		V	V	V	V	V	V
CHENG,CHIH-FA	Director	Male		V						V	V	V	V	V	V	V	V
JHANG,CHUN-RONG (Note 1)	Director	Male		V						V		V	V	V	V	V	V
CHIA, CHAO-YI (Note 2)	Independent director	Male		V				V		V		V	V	V	V	V	V
GONG,SHUANG-SYONG (Note 2)	Independent director	Male		V		V				V	V	V	V	V	V	V	V

LIN,KAI (Note 2)	Independent director	Male		V		V				V		V	V	V	V	V	V
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Note 1: On June 22, 2022, the Company overall reelected new directors. JHANG, CHUN-RONG's term of office as Independent Director expired, and he was transferred to General Director.

Note 2: On June 22, 2022, the Company overall reelected new directors. CHIA, CHAO-YI, GONG,SHUANG-SYONG and LIN,KAI were elected as Independent Directors from June 22, 2022 to June 21, 2025.

## (ii) Information of President, Deputy President, Director, Heads of various departments and branches

April 9, 2023; Unit: NTD 1,000 shares, %

Title (Note 1)	Nationality	Name	Gender	Election (appointment) Date	Shares held		Shares held by spouses and minor children		Shareholding in others' name		Main experiences (education background) (Note 2)	Current positions in other companies	Managers who have the relationship of spouses or relatives within the second-degree			Remark (Note 3)
					The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
President	Taiwan	CHERN,SHYUE-JER	Male	May 20, 2004	2,166	3.81%	0	0	0	0	<p>Experience:</p> <p>Engineer of Regional Service Department in Lam Research President of Weiji INC.</p> <p>Education:</p> <p>Department of Marine Engineering, Taipei College of Maritime Technology</p>	<p>Corporate Entity, Director Representative, President of CHANG YORK TECHNOLOGIES INC.</p> <p>Corporate Entity, Director Representative, President of YUAN GUANG TECHNOLOGIES INC.</p> <p>Corporate Entity, Director Representative, President of MINERVA WORKS PTE LTD in Singapore</p> <p>Corporate Entity, Director Representative, President of TOP VACUUM CO., LTD.</p> <p>Director of SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.</p> <p>Director of SHI JU TECHNOLOGY (HEFEI) CO.,LTD.</p> <p>Director of SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO., LTD.</p>	Chairman Director of Management Office	CHEN,HSUEH-SHEN CHEN,HSUEH-YUAN	Brothers Sister & brother	-

Title (Note 1)	Nationality	Name	Gender	Election (appointment) Date	Shares held		Shares held by spouses and minor children		Shareholding in others' name		Main experiences (education background) (Note 2)	Current positions in other companies	Managers who have the relationship of spouses or relatives within the second-degree			Remark (Note 3)
					The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
												Director of DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD Director of CHENGDU SHIZHENG TECHNOLOGY CO., LTD				
Special Assistant	Taiwan	HO,CHI-YUAN	Male	March 25, 2010	0	0	0	0	0	0	Experience: Manager of Business Department of Canon Semiconductor Equipment Taiwan, Inc. Education: Department of Agricultural Economics, Meiji University, Japan	Director of SHI JU TECHNOLOGY (HEFEI) CO.,LTD. Director of SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO., LTD. Director of DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD Director of CHENGDU SHIZHENG TECHNOLOGY CO., LTD	-	-	-	-
Director	Taiwan	HO,WEN-CHIN	Male	October 26, 2010	23	0.04%	0	0	0	0	Experience: Salesman of Xinjing INC. Education: Department of Industrial Engineering, Minghsin University of Science and Technology	-	-	-	-	-

Title (Note 1)	Nationality	Name	Gender	Election (appointment) Date	Shares held		Shares held by spouses and minor children		Shareholding in others' name		Main experiences (education background) (Note 2)	Current positions in other companies	Managers who have the relationship of spouses or relatives within the second-degree			Remark (Note 3)
					The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Taiwan	TSAI,CHIN-LUNG	Male	April 26, 2011	13	0.02%	0	0	0	0	Experience: Business of Huoyuan Electronics INC. Manager of ELS System Technology Co., Ltd. Manager of GIGA SOLUTION TECH. CO., LTD. Education:-- Department of Chemistry, Chung Yuan Christian University	-	-	-	-	-
Director	Taiwan	JUAN,WU-FU	Male	June 19, 2012	0	0	0	0	0	0	Experience: Business Manager of Oerlikon, Switzerland Business Manager of BOC Edward, the UK Director of AVIZA Business in the US Director of Factory Affair Equipment Department in Auria Solar Education: Institute for Medical Engineering, National Cheng Kung University Master of Advanced Management, Fu Jen Catholic University	-	-	-	-	-
Director of General Management Office	Taiwan	CHEN,HSUEH-YUAN	Female	September 1, 2007	998	1.76%	0	0	0	0	Experience: Accounting Director of Shiren Construction Co., Ltd. Manager of Finance Department of	Supervisor of SHIHPING TECHNOLOGIES (SHENZHEN) CO.,LTD.	Chairman President	CHEN,HSUEH-SHEN CHERN,SHYUE-JER	Brother & sister Sister & brother	-

Title (Note 1)	Nationality	Name	Gender	Election (appointment) Date	Shares held		Shares held by spouses and minor children		Shareholding in others' name		Main experiences (education background) (Note 2)	Current positions in other companies	Managers who have the relationship of spouses or relatives within the second-degree			Remark (Note 3)
					The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
											SHIH HER TECHNOLOGIES INC. Chairman of SHIH HER TECHNOLOGIES INC. Education: Department of Commerce, Yu Da High School of Commerce and Home Economics	Supervisor of SHI JU TECHNOLOGY (HEFEI) CO., LTD. Supervisor of SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO., LTD. Supervisor of DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD Supervisor of CHENGDU SHIZHENG TECHNOLOGY CO., LTD Supervisor of NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO.,LTD.				
Accounting Manager	Taiwan	LIN,CHIN-YUAN	Male	October 26, 2010	5	0.01%	0	0	0	0	Experience: Deputy Manager of Finance Department of SUS RECYCLING TECHNOLOGY INC. Education: Department of Accounting, Feng Chia University	-	-	-	-	-

Title (Note 1)	Nationality	Name	Gender	Election (appointment) Date	Shares held		Shares held by spouses and minor children		Shareholding in others' name		Main experiences (education background) (Note 2)	Current positions in other companies	Managers who have the relationship of spouses or relatives within the second-degree			Remark (Note 3)
					The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio			Title	Name	Relationship	
Financial Manager	Taiwan	KU,HUI-YU	Female	December 25, 2008	30	0.05%	0	0	0	0	Experience: Deputy Manager of Finance Department of CHARDIN TECH CORPORATION Deputy Manager of Finance Department of SPEED TECH CORP.  Education: Accounting Research Institute, Chung Yuan Christian University	Supervisor of TOP VACUUM CO., LTD.	-	-	-	-
Deputy Manager of audit	Taiwan	CHEN,MING-LI	Female	September 1, 2007	0	0	0	0	0	0	Experience: Head of Auditing Department of Infomax Optical Technology Corporation Head of Auditing Department of Shengyuan Industry INC. Education: Department of Accounting, Tamkang University	-	-	-	-	-

Note 1: It shall include the information of President, Deputy President, Director, Heads of various departments and branches. In addition, the information of any person in a position equivalent to President, Deputy President or Director shall be disclosed, regardless of title.

Note 2: If the experience related to the current position, such as working in the audit and verification accounting firm or relevant company during above period, exists, the title and duties shall be stated.

Note 3: The relevant information shall be indicated, including the reason, rationality, necessity and responses (for instance, if the Independent Directors are increased, over half of the directors shall not concurrently act as employees or managers, etc.) if the President or the person equivalent in position (top manager) is the Chairman or they are spouses or the first-degree relatives with each other.



III. Remuneration paid to the Director, President and Deputy President and Deputy President in the most recent year

(i) The remuneration of Director (including Independent Director) (name disclosure method in the numerical range form through summary)

Unit: NTD 1,000

Title	Name	The remuneration of the Director								The percentage of the total amount of Items A, B, C and D in the net profit after tax (%)		Related remuneration of directors who concurrently acts as the employee								The percentage of the total amount of Items A, B, C, D, E, F and G in the net profit after tax (%)		The remuneration from the reinvested business or parent company outside the subsidiary		
		Return (A)		Retirement pension (B)		The remuneration of the Director (C) (Note 1)		Business execution expenses (D)				Salaries, bonus, special charges, etc. (E)		Retirement pension (F)		Remuneration of the employee (G) (Note 1)								
		The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The amount of cash	The amount of shares	The amount of cash	The amount of shares		The Company	All the companies listed on the financial report
Chairman	CHEN,HSUEH-SHEN	0	0	0	0	2,000	2,000	15	15	0.55	0.55	0	0	0	0	0	0	0	0	0	0	0.55	0.55	0
Director	GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER	0	0	0	0	1,000	1,000	18	18	0.28	0.28	3,341	3,341	0	0	920	0	0	0	0	1.45	1.45	0	
Director	KANG,CHENG-HSIUNG (Note 2)	0	0	0	0	470	470	6	6	0.13	0.13	0	0	0	0	0	0	0	0	0	0.13	0.13	0	
Director	CHENG,CHIH-FA	0	0	0	0	1,000	1,000	15	15	0.28	0.28	0	0	0	0	0	0	0	0	0	0.28	0.28	0	
Director	JHANG,CHUN-RONG (Note 3)	0	0	0	0	1,000	1,000	27	27	0.28	0.28	0	0	0	0	0	0	0	0	0	0.28	0.28	0	
Independent director	SUNG,YI-PO (Note 2)	0	0	0	0	470	470	15	15	0.13	0.13	0	0	0	0	0	0	0	0	0	0.13	0.13	0	
Independent director	CHIA, CHAO-YI (Note 4)	0	0	0	0	1,000	1,000	39	39	0.29	0.29	0	0	0	0	0	0	0	0	0	0.29	0.29	0	
Independent director	GONG,SHUANG-SYONG (Note 4)	0	0	0	0	530	530	24	24	0.15	0.15	0	0	0	0	0	0	0	0	0	0.15	0.15	0	
Independent director	LIN,KAI (Note 4)	0	0	0	0	530	530	24	24	0.15	0.15	0	0	0	0	0	0	0	0	0	0.15	0.15	0	

Note 1: The proposed distribution amount of remuneration of employees and directors in 2022 approved by the Board of Directors before the Shareholders' Meeting has not been distributed as of April 9, 2023. The earnings distribution, remuneration of employees, directors and Supervisors shall be estimated based on the proposed distribution approved by the Board of Directors in 2022.

Note 2: On June 22, 2022, the Company overall re-elected new directors, and KANG,CHENG-HSIUNG and SUNG,YI-PO, the Independent Directors, were relieved at the end of their terms of office on June 22, 2022.

Note 3: On June 22, 2022, the Company overall reelected new directors. JHANG, CHUN-RONG's term of office as Independent Director expired, and he was transferred to General Director.

Note 4: On June 22, 2022, the Company overall re-elected new directors, and the Audit Committee was composed of three new Independent Directors to replace the supervisor system. CHIA, CHAO-YI, GONG,SHUANG-SYONG and LIN,KAI were elected as Independent Directors from June 22, 2022 to June 21, 2025.

Numerical range table of remuneration of directors (including Independent Directors)

Numerical range of remuneration paid to each director of the Company	Name of directors			
	Total remuneration of the first four items (A+B+C+D)		Total remuneration of the first seven items (A+B+C+D+E+F+G)	
	The Company	All the companies listed on the consolidated statements	The Company	All the companies listed on the consolidated statements
Less than NTD 1,000,000	4 persons including KANG,CHENG- HSIUNG, SUNG,YI-PO, GONG,SHUANG- SYONG, LIN,KAI, etc.	4 persons including KANG,CHENG- HSIUNG, SUNG,YI-PO, GONG,SHUANG- SYONG, LIN,KAI, etc.	4 persons including KANG,CHENG- HSIUNG, SUNG,YI-PO, GONG,SHUANG- SYONG, LIN,KAI, etc.	4 persons including KANG,CHENG- HSIUNG, SUNG,YI-PO, GONG,SHUANG- SYONG, LIN,KAI, etc.
NTD 1,000,000 (inclusive)~NTD 2,000,000 (exclusive)	4 persons including GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER , CHENG,CHIH-FA, JHANG,CHUN-RONG, CHIA, CHAO-YI, etc.	4 persons including GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE- JER ,CHENG,CHIH-FA, JHANG,CHUN-RONG, CHIA, CHAO-YI, etc.	3 persons including CHENG,CHIH-FA, JHANG,CHUN-RONG, CHIA, CHAO-YI, etc.	3 persons including CHENG,CHIH-FA, JHANG,CHUN-RONG, CHIA, CHAO-YI, etc.
NTD 2,000,000 (inclusive)~NTD 3,500,000 (exclusive)	1 person, CHEN,HSUEH-SHEN,	1 person, CHEN,HSUEH-SHEN,	1 person, CHEN,HSUEH-SHEN,	1 person, CHEN,HSUEH-SHEN,
NTD 3,500,000 (inclusive)~NTD 5,000,000 (exclusive)	0	0	0	0
NTD 5,000,000 (inclusive)~NTD 10,000,000 (exclusive)	0	0	1 person, GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER	1 person, GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER
NTD 10,000,000 (inclusive)~NTD 15,000,000 (exclusive)	0	0	0	0
NTD 15,000,000 (inclusive)~NTD 30,000,000 (exclusive)	0	0	0	0
NTD 30,000,000 (inclusive)~NTD 50,000,000 (exclusive)	0	0	0	0
NTD 50,000,000 (inclusive)~NTD 100,000,000 (exclusive)	0	0	0	0
NTD 100,000,000 or more	0	0	0	0
Total	9	9	9	9

(ii) The remuneration paid to the President and Deputy President (name disclosure method in the numerical range form through summary)

Unit: NTD 1,000; %

Title	Name	Salaries (A)		Retirement pension (B)		Bonus, special charges, etc. (C)		The amount of employees' compensation (D) (Note 1)				The percentage of the total amount of Items A, B, C and D in the net profit after tax (%)		The remuneration from the reinvested business or parent company outside the subsidiary
		The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company	All the companies listed on the financial report	The Company		All the companies listed on the		The Company	All the companies listed on the financial report	
								The amount of cash	The amount of shares	The amount of cash	The amount of shares			
President	CHERN,SHYUE-JER	2,172	2,172	0	0	1,169	1,169	920	0	920	0	1.17	1.17	0

Note 1: The actual retirement pension paid in 2022 is NTD 0, and the expensively allocated amount of retirement pension is NTD 108,000. The amount of employees' compensation is estimated based on the actual distribution in 2022.

Numerical range table of remuneration of the President and Deputy President

Numerical range of remuneration paid to each President and Deputy President of the Company	Name of President and Deputy President	
	The Company	All the companies listed on the consolidated statements (E)
Less than NTD 1,000,000	0	0
NTD 1,000,000 (inclusive)~NTD 2,000,000 (exclusive)	0	0
NTD 2,000,000 (inclusive)~NTD 3,500,000 (exclusive)	0	0
NTD 3,500,000 (inclusive)~NTD 5,000,000 (exclusive)	CHERN,SHYUE-JER	CHERN,SHYUE-JER
NTD 5,000,000 (inclusive)~NTD 10,000,000 (exclusive)	0	0
NTD 10,000,000 (inclusive)~NTD 15,000,000 (exclusive)	0	0
NTD 15,000,000 (inclusive)~NTD 30,000,000 (exclusive)	0	0
NTD 30,000,000 (inclusive)~NTD 50,000,000 (exclusive)	0	0
NTD 50,000,000 (inclusive)~NTD 100,000,000 (exclusive)	0	0
More than NTD 100,000,000	0	0
Total	1	1

(iii) The name of the manager who distributes employees' compensation and the situation of distribution

April 9, 2023; Unit: NTD 1,000

Title			Name	The amount of stock bonus	The amount of cash bonus (Note 1)	Total	Proportion of total amount in net profit after tax (%)
Manager	1	President	CHERN,SHYUE-JER	0	4,815	4,815	1.33%
	2	Director of General Management Office	CHEN,HSUEH-YUAN				
	3	Special Assistant	HO,CHI-YUAN				
	4	Director	HO,WEN-CHIN				
	5	Director	TSAL,CHIN-LUNG				
	6	Director	JUAN,WU-FU				
	7	Financial Manager	KU,HUI-YU				
	8	Accounting Manager	LIN,CHIN-YUAN				
	9	Deputy Manager of audit	CHEN,MING-LI				

Note 1: The proposed distribution amount of earnings in 2022 approved by the Board of Directors before the shareholders'

meeting has not been distributed as of April 9, 2023, and the cash bonus is estimated based on the actual distribution in 2022.

- (v) Analysis of the percentage of total remuneration paid to the Company’s Directors, President and Deputy President by the Company and all companies in the consolidated financial statements in the last two years in the net profit after tax, and explanation of the policies, standards and combinations of remuneration, procedures for stipulating remuneration, and the relevance to business performance and future risks:

Year	2021		2022	
Percentage of total remuneration of Director, President and Deputy President in net profit after tax	Standalone statement of the Company	Consolidated statement of the Company	Standalone statement of the Company	Consolidated statements of all the companies
	3.42%	3.42%	3.43%	3.43%

1. Explanation of the policies, standards and combinations of remuneration and the procedure of stipulating remuneration:

(1) For the remuneration of directors of the Company, the corresponding remuneration and remuneration distribution shall be determined based on the extent to which directors, Independent Directors and members of Functional Committee participate in the management of the Company’s affairs in accordance with the provisions of the Articles of Association. Remuneration shall be conducted in accordance with “Regulations on Remuneration and Remuneration Distribution of Directors and members of Functional Committee” of the Company.

(2) Remuneration paid to the President and Deputy President, mainly including salary, bonus, employees' compensation, etc., is conducted in accordance with “Bonus Management Measures” and “employees' compensation Distribution Measures” of the Company.

(3) According to the remuneration committee meeting on December 14, 2021, the remuneration allocation for employees and directors was revised on the basis of EPS, which was approved by the board of directors on December 28, 2021. The basis of allocation calculation is as follows:

EPS (NTD)	Less than NTD 2	2.0-4.0	4.0-6.0	6.0-8.0	More than NTD 8
Percentage of employees’ compensation in pre-tax benefits	3%	3%-6%	5%-8%	7%~10%	9%-12%
Percentage of director remuneration in pre-tax benefits	1.0%	1.0%-2.0%		1.5%-2.5%	

(4) The procedures for stipulating remuneration shall be made by referring to remuneration paid to similar positions at the same level and the Company's performance in the past. In addition, the payment standards, structures and system of the remuneration shall be reviewed and adjusted from time to time depending on the operating conditions and changes in relevant laws and regulations, and shall not guide managers to pursue the remuneration by engaging in activities that exceed the company's risks.

2. Relevance to business performance and future risks:

The allocation standard and operating performance of remuneration determined by the Board of Directors have been considered. In addition, the relevant evaluation and the reasonableness of remuneration have been reviewed by the Remuneration Committee and the Board of Directors, and the proposed recommendations have been submitted to the Board of Directors for discussion, so as to achieve a balance between the Company's sustainable operation and risk control.

#### IV. Corporate Governance Operation

##### (I) Information on the operation of the board of directors

(1) The Company held 6 (A) board meetings in 2022 with the attendance of directors as follows:

Title	Name	Actual attendance (B)	Number of meetings attended by proxy	Actual attendance (attendance without voting capacity) rate (%) 【B/A】	Remarks
Chairman	CHEN, HSUEH-SHEN	5	1	83.33%	Re-elected
Director	GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHEN, SHYUE-JER	6	0	100.00%	Re-elected
Director	KANG, CHENG-HSIUNG	2	0	100.00%	June 22, 2022 Dismissed at the end of the office term
Director	CHENG, CHIH-FA	5	1	83.33%	Re-elected
Director	JHANG, CHUN-RONG	6	0	100.00%	June 22, 2022 Transferred to be a general director at the end of the office term
Independent director	SUNG, YI-PO	2		100.00%	June 22, 2022 Dismissed at the end of the office term

Title	Name	Actual attendance (B)	Number of meetings attended by proxy	Actual attendance (attendance without voting capacity) rate (%) 【B/A】	Remarks
Independent director	CHIA, CHAO-YI	6	0	100.00%	Re-elected
Independent director	GONG, SHUANG-SYONG	4	0	100.00%	Elected on June 22, 2022
Independent director	LIN, KAI	4	0	100.00	Elected on June 22, 2022
<p>Other matters to be recorded:</p> <p>I. The date, term, proposal contents of the board meeting, the opinions of all independent directors, and the Company's handling the independent directors' opinions must be detailed in any of the following circumstances:</p> <p>(I) Matters stated in Article 14-3 of the Securities and Exchange Act: The Company has none of the aforementioned situations.</p> <p>(II) In addition to the aforementioned matters, other matters resolved by the Board of Directors with the dissent or reservation of the independent directors recorded or documented in writing: The Company has none of the aforementioned situations.</p> <p>II. The name, proposal contents, the reason for recusal, and the participation in voting of the director who has a conflict of interest in the proposal concerned must be detailed: Please refer to the important decisions of the board of directors.</p> <p>III. Listed companies shall disclose information, such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self-evaluation (or peer-evaluation), and fill in the attached table (2) Implementation status of board evaluation.</p> <p>IV. Goals of enhancing board functions (such as, establishing an Audit Committee, improving information transparency, etc.) and performance evaluation for the current year and the most recent year: Three independent directors were elected on June 22, 2022 with an Audit Committee formed to replace the supervisor's functions. Please refer to "p. 37-40 Operations of the Audit Committee" in this annual report.</p>					



(2) Implementation of board evaluation

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	January 1, 2022 to December 31, 2022	Board of Directors,  Individual board director  performance evaluation	Board of directors' self-evaluation  Board director's self-evaluation	<p>Board of directors' self-evaluation:</p> <ul style="list-style-type: none"> <li>I. Involvement in the Company's operations</li> <li>II. Improving the quality of board decision-making</li> <li>III. Board composition and structure</li> <li>IV. Election of board directors and their continuing education</li> <li>V. Internal control</li> </ul> <p>Board director's self-evaluation:</p> <ul style="list-style-type: none"> <li>I. Grasp of the Company's goals and missions</li> <li>II. Directors' responsibilities awareness</li> <li>III. Involvement in the Company's operations</li> <li>IV. Internal relationship management and communication</li> <li>V. Professionalism and continuing education of directors</li> <li>VI. Internal control</li> </ul> <p>Comprehensive comments</p> <p>The average actual attendance of the Company's board of directors in 2022 was 95.24%, and the attendance of directors at the shareholder meeting was 100.00%. The board directors have a clear understanding of the Company and the industry to which the Company belongs; also, they truthfully evaluate and supervise the Company's operations, exercise their expertise, and make contributions to the Company.</p>

(II) Operation of the Audit Committee and participation in the operation of the Board of Directors:

1. Operation of the Audit Committee:

The Company convened 5 (A) Audit Committee meetings in 2022 with the attendance of independent directors as follows:

Title	Name	Actual attendance (B)	Number of meetings attended by proxy	Actual attendance (attendance without voting capacity) rate (%) 【B/A】	Remarks
Independent director	SUNG, YI-PO	2	0	100.00%	Dismissed at the end of the office term on June 22, 2022
Independent director	JHANG, CHUN-RONG	2	0	100.00%	Transferred to be a general director at the end of the office term on June 22, 2022
Independent director	CHIA, CHAO-YI	5	0	100.00%	Re-elected
Independent director	GONG, SHUANG-SYONG	3	0	100.00%	Elected on June 22, 2022
Independent director	LIN, KAI	3	0	100.00%	Elected on June 22, 2022

Other matters to be recorded:

I. The date, term, proposal content, the resolution of the Audit Committee, and the Company's handling the Audit Committee members' opinions shall be stated in any of the following circumstances:

(I) Matters stated in Article 14-5 of the Securities and Exchange Act:

Meeting time	Proposal content and follow-up processing	Resolution	The Company's handling of the opinions of the Audit Committee
8.9.2022	<ol style="list-style-type: none"> <li>1. Approved the 2022Q2 consolidated financial statements.</li> <li>2. Approved the appointment of the certified public accountants for the 2022 financial report, the independence evaluation of the certified public accountants, and the auditing fees.</li> <li>3. Approved the cash capital decrease for an amount of US\$2.5 million planned by Shih-Bang Management Co., Ltd., the subsidiary.</li> </ol>	Approved by all members present	Proposed to and approved by all the attended board directors at the board meeting
11.8.2022	<ol style="list-style-type: none"> <li>1. Approved the 2022Q3 consolidated financial statements.</li> <li>2. Approved the proposed amendments to the 2022 budget report.</li> <li>3. Approved the Company's financial report preparation ability description and self-compiled financial report</li> </ol>	Approved by all members present	Proposed to and approved by all the attended board directors at the board meeting

	<p>improvement plan follow-up.</p> <p>4. Approved the amendments to the Company's financial statement preparation process management plan.</p> <p>5. Approved the amendments to the Company's accounting system.</p> <p>6. Approved the internal audit enforcement rules – Rules Governing the Preparation of Financial Reports and the amendments to the “Rules of Procedures for Board of Directors Meetings.”</p> <p>7. Approved the amendments to some articles of the Company's “Corporate Governance Best Practice Principles.”</p> <p>8. Approved the amendments to some articles of the Company's “Rules of Procedures for Board of Directors Meetings.”</p> <p>9. Approved the amendments to some articles of the Company's “Procedures for Handling Material Inside Information and Prevention of Insider Trading.”</p> <p>10. Approved the Company's plan to buy back the Company's shares.</p> <p>11. Approved the proposal of formulating the Company's “Regulations Governing the 2nd Share Repurchase &amp; Transfer to Employee” plan.</p> <p>12. Approved the additional capital expenditure proposal for the electromechanical, air-conditioning, and equipment of the V-II plant taking as a whole.</p>		
12.27.2022	<p>1. Approved the Company's 2023 financial budget plan.</p> <p>2. Approved the proposal of formulating the general principle for the Company's pre-approved un-confirmed service policy.</p> <p>3. Approved the proposal of formulating the 2023 audit plan.</p> <p>4. Approved the 2023 audit plan of Chang York Technologies Inc., the domestic subsidiary, and the 2023 audit plans of Shiping Technology (Shenzhen), Shiping Technology (Dongguan), Shiju, Shitian, and Shizheng, important overseas subsidiaries.</p> <p>5. Approved the amendments to the Internal Control - Computing cycle proposal.</p> <p>6. Approved the proposed amendments to the Company's “Regulations Governing the 2nd Share Repurchase &amp; Transfer to Employee.”</p>	Approved by all members present	Proposed to and approved by all the attended board directors at the board meeting

(II) Except for the aforementioned matters, other matters that have not been approved by the Audit Committee but by more than two-thirds of all board directors: The Company has none of the aforementioned situations.

II. The name, proposal contents, the reason for recusal, and the participating in voting of the independent director who has a conflict of interest in the proposal concerned must be detailed: The Company has none of the aforementioned situations.

III. The communication among independent directors, internal audit officer, and CPAs (should include the Company's major financial and accounting events, communication methods, communication results, etc.).

(1) The Company's audit officers have attended the Audit Committee meetings and reported on the audit business at the meetings with a good communication conducted with the independent directors.

(2) The Company's audit officers have submitted audit reports to independent directors for review regularly, and independent directors can directly ask the audit officers for further clarification on the contents of the reports.

(3) The Company's independent auditors explain the content of the new financial statements to the Audit Committee, and the independent directors, audit officers, and independent auditors are able to communicate fully face to face. Meeting summary is presented as follows:

Date	Communication focus
5.4.2022	Important securities regulation updates
8.9.2022	Important regulation update
11.8.2022	Important regulation update
3.14.2023	Important regulation update

(4) The Company's audit officers attend the meeting of the Audit Committee and the board of directors throughout the process, report the effectiveness of the internal control system and follow up on the improvement status every quarter, and communicate with the Audit Committee members and directors face to face comprehensively.

2. The Audit Committee evaluates the implementation status

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	January 1, 2022 to December 31, 2022	Audit Committee  Individual member performance evaluation	Audit Committee's self-evaluation  Audit Committee member's self-evaluation	Audit Committee's self-evaluation: I. Involvement in the Company's operations II. Improving the Audit Committee's decision-making quality III. Composition and structure of the Audit Committee IV. Election and appointment of the Audit Committee members and their continuing education V. Internal control Audit Committee member's self-evaluation: I. Grasp of the Company's goals and missions II. Directors' responsibilities awareness III. Involvement in the Company's operations IV. Internal relationship management and communication V. Professionalism and continuing education of directors VI. Internal control Comprehensive comments The attendance of the Company's Audit Committee members in 2022 was 100%. The Audit Committee members have a clear understanding of the Company and the industry to which the Company belongs; also, they truthfully evaluate and supervise the Company's operations, exercise their expertise, and make contributions to the Company.

(III) The operation of corporate governance and its differences from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons

Evaluation items	Operation status (Note)			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
I. Does the company formulate and disclose its Corporate Governance Best Practice Principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has formulated the “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to substantiate the responsibilities of business operators, protect the legitimate rights and interests of shareholders, and take into account the interests of other stakeholders. The Company’s website is designated with a corporate governance section for investors to inquire and download relevant corporate governance regulations.	No significant difference occurred
II. The company’s shareholding structure and shareholders’ equity	V		<p>(1) The Company, in addition to having the telephone number and mailbox of the spokesperson and acting spokesperson displayed on the Company’s website, has the contact information of the Company’s stock affairs agency “Taishin Securities Co., Ltd.” announced as well. Please feel free to contact the responsible person for any question you may have. There is a smooth communication channel available in service to protect the legitimate rights and interests of investors and stakeholders.</p> <p>(2) The Company regularly grasps the list of the major shareholders who actually control the Company and the list of ultimate controllers of the major shareholders according to the list of shareholders provided by the stock affairs agency on the book entry day of the Company, and the major shareholders report changes in their shareholdings to the Company on a monthly basis in accordance with the regulations. The list of the top ten shareholders is also published in the annual report every year.</p> <p>(3) The Company has established relevant measures, such as “Rules Governing Financial and Business Matters Between this Corporation and Its Affiliated Enterprises,” “internal control and supervision operations of subsidiaries,” “Procedures for the Acquisition and Disposal of Asset,” and “Procedures for Loaning of Funds and Making of Endorsements/Guarantees” to clearly divide the job and responsibilities of the Company and the related enterprises; also, construct appropriate firewalls based on risk evaluation, and strictly control risks.</p> <p>(4) The Company has the “Procedures for Handling Material Inside Information and Prevention of Insider Trading” formulated with the approval of the board of directors, which is disclosed on the</p>	No significant difference occurred
(I) Has the company established internal operating procedures for handling shareholders’ proposals, inquiries, disputes, and litigation matters, and then has them processed in accordance with the procedures?	V			No significant difference occurred
(II) Does the company have a list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders?	V			No significant difference occurred
(III) Does the company establish and implement risk control and firewall mechanisms with affiliated companies?	V			No significant difference occurred
(IV) Does the company have internal regulations formulated to prohibit insiders from using undisclosed information to buy and sell securities?	V			

Evaluation items	Operation status (Note)			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summary description	
			Company’s website.According to the “Procedures for Handling Material Inside Information and Prevention of Insider Trading,” the Company’s personnel are prohibited from buying and selling securities on market by taking advantage of unpublished information.In addition, directors, independent directors, managerial officers, and employees may not disclose important internal information to others; also, they may not inquire or collect unpublished company information that is irrelevant to their personal duties from those who know the Company’s internal material information. Those who have learned about the undisclosed internal material information of the Company that is irrelevant to their personal duties may not leak it to others in order to protect investors and the rights and interests of the Company.	
III. Composition and responsibilities of the Board of Directors				
(I) Does the board of directors formulate diversity policies, specific management objectives, and have them implemented?	V		(I) For the composition of the board of directors, the Company values the importance of diversification policy of the board of directors from various aspects, and measures the professional background, academic (experience) achievements, integrity, or relevant professional qualifications. Currently, all directors and independent directors of the Company have comprehensive and abundant education and experience and diverse composition that help drive the Company to exercise the functions of business decision-making and supervision in order to achieve the goal of corporate governance.There are three independent directors among the seven directors elected for the current office term. The directors come from different professional backgrounds or work fields. Therefore, they have the knowledge, skills, and attainments needed for job performance. They are able to provide professional suggestions and opinions in different aspects based on their diversified industry experience, which is beneficial to the Company’s business plan and policy formulation. The board of directors formulates a diversified policy on the composition of board directors and discloses it on the Company’s website.	No significant difference occurred
(II) Is the company willing to set up other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(II) The Company has set up the Remuneration Committee and Audit Committee lawfully to improve the decision-making function and to enhance the management mechanism. The Company will have other functional committees formulated in the future according to the laws and regulations or practical needs.	No significant difference occurred
(III) Does the company formulate the “Regulations Governing Self-Evaluation or Peer Evaluation of the Board of Directors” and the evaluation methods, conduct a performance evaluation annually and regularly, report the performance evaluation results to the board of directors, and apply it as a reference for determining the director’s remuneration and nomination of directors for another term?	V		(III) The Company has the “Rules for Performance Evaluation of Board of Directors and Functional Committee” formulated to evaluate the performance of the board of directors regularly every year. The grasp of the Company’s goals and missions, the directors’	No significant difference occurred
(IV) Does the company regularly evaluate the independence of the independent auditors?	V			

Evaluation items	Operation status (Note)			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
			<p>responsibility awareness, the degree of participation in the Company’s operations, internal relationships management and communication, professional and continuing education of directors, internal control, and other aspects are evaluated at the end of the year with questionnaire distributed for self-evaluation; also, the evaluation results will be reported to the board of directors and functional committees.</p> <p>(IV) The Company before appointing the independent auditors by the resolution of the board of directors every year should first examine their independence, checks whether there are a director, shareholder, or an employee of the Company; also, confirm that they are not a stakeholder. In addition, the independent auditors who have a direct or indirect interest in the commissioned assignment must have themselves recused, the rotation of the independent auditors must be handled in accordance with relevant regulations.</p> <p>(IV) The Company’s Board of Directors assesses the independence and competence of CPAs regularly every year. The assessment mainly involves confirming that the CPAs have no kinship with the Company’s senior managers and have no loan relationship or non-audit fee monetary dealings with the Company. The Company has used audit quality indicators (AQIs) as a reference and obtained the Declaration of Independence issued by the CPAs. The assessment results for the most recent two years were approved by the Audit Committee on 2022/8/9 and 2023/3/14 and then reported to the Board of Directors for approval. Please refer to Note 3 for the result of the assessment of the independence of CPAs in 2022.</p>	
IV. Does the TWSE/TPEX listed company have sufficient number of competent and appropriate corporate governance personnel and a corporate governance supervisor appointed to be responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with the information necessary for business operation, assisting directors and supervisors in complying with law and regulations, handling matters related to the board meetings and shareholders meetings lawfully, preparing the minutes of board meeting and shareholders meetings, etc.)?	V		The Company has not yet had a corporate governance officer appointed, but will handle the relevant affair lawfully in the future. The Finance Department is responsible for the corporate governance-related affairs currently. The said governance-related affairs include providing the information required by directors for job performance, maintaining the Company’s articles of incorporation and important regulations, assisting directors to comply with laws and regulations, arranging directors’ advanced study, and handling company registration; also, handling matters related to the board meetings and shareholders meeting lawfully, maintaining the full disclosure of information, protecting the rights and interests of shareholders and stakeholders, and appointing the Administration Officer to be responsible for supervision.	No significant difference occurred
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a page specially for	V		(1) The Company has a “suggestion box” setup internally to communicate with employees, and has a spokesperson system and the investor (stakeholder) section on the website, and a contact	No significant difference occurred



Evaluation items	Operation status (Note)			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summary description	
stakeholders on the company’s website, and appropriately responded to the important corporate social responsibility issues of concern to stakeholders?			<p>mailbox externally. The Company has maintained smooth communication channels to communicate with banks and other creditors, employees, consumers, suppliers, and the interest parties of the communities or the Company; also, respects and safeguards their legitimate rights and interests.</p> <p>(2) Stakeholders may obtain the Company’s operating information in real time through the Market Observation Post System and the Company’s website.</p> <p>(3) The Company has a spokesperson and an acting spokesperson in service as a communication channel with the stakeholders.</p>	
VI. Does the company contract a professional stock affairs agency to handle the affairs of the shareholders meeting?	V		The Company has entrusted a professional stock affairs agency, Stock Affairs Department of Taishin Securities Co., Ltd., to handle matters related to the shareholders meeting.	No significant difference occurred
VII. Information Disclosure (I) Does the company set up a website to disclose financial business and corporate governance information?	V		<p>(1) The Company declares, reports, and discloses financial business and corporate governance-related information in the “Market Observation Post System” regularly, and sets up an “investor section” on the Company’s website to fully disclose financial and business information, including revenue statistics, financial statements, corporate governance, etc., and has it linked to the “Market Observation Post System” for the reference of shareholders and the general public.</p> <p>(2) The Company has set up a public website, and designated a person to be responsible for the collection and disclosure of company information, and has the spokesperson system implemented lawfully. The relevant information of the shareholders meeting or the investor conference is updated on the Company’s website in real time for investors’ reference.</p> <p>(3) The Company announces and reports the annual financial statements within three months after the end of the fiscal year, and announces and reports the financial statements for the first, second, and third quarters and the operating conditions of each month before the specified deadline in order to facilitate investors to obtain sufficient and correct information in a timely manner.</p>	No significant difference occurred
(II) Does the company adopt other information disclosure methods (Such as setting up an English website, appointing a person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing the investor conference on the website, etc.)?	V			No significant difference occurred
(III) Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second, and third quarters and the operating conditions of each month before the specified deadline?		V		No significant difference occurred
VIII. Does the company have other important information that is helpful to understand the operation of corporate governance (including but not limited to employee interests, employee care, investor relations, supplier relations, stakeholders’ rights, continuing education of directors and supervisor, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the company’s purchase of liability insurance for	V		(1) Employee rights and employee care: In addition to general benefits, such as health and labor insurance, group insurance, and pension payments, the Company also provides the following welfares to the employees, such as: annual bonuses, employee remuneration, regular employee health checkups every year, and a communication channel established between labor and management, a harmonious working environment created for the benefit of the employees, and complete benefits in work and life provided for the enjoyment of the	No significant difference occurred

Evaluation items	Operation status (Note)			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summary description	
directors and supervisors, etc.)?			<p>employees.</p> <p>(2) Investor relations: The Company has established a complete announcement system to provide a complete communication channel with investors, and regularly uploads the Company’s complete financial and business information to the Market Observation Post System for the reference of the investors.</p> <p>(3) Supplier relationship: The Company has relevant procurement contracts signed with all suppliers, maintains a good communication and relationship with them, and visits suppliers regularly to understand and improve product quality.</p> <p>(4) Stakeholders’ rights: The Company has set up a contact mailbox (juliaku@sht.com.tw) on the website to serve the stakeholders so they can raise questions and respond directly. A smooth communication channel is in place to protect the legitimate rights and interests of the investors and stakeholders.</p> <p>(5) The continuing education of directors: The Company’s directors and independent directors have professional background and relevant practical experience in business operation and management. In addition to the relevant director courses arranged lawfully, please refer to the “advanced study of directors and supervisors in 2022” in the annual report for details.</p> <p>(6) The implementation of risk management policies and risk measurement standards: The Company has formulated internal control systems, accounting systems, etc., conducted various risk management and assessments, and regularly and occasionally checked the implementation of the internal control system through the supervision and “checks and balances” of the board of directors, Audit Committee, and internal audit units.</p> <p>(7) Implementation of customer policy: The Company maintains a stable and good relationship with customers to generate profits by adhering to the principle and spirit of providing the best service to customers.</p> <p>(8) The Company’s purchase of liability insurance for directors and key employees: The Company has purchased liability insurance for directors and managerial officers to enhance the protection of shareholders’ rights and interests.</p>	
IX. Please explain the corrective action performed for the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and propose prioritized enhancements and measures for those that have not yet been corrected.(Companies not included in the evaluation do not need to fill in)	V		The Company has based on the “Corporate Governance Best Practice Principles” to carry out relevant matters and measures continuously in accordance with the results of the corporate governance evaluation, continued to protect shareholders’ rights and interests and implement the spirit of corporate governance, observed the policies of the competent authority and the latest corporate governance index issued by Taiwan Stock Exchange; also, adjusted the corporate governance structure in a	No significant difference occurred

Evaluation items	Operation status (Note)			Difference from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
			timely manner in order to maintain good performance of corporate governance and promote sustainable development of the enterprise. The Company has cooperated with the competent authority to handle the corporate governance self-evaluation report, and the competent authority has notified the corporate governance self-revaluation results. The Company intends to cooperate with the competent authority continuously in the future to promote and improve the corporate governance evaluation in order to enhance corporate governance.	

Note 1: Regardless of whether “Yes” or “No” box is ticked for the operation status, an explanation should be detailed in the “summary description” column.

Note 2: The “corporate governance self-evaluation report” refers to a report based on the corporate governance self-evaluation item, which is self-evaluated by the company with the current company operation and implementation status detailed.

Note 3: Evaluation form of Certified Public Accountants

Serial No.	Independence evaluation items	Yes	No
1	Not a employee of the Company or its affiliated enterprises	V	
2	Not a director and Supervisor of the Company or its affiliated enterprises (except for Independent Director of the Company or its parent company, or subsidiaries whose more than 50% of the voting shares are held by the Company)	V	
3	Not a natural person shareholder who and whose spouse, minor children hold, or hold in others' name, 1% or more of the total number of shares issued by the Company or the shares (the number of shares takes top ten).	V	
4	Not the spouse, relative in the second-degree relationship or the lineal relative by blood in the three-degree relationship of the personnel listed in above three paragraphs.	V	
5	Not a director, Supervisor, or employee of the corporate shareholder which directly holds more than 5% of the total shares issued by the Company, or not a director, Supervisor, or employee of the corporate shareholder which holds shares (the number of shares takes top five).	V	
6	Not a director, Supervisor, manager or shareholder holding more than 5% of the shares of specific companies or institutions that have financial or business dealings with the Company.	V	
7	No spouse relation or family relation in the second-degree relationship with other directors.	V	
8	None of the circumstances specified in Article 30 of the Company Act.	V	
9	Not elected on behalf of government, corporate entity or its representative in accordance with Article 27 of the Company Act.	V	
10	No the situation that financial statements in the same industry are certified, affecting independence.	V	
11	No the situation that laws and regulations related to accounting and auditing are violated, affecting independence.	V	
12	Other effective reference information: Statement of Detached Independence of the Certified Public Accountant.	V	

Note 4: Directors' advanced study in 2022

Title	Name	Course Title	Course hours	Date
Chairman	CHEN, HSUEH-SHEN	International Twin-Peak Online Forum	2 hrs.	05.12.2022
		Sustainable Development Roadmap Industry Theme Conference - Steel Industry Theme Conference	2 hrs.	07.07.2022
		Online Symposium on Corporate Governance of Directors and Supervisors of Listed Companies in the Second Half of 2022	3 hrs.	10.25.2022
Corporate Director	CHEN, SHYUE-JER	International Twin-Peak Online Forum	2 hrs.	05.12.2022
		Sustainable Development Roadmap Industry Theme Conference - Steel Industry Theme Conference	2 hrs.	07.07.2022
		Online Symposium on Corporate Governance of Directors and Supervisors of Listed Companies in the Second Half of 2022	3 hrs.	10.25.2022
Director	CHENG, CHIH-FA	Advanced Seminar on the Practice of Directors, Supervisors (Including Independent Directors) and Chief Corporate Governance Officers [Competitiveness vs. Viability, ESG Trends and Strategies]	3 hrs	05.10.2022
		Three Major Principles of Ethical Management, Corporate Governance and Corporate Social Responsibility and Relevant Case Studies	3 hrs	09.28.2022
Director	JHANG, CHUN-RONG	Discussion of Independent Directors and the 2022 Shareholders Meeting from an International Perspective	1 hrs.	03.10.2022
		International Twin-Peak Online Forum	2 hrs.	05.12.2022
		Sustainable Development Roadmap Industry Theme Conference - Steel Industry Theme Conference	2 hrs.	07.13.2022
Independent director	CHIA, CHAO-YI	Online Symposium on Corporate Governance of Directors and Supervisors of Listed Companies in the Second Half of 2022	3 hrs.	10.25.2022
		Discussion of Independent Directors and the 2022 Shareholders Meeting from an International Perspective	1 hrs.	03.10.2022
		International Twin-Peak Online Forum	2 hrs.	05.12.2022
Independent director	GONG, SHUANG-SYONG	Sustainable Development Roadmap Industry Theme Conference - Steel Industry Theme Conference	2 hrs.	07.13.2022
		TPEX and Emerging company insider equity briefing	2 hrs.	07.13.2022
		The 2022 TPEX companies - Release of Guidelines for the exercise of powers by independent directors and Audit Committees and Directors and Supervisors Conference	3 hrs.	10.11.2022
Independent director	GONG, SHUANG-SYONG	The 2022 TPEX companies - Release of Guidelines for the exercise of powers by independent directors and Audit Committees and Directors and Supervisors Conference	3 hrs.	10.11.2022
		Enterprise merger and acquisition practice and case analysis	3 hrs.	11.04.2022
		Management right contest and prevention strategy analysis	3 hrs.	11.15.2022
		Sustainable Development Roadmap Industry Theme Conference - Steel Industry Theme Conference	2 hrs.	07.07.2022
Independent director	LIN, KAI	TPEX and Emerging company insider equity briefing	3 hrs.	08.25.2022
		The 2022 TPEX companies - Release of Guidelines for the exercise of powers by independent directors and Audit Committees and Directors and Supervisors Conference	3 hrs.	10.11.2022
		Online Symposium on Corporate Governance of Directors and Supervisors of Listed Companies in the Second Half of 2022	3 hrs.	10.25.2022
		Online Symposium on Corporate Governance of Directors and Supervisors of Listed Companies in the Second Half of 2022	3 hrs.	10.25.2022

(iv) If the Company has established the Compensation Committee, it shall disclose the composition, duties and operation of the Committee:

(1) Information on members of the Compensation Committee

Conditions Name	Professional qualification and experience	Independence	The number of public offering companies which he/she concurrently works for as an Independent Director
SUNG, YI-PO Independent director (Note 1)	With more than five years of working experience required by the business of the Company, he graduated from Norwegian School of Management in Norway with Master Degree. At present, he is the Deputy President of FREE-FREE INDUSTRIAL CORP. and does not have one of the circumstances specified in Article 30 of the Company Act.	(1) Not an employee of the Company or its related enterprises. (2) Not a director, Supervisor of the Company or its related. (3) Not a natural person shareholder who and whose spouse, minor children hold, or hold in others' name, 1% or more of the total number of shares issued by the Company or the shares (the number of shares takes top ten). (4) Not a spouse, relative in the second-degree relationship or the lineal relative by blood in the three-degree relationship of the manager listed in (1) or the personnel listed in (2) and (3).	None
JHANG, CHUN-RONG Independent director (Note 2)	With more than five years of working experience required by the business of the Company, and Master Degree of Institute of Chemistry, Tsinghua University, he currently serves as the President of Crosline Chemical Industries Ltd., and does not have one of the circumstances specified in Article 30 of the Company Act.	(5) Not a director, Supervisor or employee of corporate shareholders who directly holds more than 5% of the total shares issued by the Company, holds the shares (the number of shares takes the top 5), or appoints the representative as a director or Supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, Supervisor or employee of other companies whose director number or more than half of the voting shares and are controlled by the same person as that of the Company.	None
CHIA, CHAO-YI Independent director (Note 3)	With more than five years of working experience required by the business of the Company, and Doctor Degree of Reliability Engineering, University of Maryland, USA, he does not have one of the circumstances specified in Article 30 of the Company Act.	(7) Not a director, Supervisor or employee of other companies or institutions whose director, Supervisor or employee is each other the same person or spouse as the Chairman, President or the person equivalent in position of the Company. (8) No spouse relation or family relation in the second-degree relationship with other directors.	None
GONG, SHUANG-SYONG Independent director (Note 3)	With more than five years of working experience required by the business of the Company, he has ever served as a Certified Public Accountant of Deloitte & Touche, and does not have one of the circumstances specified in Article 30 of the Company Act.		1
LIN, KAI Independent director (Note 3)	With more than five years of working experience required by the business of the Company, he currently serves as Chief Lawyer of Haw Yeu Attorneys-at-Law, and does not have one of the circumstances specified in Article 30 of the Company Act.		1

Note 1: On June 22, 2022, the Company overall re-elected new directors, and SUNG, YI-PO, the Independent Directors, were relieved at the end of their terms of office on June 22, 2022.

Note 2: On June 22, 2022, the Company overall reelected new directors. JHANG, CHUN-RONG's term of office as Independent Director expired, and he was transferred to General Director.

Note 3: On June 22, 2022, the Company overall re-elected new directors, and the Audit Committee was composed of three new Independent Directors to replace the supervisor system. CHIA, CHAO-YI, GONG, SHUANG-SYONG and LIN, KAI were elected as Independent Directors from June 22, 2022 to June 21, 2025.

(2) Implementation of the evaluation of the Remuneration Committee

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	January 1, 2022 to December 31, 2022	Performance evaluation of the Remuneration Committee and individual Remuneration Committee members	Self-evaluation of the Remuneration Committee and its members	<p>Self-evaluation of the Remuneration Committee:</p> <p>I. Involvement in the Company's operations</p> <p>II. Improvement of the quality of decision-making of the Remuneration Committee</p> <p>III. Composition and structure of the Remuneration Committee</p> <p>IV. Appointment and continuing education of Remuneration Committee members</p> <p>V. Internal control</p> <p>Comprehensive comments</p> <p>The average attendance of the Company's Remuneration Committee in 2022 was 100.00%. The members of the Remuneration Committee had a clear understanding of the Company and the industry the Company belongs to, and they gave full play to their abilities and made positive contributions to the Company's performance in evaluating and supervising the operations of the Company.</p>



(3) Information on the operation of the Remuneration Committee

I. There are three Remuneration Committee members of the Company in service.

II. The office term of the incumbent committee members: From June 22, 2022 to June 21, 2025. The Company had held 2 (A) Remuneration Committee meetings in 2022 with the qualifications and attendance of the members as follows:

Title	Name	Actual attendance (B)	Number of meetings attended by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	SUNG, YI-PO	1	0	100.00%	Dismissed after the office term ended on June 22, 2022
Member	JHANG, CHUN-RONG	1	0	100.00%	Redesignated as a general director after the office term ended on June 22, 2022.
Convener	GONG, SHUANG-SYONG	1	0	100.00%	Newly elected (elected on June 22, 2022)
Member	CHIA, CHAO-YI	2	0	100.00%	Former (elected on June 22, 2022)
Member	LIN, KAI	1	0	100.00%	Newly elected (elected on June 22, 2022)
Other matters to be recorded:					
I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, describe the date, term, proposal contents, resolutions of the Board of Directors, and The Company's handling of the opinions of the Remuneration Committee (for example, when the remuneration approved by the Board of Directors is superior to the recommendations of the Remuneration Committee, the differences and reasons should be detailed):					
Meeting time	Proposal content and follow-up processing			Resolution	The Company's handling of the opinions of the Remuneration Committee
3.8.2022	1. Approved the 2022 bonus proposal. 2. Approved the 2021 remuneration to director and employee proposal. 3. Approved the proposed amendments to some articles of the Company's "Rules Governing the Distribution of Remuneration and Salary to Directors and Functional Committee Members."			Approved by all members present	Proposed to and approved by all the attended board directors at the board meeting
12.15.2022	1. Approved the appropriation of employee remuneration and director remuneration in 2022. 2. Approved the proposal of the 2022 bonus distribution standard for the Company's managerial officers. 3. Approved the 2023 salary adjustment budget plan. 4. Approved the proposal for the appropriation ratio of the directors' remuneration to net income before tax. 5. Approved the proposal for the budget appropriation of the 2023 employee remuneration and director			Approved by all members present	Proposed to and approved by all the attended board directors at the board meeting

	remuneration.		
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II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the date, term, proposal content, the opinions of all members, and the handling of the said opinions by the Remuneration Committee shall be stated: None

Note:

(1) If a member of the Remuneration Committee resigns before the end of the fiscal year, the relevant resignation date should be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual attendance during the period of employment.

(2) If there is re-election of the Remuneration Committee members held before the end of the fiscal year, the newly elected and former Remuneration Committee members should be listed with their status indicated in the remarks column as the former, newly elected, or re-elected, and the respective re-election date. The actual attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual attendance during the period of employment.

(V) The promotion and operation of the sustainable development and its differences from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
I. Has the company established a governance structure to promote sustainable development, set up a dedicated (part-time) unit to promote sustainable development, and has the senior management authorized by the board of directors to handle it under the supervision of the board of directors?	V		Set up the general manager’s office as the full-time (part-time) unit responsible for proposing and implementing sustainable development polices, systems, or relevant management guidelines and specific promotion plans, and regularly report to the board of directors.	No significant difference occurred
II. Does the company, according to the materiality principle, conduct risk evaluation towards environmental, social, and corporate governance issues related to company operations, and enact relevant risk management policies and strategies?	V		(I) Environmental protection: The Company understands the importance of environmental sustainability deeply, implements energy-saving and carbon-reduction policies actively, adopts energy-saving lamps, promotes measures to employees, such as saving water and electricity consumption, enhance employees’ awareness of environmental protection, and improves the utilization efficiency of resources.  (II) Labor-management responsibilities: The Company regularly evaluates operating costs, profitability, price index, internal and external salary fairness and performance management, etc., and formulates a reasonable salary and remuneration policy based on the consideration of social responsibility. The	No significant difference occurred

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
			<p>Company will propagate the code of ethical conduct and business ethics related norms to all employees in a timely manner. The employee who has violated the rules will be reported and punished according to the severity of the offense, which will be linked with the performance evaluation system.</p> <p>(III) Information security: The Company has formulated trade secrets act and work rules, and computerized information system processing regulations and relevant internal operating regulations to reduce unknown information security threats and risks due to the use of information technology and environmental changes. The Company values the importance of information security confidential information protection, the construction of firewalls, information security equipment, anti-virus software, and other information security related protection measures in order to avoid external attacks, such as malicious hackers, computer viruses, extortion emails, etc., which affects the stable operation of the Company’s operating system.</p>	

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
			The system disaster recovery plan management process is to have the information system quickly and effectively restored after its sever damage for any reason. The complete disaster prevention and recovery solution is aimed to reduce the probability of disaster occurrence and quickly recover after the disaster in order to prevent valuable data from being exposed to danger.	
<p>III. Environmental issues</p> <p>(I) Has the company established an appropriate environmental management system based on the characteristics of its industry?</p>	V		(I) The Company has environmental protection and occupational safety-related quality certification systems including ISO14001 (acquired on 2020/02/26; effective until 2023/02/25) and ISO45001 (acquired on 2020/05/06; effective until 2023/05/05). The Company has also commissioned qualified transportation and disposal suppliers to dispose of the Company's waste, effectively promoted the recycling of waste resources, implemented green supply chain management, improved energy efficiency, and reduced environmental damage from operations. We have our own wastewater treatment facilities to properly treat	No significant difference occurred

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(II) Is the company committed to enhancing energy efficiency and using renewable materials with low impact on the environment?	V		<p>production wastewater to make it meet the discharge water standards and prevent it from causing impacts on surface water bodies.</p> <p>(II) To fully utilize resources, the Company promotes and executes activities such as the use of an electronic form system, the sorting of recyclable waste, recycling, and the reduction of waste. We implement the use of recycled paper and the recycling of production solutions and enhance the efficiency of resources by ensuring the thorough implementation of recycling and reuse and promoting garbage sorting and the recycling of usable resources to reduce the pollution burden on the environment. For effective energy saving, the Company is dedicated to improving the efficiency of water resources and energy by introducing a water recycling system in the production process and replacing existing equipment with inverter models.</p> <p>(III) The Company's production plants are located far from fault zones, areas susceptible to liquefaction, and flooded areas to minimize the potential risks of climate change. For the</p>	No significant difference occurred
(III) Has the company assessed the potential risks and opportunities posed by climate change to the enterprise at	V			No significant difference occurred



Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
emissions, water consumption, and total weight of waste of the last two years, and formulated policies for greenhouse gas reduction, water consumption reduction, or other waste management policies?	V		law, and sets and implements annual energy saving and carbon reduction targets for the management system, such as water saving, electricity saving, and waste reduction. In the future, we will continue to plan and introduce water footprint, carbon inventory and statistics, and greenhouse gas reduction operations, and set reduction goals and strategies to fulfill social responsibilities and reduce the impact of operations on the environment .	
IV. Social issues (I) Does the company formulate relevant management policies and procedures in accordance with relevant laws and regulations and International Bill of Human Rights?	V		(1) The Company complies with relevant laws and regulations and International Bill of Human Rights, continues to observe social and human rights related issues, checks whether the Company’s operating regulations have the legitimate rights and interests of employees protected, establishes working rules for employees, and clearly stipulates labor laws and regulations, which will be amended by the responsible personnel in a timely manner. All employees are able to obtain real-time information	No significant difference occurred



Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(II) Does the company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect business performance or results in employee remuneration?	V		<p>through the Company’s internal information network with their rights and interests protected. Employee suggestions and complaint channels are provided, and labor-management meetings are held regularly to enhance labor-management cooperation.</p> <p>(2) The Company has stipulated employee welfare measures clearly. In addition to statutory and standardized benefits (such as labor and health insurance, pension allocation, etc.), group insurance, children’s education grants, marriage and maternity allowances, and comprehensive and diverse employee benefits are provided to take care of colleagues and their family. The employee salaries and remuneration policies are determined by taking into account the personal ability, contribution to the company, performance, competitiveness, and the Company’s future operating risks. According to the provision of Article 18 of the Company’s Articles of Incorporation, if there is operating profit resulted at the end of the fiscal year, an</p>	No significant difference occurred

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
			<p>amount not less than 3% of the operating profit should be appropriated as employee remuneration. It is a decision of the board of directors whether to have stock shares or cash distributed; also, the employees of subsidiaries who have met certain conditions are entitled to the said distribution of employee remuneration. The Company’s board of directors may resolve to have an amount not more than 3% of the operating profit appropriated as director remuneration. Employees are encouraged to work with the Company to innovate business performance and in return they will be rewarded with the business achievement. Department heads will take the initiative to care for employees. Employees who have any questions may report to their supervisors or the personnel department at any time with a prompt reply expected.</p> <p>(3) The Company has safety and health operations, emergency response control procedures and other disaster prevention, rescue precautions, and accident and</p>	

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(III) Does the company provide employees with a safe and healthy working environment, and arrange safety and health education for employees regularly?	V		<p>occupational disaster reporting procedures formulated for all the compliance of employees in promoting safety and health measures in order to achieve risk prevention and provide safe and friendly work environment continuously; in addition, provides education and training on personal safety and work hazards before work in employee orientation, arranges regular health checks for employees, and hires professional doctors to provide physical and mental health consultations based on employees’ conditions. The Company has qualified the certification of ISO145001 management system, conducted health and safety risk evaluation for each business operation, identified possible risks, and added with audits to control risks in a timely manner and achieve the objective of continuous improvement.</p> <p>(4) All departments of the Company have participated in external training to enhance their professional functions in accordance with their job responsibilities, and provided</p>	No significant difference occurred

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(IV) Has the company established an effective career development training program for employees?	V		<p>comprehensive and diversified resources to assist colleagues in improving and enriching their knowledge continuously. The Company aims to construct a comprehensive and diversified career development channel continuously. Employees orientation: To help employees understand the Company’s policies and human rights and ethics norm. Compulsory training and on-job training: Professional trainings for relevant systems and training required for specific positions, which is for the ability or knowledge needed for specific occupations.</p> <p>(5) Ensure the quality of products and services in accordance with government regulations and industry-related norms. The Company values the importance of customer opinions. In addition to personal visits, the product contact windows and email are made available on the Company’s website to provide communication channels for customers to ask questions, complain, or make suggestions. The Company bases on the principle of good faith and follows</p>	No significant difference occurred
(V) Does the company follow relevant laws and regulations, and international standards, and formulate relevant policies and complaint procedures for the protection of	V			No significant difference occurred

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
<p>consumers’ or customers’ rights and interests regarding issues related to customer health and safety, customer privacy, marketing, and labelling of products and services?</p> <p>(VI) Has the company formulated a supplier management policy, and required suppliers to follow relevant codes on issues related to environmental protection, occupational safety and health, or labor rights, and their</p>	V		<p>relevant laws and international standards to handle product and service marketing, labeling, and customer privacy; also, the Company strictly prohibits deception, misleading, fraud, or any other behavior that undermines customer trust and infringes customer rights. The Company strictly complies with the Privacy Agreement, Personal Data Protection Act, and other relevant laws and regulations to protect the privacy, rights, and interests of customers.</p> <p>(6) The Company bases on the procurement contract signed with the suppliers to demand the suppliers and their products to strictly comply with relevant laws and regulations, including the stipulation of the suppliers’ environmental and social responsibilities. When the main suppliers violate their corporate social responsibility policy that are severely detrimental to the environment and society, the contract may be terminated or rescinded at any time. The Company will have the overall conditions of the suppliers and their public information evaluated before</p>	No significant difference occurred

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
implementation?			<p>initiating the transaction for the first time. The suppliers who have quality certification shall submit their quality certification data for future reference. The Company also regularly evaluates its suppliers in different categories and their self-evaluation. The suppliers who have failed the evaluation will be notified to make improvement; also, they should apply for re-evaluation upon the completion of improvement, and shall be disqualified and replaced by other suppliers if they failed the re-evaluation.</p>	

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
V. Does the company refer to the internationally accepted reporting standards or guidelines to prepare the sustainability reports that disclose non-financial information of the company? Has the aforementioned report received a confirmation or guarantee opinion from a third-party verification unit?		V	The Company has not yet had a report prepared, but will have it prepared in a timely manner in the future taking into account the international trends and market changes.	No significant difference occurred
<p>VI. If a company has its own “Sustainable Development Best Practice Principles” formulated in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the operation and its difference from the “Sustainable Development Best Practice Principles” formulated:</p> <p>The Company has formulated the “Sustainable Development Best Practice Principles” in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” which has been implemented successively with the Company’s current operation and laws and regulations considered and without any major difference identified.</p>				
<p>VII. Other important information that is helpful for understanding the promotion and operation of sustainable development:</p> <p>(I) Environmental protection</p> <p>The Company for the sake of fulfilling the social responsibility of protecting the environment does not discharge the sewage to the sewage treatment center in the industrial park for centralized treatment until it has been treated collectively and met the standard. The exhaust generated during the production process will not be released until it is treated with the exhaust anti-pollution equipment and met the standards stipulated by relevant laws and regulations.</p> <p>In addition, the Company promotes resource recycling and reuse policies to reduce waste and minimize its impact on the environment. The Company also uses energy-saving lighting equipment to reduce power consumption, to help reserve the global environment, and achieve sustainable business operations, sustainable environmental development, and a win-win situation of economic development and environmental protection.</p> <p>The Company also educates employees on environmental management and awareness, actively complying with harmful substances and environmental protection laws and regulations, and pollution prevention agreements; also, helps them enhance the concept of prevention, energy-saving, and resource recycling to reduce industrial waste and pollution.</p> <p>(II) Donations to socially disadvantaged groups and community involvement</p> <p>The Company has always spared no effort in sponsoring and making donation to socially disadvantaged groups, and responded to the government’s call for support to society aids and charity during the post-pandemic revitalization period. In addition, the Company actively participates in making donations to the community, such as donations to the Hsinchu Industrial Party Volunteer Fire Brigade and Hsing Tian Kong (Temple).</p>				

Promotion items	Implementation status (Note 1)			Difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
The Company bases on the spirit of “feedback to the society” will continue to participate in social charity activities and sponsorship activities for socially disadvantaged groups in the future.				

(VI) The operation of ethical corporate management and its differences from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:

Evaluation items	Operation status (Note)			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
I. Formulate ethical corporate management policies and plans (I) Does the company formulate an ethical corporate management policy approved by the Board of Directors, and clearly express the policy and practice of ethical corporate management in the Company’s Articles of Incorporation and external documents; also, the commitment of the Board of Directors and management to actively substantiate the ethical corporate management policy?	V		(I) The Company has formulated the “Procedures for Ethical Management and Guidelines for Conduct” to clearly state the ethical corporate management policy, including valuing the importance of ethics while dealing with customers externally, demanding employees to be self-disciplined internally, complying with the Company’s internal norms, and integrating its spirit into the Company’s internal control system in order to have it implemented and disclosed on the Company’s website. The board of directors and management have their powers exercised prudently during implementation.	No significant difference occurred
(II) Has the company established an evaluation mechanism for the risk of unethical conduct, regularly analyzed and evaluated the business activities with high risk of unethical conduct within the business scope with a plan for preventing unethical conduct formulated accordingly, which at least covering the matters stated in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	V		(II) It is clearly stated in the Company’s internal control system and the “Procedures for Ethical Management and Guidelines for Conduct” that the Company, directors, employees, and actual controllers while implementing the business operation shall not directly or indirectly provide, promise, demand, or accept any form of improper benefits, including kickbacks, commissions, facilitating payments, or providing or receiving improper benefits to/from customers, agents, contractors, suppliers, or other stakeholders through other means, in order to prevent an unethical conduct.	No significant difference occurred



Evaluation items	Operation status (Note)			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(III) Has the company clearly defined operating procedures, guidelines for conduct, punishment and appealing systems in the unethical conduct prevention plan, implemented them, and regularly reviewed and revised the said plan?	V		(III) It is clearly stated in the Company’s “Procedures for Ethical Management and Guidelines for Conduct” that employees shall not abuse their powers to benefit themselves or others, and shall not accept entertainment, gifts, kickbacks, or other illegal benefits because of their performing duties or violating their duties, otherwise, the offender will be punished and/or dismissed. The Company’s business operation is based on the business philosophy of “ethical conduct.”	No significant difference occurred
II. Implementation of ethical corporate management (I) Does the company evaluate the ethical conduct record of the counterparties and specify the ethical conduct terms in the contracts signed with counterparties?	V		(I) The Company evaluates external business activities in advance and carries them out in a fair and transparent manner. The basic information of the counterparty will be obtained to confirm its authenticity for the transactions and procurements in discussion. Furthermore, the information on the previous transactions conducted will be inquired to confirm the commercial integrity of the counterparty. The said counterparty will be requested not to provide illegal business practices in order to prevent carrying out transactions with those who have a record of misconduct. The terms of the contract signed are reviewed by the legal personnel. The rights and obligations of both parties and other ethical conduct clauses are stated in the external contract signed.	No significant difference occurred
(II) Does the company set up a dedicated unit under the Board of Directors to promote ethical corporate management, and report the ethical corporate management policies, related prevention measures, and supervision of its implementation to the Board of Directors regularly (at least once a year)?	V		(II) The Company has designated the general manager’s office as a dedicated unit under the supervision of the board of directors to promote ethical corporate management. The Audit Committee and the Audit Office implement supervision and audit in accordance with the annual audit plan approved by the board of directors, and report the ethical corporate management policies, prevention of unethical conduct plan, and implementation of supervision to the board of directors once a year.	No significant difference occurred
(III) Does the company have a policy formulated to prevent conflicts of interest, provide and implement appropriate channels for communication?	V		(III) The recusal of directors due to conflict of interest is clearly stated in Article 15 of the “Rules of Procedures for Board of Directors Meetings.” If any director or the juristic person that he/she represents is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and may not act as another director’s proxy to exercise voting rights on that matter. According to the “Procedures for Ethical Management and Guidelines for Conduct” stipulated by the Company, if in the course of	No significant difference occurred

Evaluation items	Operation status (Note)			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
<p>(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and instructed the internal audit unit to formulate relevant audit plans based on the risk evaluation results of the unethical conducts, and checked the compliance of the plan in preventing unethical conduct accordingly, or entrusted a CPA to perform the audit?</p> <p>(V) Does the company regularly hold internal and external education and training on ethical corporate management?</p>	V		<p>conducting company business, the personnel of the Company discover that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouses, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to their immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions. The Company shall set up an Audit Committee to help the board of directors supervise the Company’s implementation with appropriate reporting channels made available to employees.</p> <p>(IV) The Company has established an effective accounting system and internal control system to ensure the implementation of ethical corporate management. The internal auditors will draw up an audit plan based on the risk evaluation results, and regularly check the compliance of the aforementioned system in the preceding paragraph in order to implement the ethical corporate management policy. The independent auditors will also review the implementation of the Company’s internal control system every year.</p> <p>(V) The Company propagates the relevant regulations in the “Ethical Corporate Management Best Practice Principles” during the employee orientation, and provides education and propaganda occasionally to avoid violations of ethical corporate management. The finance and accounting audit officers take part in external education and training every year, including relevant courses.</p>	<p>No significant difference occurred</p> <p>No significant difference occurred</p>
<p>III. Implementation of the Company’s whistleblowing system</p> <p>(I) Has the company formulated a specific whistle-blowing and reward system, established a convenient reporting channel, and assigned appropriate personnel to deal with the whistleblower?</p>	V		<p>(I) Employees should be vigilant against any behaviors that violate the code of ethics, and report to the supervisor for any suspension or violation discovered. The Company has a “suggestion box” setup for the designated personnel to handle</p>	<p>No significant difference occurred</p>

Evaluation items	Operation status (Note)			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(II) Has the company established the standard operating procedures for the investigation of reported matters, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?	V		the reported incidents, and for the responsible personnel to deal with reasonable opinions or suggestions in a timely manner. The employee who reports a violation will participate in the investigation with protection measures in place for the benefit of the whistleblower in order to avoid unfair retaliation or treatment. The Company will deal with such investigated violation in accordance with the employee rules and regulations, and depend on the seriousness of the violation, which includes the most serious punishment of dismissal. (II) According to Article 21 of the “Procedures for Ethical Management and Guidelines for Conduct,” the Company internally establishes and publicly announces on its website and the intranet, or provides through an independent external institution, an independent mailbox or hotline, for insiders and outsiders of the Company to submit reports. Also, the Company sets up a special investigation unit to investigate according to the procedures with complete records kept, and keep whistleblower or the reported individual in confidence.	No significant difference occurred
(III) Does the company take measures to protect whistleblowers from retaliation due to whistleblowing?	V		(III) The Company will have a violation of the code of ethics investigated with the protection measures in place for the benefit of the whistleblower in order to prevent unfair treatment or retaliation.	No significant difference occurred
IV. Enhance information disclosure Does the company disclose the content of its “Ethical Corporate Management Best Practice Principles” and the implementation effectiveness on its website and Market Observation Post System?	V		The Company has the “Procedures for Ethical Management and Guidelines for Conduct” formulated and has it disclosed on the Company’s website (website: ( <a href="http://www.sht.com.tw">http://www.sht.com.tw</a> )) and Market Observation Post System.	No significant difference occurred
V. If a company has its own “Ethical Corporate Management Best Practice Principles” formulated in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the operation and its difference from the “Ethical Corporate Management Best Practice Principles” formulated: The Company has based on the principle of fairness, honesty, trustworthiness, and transparency to conduct business activities. The “Procedures for Ethical Management and Guidelines for Conduct” is formulated to implement the ethical corporate management policy and prevent unethical conduct actively; also, to specifically regulate the Company’s personnel in performing business. The responsible unit shall report to the board of directors regularly and comply with the norms of ethical corporate management without deviating from the stipulated best practice principle.				
VI. Other important information that is helpful in understanding the operation of the Company’s ethical corporate management (such as, the Company’s reviewing and amending the Ethical Corporate Management Best Practice Principles, etc.):				

Evaluation items	Operation status (Note)			Difference from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons
	Yes	No	Summary description	
(I) The Company complies with the relevant laws and regulations and internal control system, and strictly prohibits unethical act or illegal behavior.				
(II) The recusal of directors due to conflict of interest is clearly stated in the “Rules of Procedures for Board of Directors Meetings.” If any director or the juristic person that he/she represents is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may express opinions and answer questions, but may not participate in discussion or voting on that agenda item and must be recused at the time of discussion or voting, and may not act as another director’s proxy to exercise voting rights on that matter.				
(III) The Company bases the implementation of ethical corporate management on complying with the Company Act, Securities and Exchange Act, and TWSE/TPEX related law and regulations. The Company’s external business transactions are prohibited from engaging in unethical conduct with the counterparty of the transaction.				
(IV) The Company has the “Procedures for Handling Material Inside Information and Prevention of Insider Trading” formulated to prevent the insiders and those who have learned the information based on their duties from disclosing the material information to others.				
(V) The Company implements the concept of ethical corporate management, complies with relevant laws and regulations and internal control systems, and strictly prohibits unethical conduct or illegal behavior; also, regularly propagates the relevant norms of the ethical corporate management to employees.				

- (VII) The Company that has the “Corporate Governance Best Practice Principles” and relevant regulations formulated shall disclose the inquiry method:  
The Company has the “Corporate Governance Best Practice Principles” disclosed on the Market Observation Post System with the relevant content disclosed on the Company’s website.
- (VIII) Other important information that is helpful in further understanding the implementation of the Company’s corporate governance:
1. All directors, managerial officers, and employees have been notified of the “internal control system” formulated for the Company’s internal material information; also, this procedure system and precautions have been announced on the Company’s internal network for the compliance of all employees in order to avoid violations or occurrences of insider trading.
  2. The Company will provide the latest version of the “TPEX (Emerging Market) Insider Equity Related Laws and Regulations and Precautions” compiled by Taipei Exchange to the newly elected directors, managerial officers, and insiders for their compliance.
  3. The responsible units of the Company regularly communicate and discuss fully with the independent auditors on the audit of the financial statements and the implementation of the internal control.
  4. The Company has the investor section designated in the website at <http://www.sht.com.tw> to disclose information on the Company’s financial business and corporate governance.

(IX) Implementation status of internal control system

1. Statement of internal control system

SHIH HER TECHNOLOGIES INC.  
Statement of Internal Control System

Date: March 14, 2023

Based on self-evaluation of internal control system in 2022, the Company hereby declares as follows:

- I. The Company knows that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of the Company, and the Company has established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives: effectiveness and efficiency of the operation (including profitability, performance and asset security), reliability, timeliness and transparency of reporting, and compliance with relevant norms, laws and regulations.
- II. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; Moreover, due to changes in environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the internal control system of the Company has a self-supervision mechanism. Once the disadvantages are identified, the Company will take corrective action.
- III. The Company judges whether the design and implementation of the internal control system is effective in accordance with the judgment item of the effectiveness of the internal control system specified in the “Rules for Handling the Establishment of Internal Control Systems by Public Offering Company” (hereinafter referred to as the “Rules for Handling”). Such judgment item of the internal control system adopted in the “Rules for Handling” divides the internal control system into five components according to the process of management control: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operation. Each component includes several items. For the above items, please refer to the provisions of the “Rules for Handling”.
- IV. The Company has adopted the above judgment item for internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results of above paragraph, the Company believes that the design and implementation of the internal control systems (including the supervision and management of subsidiaries) of the Company as of December 31, 2022, including the internal control systems related to the understanding of the effectiveness of operation and the extent to which efficiency objectives have been achieved, the reliability, timeliness and transparency of reporting, and compliance

with relevant norms, laws and regulations, are effective, which can reasonably ensure the achievement of the above objectives.

- VI. This Statement will become the main content of the Company's annual report and prospectus, and will be made public. If there are false, hidden and other illegal circumstances in the above disclosure, the legal liability under Articles 20, 32, 171 and 174 of the Securities Exchange Act will be involved.
- VII. This Statement was approved at the meeting of Board of Directors of the Company on March 14, 2023. Thereinto, 7 directors attended the meeting, 0 director dissented, and the rest agreed with the contents of this Statement

SHIH HER TECHNOLOGIES INC.

Chairman:                      Signature and seal

President:                      Signature and seal

- 2. Entrust a Certified Public Accountant to review the internal control system:  
Not applicable.
- (x) In the most recent year and up to the date of publication of the annual report, if the Company and its internal personnel have been punished in accordance with the law, and the Company has punished its internal personnel for violating the provisions of the internal control system, which may have significant impact on the stockholders' equity or security price, the punishment, main deficiencies and improvements shall be listed: None.
- (xi) Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report:
  - 1. Important resolutions of shareholders' meeting

Shareholders' meeting in 2021:

Date	Resolutions	Details	Implementation
	* Approved the Company's operating report and financial statements in 2020.	<p>Total votes of attended shareholders: 33,516,811 votes,                      Approval votes: 32,959,878 votes (17,104,787 votes exercised through electronic voting)                      Disapproval votes: 7,048 votes (7,048 votes exercised through electronic voting)                      Abstention/ Non-voting votes: 549,885 votes (549,885 votes exercised through electronic voting)</p> <p>Approval votes account for 98.33% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	Completed the declaration in accordance with Company Act.
June 23, 2021 Shareholders' meeting in 2021	* Approved the Company's earnings distribution in 2020.	<p>Total votes of attended shareholders: 33,516,811 votes,                      Approval votes: 32,842,880 votes (16,987,789 votes exercised through electronic voting)                      Disapproval votes: 158,046 votes (158,046 votes exercised through electronic voting)                      Abstention/ Non-voting votes: 515,885 votes (515,885 votes exercised through electronic voting)</p> <p>Approval votes account for 97.98% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all</p>	<p>Determined that ex-dividend base date is set on September 5, 2021 and the date of issuance is set on September 24, 2021. (Cash dividend of NTD 1.00 per share)</p> <p>(Report case: capital reserve was used for issuing cash dividend of NTD 1.2 per share)</p>
	* Approved revision of some articles of "Election Measures for Directors" of the Company.	<p>Total votes of attended shareholders: 33,516,811 votes,                      Approval votes: 32,990,880 votes (17,135,789 votes exercised through electronic voting)                      Disapproval votes: 9,046 votes (9,046 votes exercised through electronic voting)                      Abstention/ Non-voting votes: 516,885 votes (516,885 votes exercised through electronic voting)</p> <p>Approval votes account for 98.43% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	They were announced on the website of the Company on June 23, 2021 and handled according to the revised procedure.

Date	Resolutions	Details	Implementation
	* Approved revision of some articles of “Rules of Procedure for Shareholders' Meeting” of the Company.	<p>Total votes of attended shareholders: 33,516,811 votes, Approval votes: 32,990,878 votes (17,135,787 votes exercised through electronic voting) Disapproval votes: 9,048 votes (9,048 votes exercised through electronic voting) Abstention/ Non-voting votes: 516,885 votes(516,885 votes exercised through electronic voting)</p> <p>Approval votes account for 98.43% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	They were announced on the website of the Company on June 23, 2021 and handled according to the revised procedure.

Shareholders’ meeting in 2022:

Date	Resolutions	Details	Implementation
June 22, 2022 Shareholders’ meeting in 2022	* Approved the operating report and financial statements in 2021.	<p>Total votes of attended shareholders: 36,271,636 votes, Approval votes: 36,079,932 votes (15,528,269 votes exercised through electronic voting) Disapproval votes: 7,200 votes (7,200 votes exercised through electronic voting) Abstention/ Non-voting votes: 184,504 votes (76,374 votes exercised through electronic voting)</p> <p>Approval votes account for 99.47% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	Completed the declaration in accordance with Company Act.



Date	Resolutions	Details	Implementation
	* Approved the earnings distribution in 2021.	<p>Total votes of attended shareholders: 36,271,636 votes,  Approval votes: 36,124,934 votes (15,573,271 votes exercised through electronic voting)  Disapproval votes: 12,198 votes (12,198 votes exercised through electronic voting)  Abstention/ Non-voting votes: 134,504 votes (26,374 votes exercised through electronic voting)</p> <p>Approval votes account for 99.59% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	<p>Determined that ex-dividend base date is set on July 31, 2022 and the date of issuance is set on August 19, 2022. (Cash dividend of NTD 1.00 per share)</p> <p>(Report case: capital reserve was used for issuing cash dividend of NTD 2.5 per share)</p>
	* Approved revision of some articles of “Processing Procedure for the Acquisition or Disposal of Assets” of the Company.	<p>Total votes of attended shareholders: 36,271,636 votes,  Approval votes: 36,126,932 votes (15,573,269 votes exercised through electronic voting)  Disapproval votes: 12,200 votes (12,200 votes exercised through electronic voting)  Abstention/ Non-voting votes: 134,504 votes (26,374 votes exercised through electronic voting)</p> <p>Approval votes account for 99.59% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	<p>They were announced on the website of the Company on June 22, 2022 and handled according to the revised procedure.</p>
	* Approved revision of some articles of “Articles of Incorporation” of the Company.	<p>Total votes of attended shareholders: 36,271,636 votes,  Approval votes: 36,126,932 votes (15,575,269 votes exercised through electronic voting)  Disapproval votes: 10,200 votes (10,200 votes exercised through electronic voting)  Abstention/ Non-voting votes: 134,504 votes (26,374 votes exercised through electronic voting)</p> <p>Approval votes account for 99.60% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	<p>They were announced on the website of the Company on June 22, 2022 and handled according to the revised procedure.</p>

Date	Resolutions	Details	Implementation
	* Approved the re-election of directors.	<p>Number of votes for director being elected:            CHEN,HSUEH-SHEN: 38,935,510 votes            Representative of GUAN LIN INVESTMENT CORPORATION LIMITED: CHERN,SHYUE-JER: 36,320,467 votes            CHENG,CHIH-FA: 34,966,212 votes            JHANG,CHUN-RONG: 34,916,224 votes</p> <p>Number of votes for Independent Director being elected:            CHIA, CHAO-YI: 34,961,429 votes            GONG,SHUANG-SYONG: 34,976,256 votes            LIN,KAI: 35,042,134 votes</p>	Approved by the Ministry of Economic Affairs for registration and announced on the Company's website on August 11, 2022.
	* Approved the proposal for removing the non-competition restriction of the elected directors and their representatives.	<p>Total votes of attended shareholders: 36,271,636 votes,            Approval votes: 35,775,118 votes (15,223,455 votes exercised through electronic voting)            Disapproval votes: 109,516 votes (109,516 votes exercised through electronic voting)            Abstention/ Non-voting votes: 387,002 votes (278,872 votes exercised through electronic voting)</p> <p>Approval votes account for 98.63% of total votes of attended shareholders, so the case was approved without objections after the chairperson consults the voting of all attended shareholders.</p>	According to Article 209 of the Company Act, "If a director acts for himself or herself or for others within the scope of the Company's business, he/she shall explain the act to the shareholders' meeting and obtain the permission."

## 2 Important resolutions of board of directors

Date	Resolutions	Details	Implementation
03.24.2022	* Approved the bonus disbursement in 2022 approved by Compensation Committee.	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Resolution: Except Director CHERN,SHYUE-JER</p>	Approved by Compensation Committee on March 8, 2022, and submitted to Board of Directors for approval according to law.

Date	Resolutions	Details	Implementation
		<p>avoided due to serving as the Company's manager, the resolution was approved by agreement of all attended directors.</p>	
	<p>* Approved the remuneration of the director and employee in 2021 reviewed by Compensation Committee.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Resolution: Except Director CHERN,SHYUE-JER avoided due to serving as the Company's manager, the resolution was approved by agreement of all attended directors.</p>	<p>Approved by Compensation Committee on March 8, 2022, and submitted to Board of Directors for approval according to law.</p>
	<p>* Approved the revision of some articles of the "Distribution Method of Remuneration of Directors and Functional Committee Members" reviewed by Compensation Committee.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by board of directors, and handled according to Distribution Method of Remuneration of Directors and Functional Committee Members.</p>
	<p>* Approved the case that accounts receivable and balance of prepayment exceed the normal credit and is overdue for more than three months so they are proposed to be classified as non-capital loan nature in the fourth quarter of 2021.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved non-capital loan nature by Board of Directors in accordance with the law.</p>
	<p>* Approved the revision of some articles of "Code of Practice for Sustainable Development Best Practice Principles" of the Company.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by board of directors, and handled according to "Code of Practice for Sustainable Development Best Practice Principles".</p>
	<p>* Approved revision of some articles of "Processing Procedure for the Acquisition or Disposal of Assets" of the Company.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors:</p>	<p>Approved by all the attended directors in accordance with the law, and submitted to shareholders' meeting in 2022 for discussion.</p>

Date	Resolutions	Details	Implementation
		<p>None.</p> <p>Result: Approved by all the attended directors.</p>	
	<p>* Revision of some articles of “Articles of Incorporation” of the Company.</p>	<p>Independent Directors’ opinions: None.</p> <p>The Company’s handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by all the attended directors in accordance with the law, and submitted to shareholders’ meeting in 2022 for discussion.</p>
	<p>* Approved the financial statements and operating report in 2021.</p>	<p>Independent Directors’ opinions: None.</p> <p>The Company’s handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Completed the declaration to the competent authorities in accordance with the law.</p>
	<p>* Approved the earnings distribution in 2021.</p>	<p>Independent Directors’ opinions: None.</p> <p>The Company’s handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by board of directors on March 24, 2022 and admitted by shareholders’ meeting in 2022 for acknowledge.</p>
	<p>* Approved the case that the capital reserve is used for issuing cash.</p>	<p>Independent Directors’ opinions: None.</p> <p>The Company’s handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by board of directors on March 24, 2022 and submitted to shareholders’ meeting in 2022 for reporting.</p>
	<p>* Approved the statement of internal control system in 2021.</p>	<p>Independent Directors’ opinions: None.</p> <p>The Company’s handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>In accordance with “Rules for Handling the Establishment of Internal Control Systems by Public Offering Company”, the Company issues the “Statement of Internal Control System in 2021” which proves that the design and implementation are both effective and comply with laws and regulations</p>

Date	Resolutions	Details	Implementation
			(if they comply with part of laws and regulations, it shall be stated).
	* Approved the revision of internal control system of major overseas subsidiaries -- SHI JU TECHNOLOGY (HEFEI) CO.,LTD. and SHIH-PING (SHENZHEN AND DONGGUAN) CO.,LTD.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Handled in accordance with Article 41 of the Rules for Handling the Establishment of Internal Control Systems by Public Offering Company.
	* Approved the technical authorization that is proposed to be signed with CHENGDU SHIZHENG TECHNOLOGY CO., LTD.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Handled in accordance with technical authorization contract.
	* Approved the re-election of directors.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	The current directors of the company expired on June 26, 2022, which was submitted to shareholders' meeting in 2022 for reelection.
	* Approved the nominating candidates for director and Independent Director.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	The Board of Directors nominated a list of directors and Independent Directors candidates on March 24, 2022 and submitted to shareholders' meeting in 2022 for election.
	* Approved the proposal for removing the non-competition restriction of the elected directors and their representatives.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Approved by board of directors and submitted to shareholders' meeting in 2022 to discuss the removal.
	* Approved relevant matters of shareholders' meeting in 2022.	Independent Directors' opinions: None. The Company's handling	Determined that shareholders' meeting in 2022 was held at 9:00 a.m., June 22, 2022

Date	Resolutions	Details	Implementation
		<p>of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	(Wednesday).
05.04.2022	<p>* Approved the consolidated financial statements for the first quarter of 2022.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Completed the declaration to the competent authorities in accordance with the law.</p>
	<p>* Approved the extension with commercial paper facilities of NTD 150 million issued by Taoyuan Branch of CHINA BILLS FINANCE CORPORATION.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Completed the credit line for contract signing and verification with Taoyuan Branch of CHINA BILLS FINANCE CORPORATION.</p>
08.09.2022	<p>* Approved the consolidated financial statement for the second quarter of 2022.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Completed the declaration to the competent authorities in accordance with the law.</p>
	<p>* Approved the appointment of Certified Public Accountants for financial statements in 2022, assessment of the independence and audit fees of Certified Public Accountants.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Since 2022, the Company's Certified Public Accountants have been replaced by Chen Zhenqian and Huang Yonghua.</p>
	<p>* Approved the handling of cash reduction of USD 2.5 million by subsidiary SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Announced on "Market Observation Post System" on August 09, 2022.</p>
	<p>* Approved short-term</p>	<p>Independent Directors'</p>	<p>Completed the credit line</p>

Date	Resolutions	Details	Implementation
	comprehensive credit line of NTD 150 million, and derivative financial product credit line of USD 1 million of E.SUN BANK.	opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	for contract signing and verification with Hsinchu Branch of E.SUN BANK.
	* Approved the extension with credit line of NTD 180 million of Hsinchu Branch of Sinopac Bank.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Completed the credit line for contract signing and verification with Hsinchu Branch Sinopac Bank.
	* Approved the extension with commercial paper facilities of NTD 150 million issued by Taoyuan Branch of MEGA BILLS FINANCE CO., LTD.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Completed the credit line for contract signing and verification with Taoyuan Branch of MEGA BILLS FINANCE CO., LTD.
	* Approved the extension with credit line of RMB 5 million which is the short-term loan issued to SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD. by Shenzhen Branch of E.SUN Bank (China) Co., Ltd.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Completed the credit line for contract signing and verification with Shenzhen Branch of E.SUN BANK.
	* Approved the extension with credit line of RMB 15 million which is the short-term loan issued to DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD by Shenzhen Branch of E.SUN Bank (China) Co., Ltd.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Completed the credit line for contract signing and verification with Shenzhen Branch of E.SUN BANK.
11.8.2022	* Approved the 2022Q3 consolidated financial statements.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None.	Completed the declaration to the competent authorities in accordance with the law.

Date	Resolutions	Details	Implementation
		Result: Approved by all the attended directors.	
	* Approved the proposed amendments to the 2022 budget report.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It has not been announced publicly, and it will be executed according to the revised budget every month.
	* Approved the Company's financial report preparation ability description and self-compiled financial report improvement operation plan follow-up.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It was discussed and approved by the Audit Committee and the Board of Directors in accordance with the Letter No. 1110202393 on September 12, 2022.
	* Approved the amendments to the Company's accounting system.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	The accounting system has been amended and implemented.
	* Approved the amendments to the Company's financial statement preparation process management operation plan.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Amended and implemented the Company's financial statement preparation process management operation in accordance with the self-compiled financial report improvement plan.
	* Approved the internal audit enforcement rules – Rules Governing the Preparation of Financial Reports and the audit and amendment to the “Rules of Procedures for Board of Directors Meetings.”	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	The audit procedure has been implemented in accordance with the internal audit enforcement rules.
	* Approved the amendments to some articles of the Company's “Corporate	Independent Directors' opinions: None. The Company's handling of the opinions of	Amended by the board of directors according to law.



Date	Resolutions	Details	Implementation
	Governance Best Practice Principles.”	independent Directors: None. Result: Approved by all the attended directors.	
	* Approved the amendments to some articles of the Company’s “Rules of Procedures for Board of Directors Meetings.”	Independent Directors’ opinions: None. The Company’s handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Amended by the board of directors according to law.
	* Approved the amendments to some articles of the Company’s “Procedures for Handling Material Inside Information and Prevention of Insider Trading.”	Independent Directors’ opinions: None. The Company’s handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Amended by the board of directors according to law.
	* Approved the Company’s plan to execute the repurchase of the Company’s stock shares.	Independent Directors’ opinions: None. The Company’s handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It has been announced on the Market Observation Post System.
	* Approved the Company’s “Regulations Governing the 2nd Share Repurchase & Transfer to Employee” plan.	Independent Directors’ opinions: None. The Company’s handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It has been revised by the board of directors according to law and submitted to Taiwan Stock Exchange Corporation for approval.
	* Approved the amendments to the budget for the construction of the V-II plant.	Independent Directors’ opinions: None. The Company’s handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It has been handled in accordance with the “Procedures for the Acquisition and Disposal of Assets” and has been announced in the Disclosure of Material Information.
12.27.2022	* Approved the appropriation of the 2022 employee	Independent Directors’	After deliberation and approval by the

Date	Resolutions	Details	Implementation
	remuneration and director remuneration reviewed by the Remuneration Committee.	<p>opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	Remuneration Committee on December 15, 2022, it was submitted to the board of directors for approval according to law.
	* Approved the Company's 2022 year-end bonus standard proposed for the managerial officers and reviewed by the Remuneration Committee.	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	After deliberation and approval by the Remuneration Committee on December 15, 2022, it was submitted to the board of directors for approval according to law.
	* Approved the 2023 salary adjustment budget reviewed by the Remuneration Committee.	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	After deliberation and approval by the Remuneration Committee on December 15, 2022, it was submitted to the board of directors for approval according to law.
	* Approved the proposal for the appropriation ratio of the directors' remuneration to net income before tax reviewed by the Remuneration Committee.	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	After deliberation and approval by the Remuneration Committee on December 15, 2022, it was submitted to the board of directors for approval according to law.
	* Approved the proposal for the budget appropriation of the 2023 employee remuneration and director remuneration reviewed by the Remuneration Committee.	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	After deliberation and approval by the Remuneration Committee on December 15, 2022, it was submitted to the board of directors for approval according to law.
	* Approved the drafting of the Company's 2023 financial budget.	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all</p>	It has not been announced publicly, and it will be executed according to the budget every month.

Date	Resolutions	Details	Implementation
		the attended directors.	
	* Approved the proposal of formulating the general principle for the Company's pre-approved un-confirmed service policy.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Approved by the board of directors according to law.
	* Approved the proposal of formulating the 2023 audit plan.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Report according to the law and execute monthly according to the plan.
	* Approved the 2023 audit plan of Chang York Technologies Inc., the domestic subsidiary, and the 2023 audit plans of Shiping Technology (Shenzhen), Shiping Technology (Dongguan), Shiju, Shitian, and Shizheng, important overseas subsidiaries.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Handled in accordance with Article 41 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies."
	* Approved the amendments to the Internal Control - Computing cycle proposal.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It has been handled in accordance with the "Guidelines for Information Security Management and Control of TWSE/TPEX Listed Companies" announced by Taiwan Stock Exchange on December 23, 2021.
	* Approved the proposed amendments to the Company's "Regulations Governing the 2nd Share Repurchase & Transfer to Employee."	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It has been revised by the board of directors according to law and submitted to Taiwan Stock Exchange Corporation for approval.
March 14,2023	* Approved the bonus disbursement in 2022 approved by Compensation Committee.	Independent Directors' opinions: None. The Company's handling of the opinions of	Approved by Compensation Committee on March 8, 2022, and submitted to Board of Directors for

Date	Resolutions	Details	Implementation
		<p>Independent Directors: None.</p> <p>Resolution: Except Director CHERN,SHYUE-JER avoided due to serving as the Company's manager, the resolution was approved by agreement of all attended directors.</p>	<p>approval according to law.</p>
	<p>* Approved the proposal for directors' remuneration and employees' remuneration for 2022 reviewed by the Remuneration Committee.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Resolution: Except Director CHERN,SHYUE-JER avoided due to serving as the Company's manager, the resolution was approved by agreement of all attended directors.</p>	<p>Approved by Compensation Committee on March 2, 2022, and submitted to Board of Directors for approval according to law.</p>
	<p>* Approved the revision of the regulations on salary and remuneration reviewed by the Remuneration Committee.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by Compensation Committee on March 2, 2022, and submitted to Board of Directors for approval according to law.</p>
	<p>* Approved the revision of some articles of the Company's "Rules Governing the Distribution of Remuneration and Salary to Directors and Functional Committee Members" reviewed by the Remuneration Committee.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Approved by Compensation Committee on March 2, 2022, and submitted to Board of Directors for approval according to law.</p>
	<p>* Approved the financial statements and business report for 2022.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all</p>	<p>Completed the declaration to the competent authorities in accordance with the law.</p>

Date	Resolutions	Details	Implementation
		the attended directors.	
	* Approved the earnings distribution in 2022.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Approved by the Board of Directors on March 14, 2023 and presented at the 2023 annual general meeting for ratification.
	* Approved the case that the capital reserve is used for issuing cash.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Approved by the Board of Directors on March 14, 2023 and presented at the 2023 annual general meeting for reporting.
	* Approved the report on the Company's capability of preparing financial statements and the progress of the improvement plan for the preparation of financial statements.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	It was discussed and approved by the Audit Committee and the Board of Directors in accordance with the Letter No. 1110202393 on September 12, 2022.
	* Approved the replacement of CPAs from the first quarter of 2023.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	Starting from 2023, CPAs HUANG, YUNG-HUA and CHENG, AN-CHIH will be the Company's CPAs.
	* Approved the Statement of Internal Control System for 2022.	Independent Directors' opinions: None. The Company's handling of the opinions of Independent Directors: None. Result: Approved by all the attended directors.	In accordance with "Rules for Handling the Establishment of Internal Control Systems by Public Offering Company", the Company issues the "Statement of Internal Control System in 2021" which proves that the design and implementation are both effective and comply with laws and regulations (if they comply with part of laws and regulations, it shall be stated).

Date	Resolutions	Details	Implementation
	<p>* Approved the establishment of an internal control system for the Company's important overseas subsidiary, CHENGDU SHIZHENG TECHNOLOGY CO., LTD.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Handled in accordance with Article 38 of "Regulations Governing Establishment of Internal Control Systems by Public Companies."</p>
	<p>* Approved the revision of the Procedures for Endorsement/Guarantee of the Company's important overseas subsidiary, SHI PING TECHNOLOGY CO., LTD.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Handled in accordance with Article 9 of "Regulations Governing Making of Endorsements/Guarantees by Public Companies."</p>
	<p>* Approved the report on the repurchase of the Company's shares by the Company.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>After being approved by the Board of Directors, it will be presented at the 2023 annual general meeting for reporting.</p>
	<p>* Approved revision of some articles of "Rules of Procedure for Board of Directors" of the Company.</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>After being approved by the Board of Directors, it will be presented at the 2023 annual general meeting for discussion.</p>
	<p>* Approved the revision of some articles of the Company's "Corporate Governance Best Practice Principles," "Sustainable Development Best Practice Principles," "Guidelines for the Establishment of the Board of Directors and the Exercise of Powers," "Guidelines for the Implementation of Continuing Education for Directors" and "Mutual</p>	<p>Independent Directors' opinions: None.</p> <p>The Company's handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	<p>Amended by the board of directors according to law.</p>

Date	Resolutions	Details	Implementation
	Regulations Governing the Finances and Business of Related Parties.”		
	* Approved the proposal for holding the 2023 annual general meeting.	<p>Independent Directors’ opinions: None.</p> <p>The Company’s handling of the opinions of Independent Directors: None.</p> <p>Result: Approved by all the attended directors.</p>	The 2023 annual general meeting is scheduled on June 7, 2023 (Wednesday) at 9:00 a.m.

(xii) In the most recent year and up to the date of publication of the annual report, if the directors had different opinions on the important resolutions adopted by the board of directors, which were recorded and declared in writing, the main contents of such important resolutions: None.

(xiii) In the most recent year and up to the date of publication of the annual report, summary of the resignation and dismissal of the Company's Chairman, President, Accounting Supervisor, Financial Head, Internal Audit Head, Corporate Governance Supervisor and R&D Director: None

#### V. Certified Public Accountant information regarding fee

##### Name of the Certified Public Accountants

Name of accounting firm	Name of Certified Public Accountant		Audit period	Remark
KPMG	Chen Zhenqian	Huang Yonghua	January 1, 2022 ~ December 31, 2022	

Numerical range table of Certified Public Accountant information regarding fee

Unit: NTD 1,000

Numerical range of amount		Items	Audit fee	Non-audit fee	Total
1	Less than NTD 2 million		-	√	√
2	NTD 2 million (inclusive) to NTD 4 million		√	-	√
3	NTD 4 million (inclusive) to NTD 6 million		-	-	-
4	NTD 6 million (inclusive) to NTD 8 million		-	-	-
5	NTD 8 million (inclusive) to NTD 10 million		-	-	-
6	NTD 10 million (inclusive) or more		-	-	-

- (I) If the amount of non-audit fees paid to Certified Public Accountant, the firm which the Certified Public Accountant works for and its related enterprise accounts for more than one-fourth of the audit fees, the amount of non-audit fees and the details of non-audit services shall be audited:



Unit: NTD 1,000

Name of accounting firm	Name of Certified Public Accountant	Audit fee	Non-audit fee					Audit period of Certified Public Accountant	Remarks
			System design	Business registration	Human resource	Others (Notes)	Subtotal		
KPMG	Chen Zhenqian Huang Yonghua	2,680	0	0	0	310	310	January 1, 2022 ~ December 31, 2022	None

Note: Fees related to tax compliance audit

- (ii) If the accounting firm is changed and the audit fee paid in the year of change is less than those in the year before the change, the amount of audit fee before and after the change and the reasons shall be disclosed: Not applicable
- (iii) If the audit fees are reduced by more than 10% compared with the previous year, the amount, percentage and reasons for the reduction of audit fees shall be disclosed: Not applicable

#### VI. Information on the replacement of CPAs:

##### (I) About former CPAs

Date of replacement	Approved by board of directors on September 30, 2020		
Reason and description of replacement	In light of the Company's future development and internal management needs, the Company's CPAs, SU, YU-HSIU and YU, SU-HUAN from Deloitte Taiwan, were replaced by CPAs CHEN, CHEN-CHIEN and HUANG, YUNG-HUA from KPMG Taiwan in the third quarter of 2020.		
Client or CPA terminated or declined the commission	Persons involved		CPA
	Situation		Client
	Voluntary termination of commission		V
	Declined (discontinued) commission		
Audit report opinions other than unqualified opinions issued within the most recent two years and the reason thereof	None		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosures in financial statements
			Audit scope or procedures
			Others
	None	V	
	Description		
Other matters for disclosure (Disclosures required under Article 10, Subparagraph 6, Item 1-4 to Item 1-7 of the Guidelines)	None		

(ii) Regarding succeeding Certified Public Accountant

Name of firm	KPMG
Name of Certified Public Accountant	Chen Zhenqian and Huang Yonghua
Date of appointment	Approved by board of directors on September 30, 2020
Consultation about accounting treatment or accounting principle adopted for any specific transactions and whether to issue financial report prior to appointment, and results	None
Succeeding Certified Public Accountants' written opinions that are different from those of the former Certified Public Accountants	None

(iii) The former Certified Public Accountant's reply to matters under Items 1 and 2-3, Paragraph 6, Article 10 of this rule:

Deloitte & Touche's Reply No. 10911216 about audit on October 20, 2020 is as follows:

1. Based on our experience with the management of the Company (SHIH HER TECHNOLOGIES INC., the same below), we (Deloitte & Touche, the same below) have not found that the character of the management of the Company has an adverse effect on the financial statements.

2. There is no material disagreement between the firm and the management of the Company regarding accounting principles, audit procedures and other material matters.

3. According to the Company's letter dated September 30, 2020, the change in Certified Public Accountants is due to the Company's future operation development and internal management needs.

4. In the process of audit, we did not find that the Company did not comply with the law.

VII. The Chairman, President, Manager in charge of financial or accounting affairs of the Company, who has worked in the firm which the Certified Public Accountant works for or its affiliated enterprises in the recent year: None

VIII. Changes in the transfer and pledge of equity among directors, managers, and shareholders with more than 10% of equity in the most recent year and up to the date of the publication of the annual report and up to the date of publication of the annual report.

(i) Changes in equity transfer and equity pledge of directors, Supervisors, managers and major shareholders

Unit: Share

Title	Name	2022		As of April 9, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	CHEN,HSUEH-SHEN	0	0	0	0
Director	GUAN LIN INVESTMENT CORPORATION LIMITED Representative: CHERN,SHYUE-JER	91,000	0	0	0
Representative of director and President	CHERN,SHYUE-JER	13,000	0	0	0
Director	CHENG,CHIH-FA	0	0	0	0
Director	KANG,CHENG-HSIUNG	0	0	0	0
Independent director	SUNG,YI-PO	0	0	0	0
Independent director	JHANG,CHUN-RONG	12,000	0	0	0
Independent director	CHIA, CHAO-YI	0	0	0	0
Major shareholders	GUAN LIN INVESTMENT CORPORATION LIMITED	91,000	0	00	0
Division Chief	CHEN,HSUEH-YUAN	0	0	0	0
Special Assistant	HO,CHI-YUAN	0	0	(23,000)	0
Director	HO,WEN-CHIN	0	0	0	0
Director	JUAN,WU-FU	0	0	0	0
Director	TSAI,CHIN-LUNG	0	0	0	0
Accounting Manager	LIN,CHIN-YUAN	5,000	0	0	0
Financial Manager	KU,HUI-YU	0	0	0	0
Deputy Manager of audit	CHEN,MING-LI	0	0	0	0

(ii) The person to whom the equity is transferred is the related party: None.

(iii) The person to whom the equity is pledged is the related party: None

IX. Information on relationships among the top ten shareholders including related parties, spouses or relatives within the second degree of kinship

Information on relationships among the top ten shareholders

April 9, 2023 Unit: shares

Name (Note 1)	Shares held by the shareholder Shares held		Shares held by spouses and minor children		Total shares held in others' names Shares held		Names and relationships of the top ten shareholders who are related parties as defined in SFAS 6, or spouses or relatives within second degree of kinship (Note 3)	
	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	Name	Relationship
Representative of GUAN LIN INVESTMENT CORPORATION LIMITED: CHEN, SHYUE-JER	8,558,190	15.07%	0	0	0	0	CHERN, SHYUE-JER	Major shareholder of the Company
TOPCO SCIENTIFIC Co., Ltd. Representative: J.W. Kuo	2,519,000	4.44%	0	0	0	0	-	-
CHERN, SHYUE-JER	2,165,657	3.81%	0	0	0	0	CHEN, HSUEH-SHEN GUAN LIN INVESTMENT CORPORATION LIMITED	Second-degree relative Second-degree relative Major shareholder of the Company
Da Bao Ying Limited Company	1,748,000	3.08%	0	0	0	0	CHEN, HSIU-SHIH	Major shareholder of the Company
CHEN, CHING-HAO	1,335,935	2.35%	0	0	0	0	-	-
CHANG, YUNG-CHIA	1,007,998	1.78%	0	0	0	0	GUAN LIN INVESTMENT CORPORATION LIMITED	Major shareholder of the Company

CHEN, HSUEH-YUAN	998,104	1.76%	0	0	0	0	CHEN, HSUEH-SHEN, CHEN, SHYUE-JER GUAN LIN INVESTMENT CORPORATION LIMITED	Second-degree relative Major shareholder of the Company
LI, CHEN-CHUAN	961,000	1.69%	0	0	0	0	-	-
Mega International Commercial Bank Co., Ltd. Representative: Michael Chang	951,072	1.68%	0	0	0	0	Mega Financial Holdings Co., Ltd.	Parent company and subsidiary
Jing Ding Investment Co., Ltd.	951,000	1.68%	0	0	0	0	CHEN, TSENG-CHING	Major shareholder of the Company

Note 1: All top ten shareholders should be listed. For corporate shareholders, their names and the names of their representatives should be listed separately.

Note 2: The calculation of the shareholding ratio is based on the number of shares held in own name, by the spouse or minor children, or in others' names.

Note 3: The relationship of the shareholders disclosed above, including corporate and natural-person shareholders, shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Number of shares held in the same investee enterprise by the Company, the Company's directors, managers, and the enterprises directly or indirectly controlled by the Company, and the calculation of the consolidated shareholding percentage.

Comprehensive shareholding ratio

April 9, 2023 Unit: Share; %

Shift in investment (Notes)	Reinvested businesses		Invested by directors, Supervisors, managers and businesses directly or indirectly controlled		Invested comprehensively	
	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio	The number of shares	Shareholding ratio
Minerva Works Pte Ltd.	404,800	36.80	0	0	404,800	36.80
Skill High Management Ltd.	57,300,000	100.00	0	0	57,300,000	100.00
Shih Full Management Ltd.	35,500,000	100.00	0	0	35,500,000	100.00
Shih Hang Management Ltd	14,100,000	100.00	0	0	14,100,000	100.00
Shih-Pu Management Limited	9,100,000	100.00	0	0	9,100,000	100.00
CHANG YORK TECHNOLOGIES INC.	5,000,000	100.00	0	0	5,000,000	100.00
YUAN GUANG TECHNOLOGIES INC.	1,500,000	100.00	0	0	1,500,000	100.00
SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.	0	100.00	0	0	0	100.00
SHI JU TECHNOLOGY (HEFEI) CO.,LTD.	0	100.00	0	0	0	100.00
SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO.,LTD.	0	100.00	0	0	0	100.00
DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD	0	100.00	0	0	0	100.00
CHENGDU SHIZHENG TECHNOLOGY CO., LTD	0	100.00	0	0	0	100.00
NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO.,LTD.	0	35.71	0	0	0	35.71

## IV. Fund Raising

### I. Capital and share the Company

#### (i) Source of share capital

##### 1. Formation process of share capital

Unit: NTD 1,000; 1,000 shares

Month & year	Issuing price (NTD)	Authorized share capital		Paid-up capital stock		Remarks		
		The number of shares	Amount	The number of shares	Amount	Source of share capital	Those who use property other than cash to offset share capital	Others
June 1997	10	500	5,000	500	5,000	Established with NTD 5,000,000	None	Note 1
May 1999	10	6,000	60,000	6,000	60,000	Cash capital increase of NTD 55,000,000	None	Note 2
November 1999	10	8,500	85,000	8,500	85,000	Cash capital increase of NTD 25,000,000	None	Note 3
August 2000	10	11,000	110,000	11,000	110,000	Cash capital increase of NTD 25,000,000	None	Note 4
June 2004	10	14,300	143,000	14,300	143,000	The surplus was converted into a capital increase of NTD 33,000,000	None	Note 5
September 2005	10	18,590	185,900	18,590	185,900	The surplus was converted into a capital increase of NTD 42,900,000	None	Note 6
August 2006	20	23,590	235,900	23,590	235,900	Cash capital increase of NTD 50,000	None	Note 7
August 2006	10	29,167	291,670	29,167	291,670	The surplus was converted into a capital increase of NTD 55,770,000	None	
July 2007	10	50,000	500,000	29,167	291,670	-	None	Note 8
October 2007	10	50,000	500,000	30,625	306,254	The surplus was converted into a capital increase of NTD 14,584,000	None	Note 9
May 2008	10	50,000	500,000	33,942	339,424	Cash capital increase of NTD 33,170,000	None	Note 10
September 2008	10	50,000	500,000	35,474	354,736	The surplus was converted into a capital increase of NTD 15,312,000	None	Note 11
April 2009	10	100,000	1,000,000	35,474	354,736	Increase in authorized capital		Note 12
August 2009	10	100,000	1,000,000	38,905	389,045	The surplus was converted into a capital increase of NTD 34,309,000	None	Note 13
October 2009	10	100,000	1,000,000	43,747	437,473	Corporate bond of NTD 48,428,000	None	Note 14
January 2010	10	100,000	1,000,000	47,655	476,545	Corporate bond of NTD 39,072,000	None	Note 15
April 2010	10	100,000	1,000,000	47,885	478,850	Corporate bond of NTD	None	Note 16

Month & year	Issuing price (NTD)	Authorized share capital		Paid-up capital stock		Remarks		
		The number of shares	Amount	The number of shares	Amount	Source of share capital	Those who use property other than cash to offset share capital	Others
						2,305,000		
July 2010	10	100,000	1,000,000	47,885	478,850	-	None	Note 17
July 2011	10	100,000	1,000,000	47,885	478,850	-	None	Note 18
November 2011	10	100,000	1,000,000	48,019	480,187	Corporate bond of NTD 1,337,000	None	Note 19
December 2011	10	100,000	1,000,000	49,996	499,964	Corporate bond of NTD 19,777,000	None	Note 20
March 2012	10	100,000	1,000,000	56,604	566,036	Corporate bond of NTD 66,072,000	None	Note 21
June 2012	10	100,000	1,000,000	56,826	568,264	Corporate bond of NTD 2,228,000	None	Note 22
March 2013	10	100,000	1,000,000	57,433	574,334	Corporate bond of NTD 6,070,000	None	Note 23
June 2013	10	100,000	1,000,000	57,501	575,009	Corporate bond of NTD 674,000	None	Note 24
November 2015	10	100,000	1,000,000	56,775	567,749	Canceled treasury stock of NTD 7,260,000	None	Note 25
August 2016	10	100,000	1,000,000	56,775	567,749	-	None	Note 26

Note 1: JIAN-SAN-REN -ZI No.187192 was approved on June 23, 1997.

Note 2: JIAN-SAN-GENG-ZI No.192277 was approved on June 25, 1999.

Note 3: JING-(088)-ZHONG-ZI No.88993429 was approved on November 29, 1999.

Note 4: JING-(089)-SHANG No.135425 was approved on October 3, 2000.

Note 5: JING-SHOU-ZHONG-ZI No.09333219470 was approved on December 20, 2004.

Note 6: JING-SHOU-ZHONG-ZI No.09433010550 was approved on October 20, 2005.

Note 7: JING-SHOU-ZHONG-ZI No.09532665910 was approved on August 11, 2006.

Note 8: JING-SHOU-ZHONG-ZI No.09632447140 was approved on July 16, 2007.

Note 9: JING-SHOU-ZHONG-ZI No.09632913950 was approved on October 19, 2007.

Note 10: JING-SHOU-ZHONG-ZI No.09732185110 was approved on May 1, 2008.

Note 11: JING-SHOU-ZHONG-ZI No.09733105050 was approved on September 18, 2008.

Note 12: JING-SHOU-ZHONG-ZI No.09832078820 was approved on April 13, 2009.

Note 13: JING-SHOU-ZHONG-ZI No.09832927310 was approved on August 27, 2009.

Note 14: JING-SHOU-ZHONG-ZI No.09833221550 was approved on October 12, 2009.

Note 15: JING-SHOU-ZHONG-ZI No.09931531680 was approved on January 11, 2010.

Note 16: JING-SHOU-ZHONG-ZI No.09931876940 was approved on April 7, 2010.



Note 17: JING-SHOU-ZHONG-ZI No.09932307660 was approved on July 13, 2010.  
Note 18: JING-SHOU-ZHONG-ZI No.10032256880 was approved on July 14, 2011.  
Note 19: JING-SHOU-ZHONG-ZI No.10032715320 was approved on November 4, 2011.  
Note 20: JING-SHOU-ZHONG-ZI No.10131542110 was approved on January 10, 2012.  
Note 21: JING-SHOU-SHANG-ZI No.10101068130 was approved on April 17, 2012.  
Note 22: JING-SHOU-SHANG-ZI No.10101133180 was approved on July 6, 2012.  
Note 23: JING-SHOU-SHANG-ZI No.10201061050 was approved on April 11, 2013.  
Note 24: JING-SHOU-SHANG-ZI No.10201129330 was approved on July 11, 2013.  
Note 25: JING-SHOU-SHANG-ZI No.10401247890 was approved on November 19, 2015.  
Note 26: JING-SHOU-SHANG-ZI No.10501196500 was approved on August 11, 2016.

## 2. Types of shares

April 9, 2023 Unit: Share

Types of shares	Authorized stock				Remarks
	Outstanding capital stock	Stock without registration of change	Un-issued capital stock	Total	
Inscribed common stock	56,774,890	0	43,225,110	100,000,000	None

## 3. Relevant information of shelf registration system: None.

### (II) Shareholder structure

April 9, 2023 Unit: the number of people, share

Shareholder structure	Government institution	Financial institution	Other corporate entities	Individuals	Foreign institutions and outsiders	Total
Quantity						
Number of people	0	10	25	4,003	54	4,092
Increase (decrease) in the number of shares held	0	1,846,072	15,032,794	36,976,932	2,919,092	56,774,890
Shareholding ratio	0%	3.25%	26.48%	65.13%	5.14%	100.00%

Note: The latest date to stop transferring is April 9, 2023.

### (iii) Equity dispersion (face value of NTD 10 per share)

#### 1. Common share

April 9, 2023

Shareholding grading	Number of shareholders	Increase (decrease) in the number of shares held	Shareholding ratio
1-999	671	80,164	0.14%
1,000-5,000	2,677	5,139,175	9.05%
5,001-10,000	310	2,481,739	4.37%
10,001-15,000	118	1,511,310	2.66%
15,001-20,000	74	1,362,355	2.40%
20,001-30,000	62	1,593,385	2.81%
30,001-40,000	38	1,360,324	2.40%
40,001-50,000	22	1,008,743	1.78%
50,001-100,000	48	3,311,776	5.83%

Shareholding grading	Number of shareholders	Increase (decrease) in the number of shares held	Shareholding ratio
100,001-200,000	33	4,670,573	8.23%
200,001-400,000	14	3,973,443	7.00%
400,001-600,000	8	4,079,185	7.18%
600,001-800,000	5	3,334,013	5.87%
800,001-1,000,000	6	5,533,925	9.75%
1,000,001 shares or more	6	17,334,780	30.53%
Total	4,092	56,774,890	100.00%

Note: The latest date to stop transferring is April 9, 2023.

2. Preference share (face value of NTD 10 per share): None.

(IV) List of major shareholders (names of the top ten shareholders by shareholding ratio, number of shares held, and shareholding ratio)

April 9, 2023

Name of major shareholder	Shares	Increase (decrease) in the number of shares held	Shareholding ratio
GUAN LIN INVESTMENT CORPORATION LIMITED		8,558,190	15.07%
TOPCO SCIENTIFIC Co., Ltd.		2,519,000	4.44%
CHERN, SHYUE-JER		2,165,657	3.81%
Da Bao Ying Limited Company		1,748,000	3.08%
CHEN, CHING-HAO		1,335,935	2.35%
CHANG, YUNG-CHIA		1,007,998	1.78%
CHEN, HSUEH-YUAN		998,104	1.76%
LI, CHEN-CHUAN		961,000	1.69%
Mega International Commercial Bank Co., Ltd.		951,072	1.68%
Jing Ding Investment Co., Ltd.		951,000	1.68%
Total		21,195,956	37.34%

(v) Information on the market price, net value, earnings and dividends per share in the last two years

Unit: NTD

Item		Year	2021 (distributed in 2022)	2022 (distributed in 2023)	As of April 9, 2023 in current year
Market price per share	Maximum		77.00	75.60	75.60
	Minimum		46.15	49.5	62.40
	Average		58.92	61.77	70.14
Net value per share	Before distribution		57.05	59.96	(Note 5)
	After distribution			(Note 1)	(Note 6)
Earnings per share (EPS)	Weighted average number of shares		56,775	56,708	56,775
	Earnings per share (EPS)	Before retrospective accounting	7.16	6.40	(Note 5)
		After retrospective accounting			(Note 1)
Dividend per share	Cash dividends		1.0	1.2 (Note 1)	(Note 6)
	Stock dividends	Allotment of earnings	—	—	—
		Allotment of capital reserve	2.5	2.5	—
	Accumulated unpaid dividend		0	(Note 1)	—
Analysis of returns on investment	Price earnings ratios (Note 2)		8.23	9.65	(Note 5)
	Price-to-dividend ratio (Note 3)		16.83	19.30 (Note 1)	(Note 6)
	Cash dividend yield (Note 4)		4.62%	5.94% (Note 1)	(Note 6)

Note 1: The proposals for earnings distribution and the distribution of cash from capital reserves in 2022 have been approved by the Board of Directors but not yet approved by the shareholders' meeting as of the date of publication of the annual report.

Note 2: Price earnings ratios=Average closing market prices/Earnings per share in the current year.

Note 3: Price earnings ratios=Average closing market prices/ Cash dividends per share in the current year.

Note 4: Cash dividend yield=Cash dividends per share/ Average closing market prices per share in the current year.

Note 5: The settlement of earnings in the current year has not been completed.

Note 6: The distribution proposal of earnings in the current year has not been determined.

(vi) Dividend policy and implementation of the Company

1. Dividend policy stated by Articles of Incorporation:

If the Company makes profits in the year, it shall contribute no less than 3% as the remuneration of employees and no more than 3% as the remuneration of directors. However, if there are accumulated losses, the amount of margin cover shall be reserved in advance. The Company will be distributed in the following order if it has earnings after the annual general settlement:

I. Taxes and fees

II. Recovery of losses in previous years

III. 10% shall be set aside for the legal surplus reserves (except when the legal earned surplus reserve has reached the total capital).

IV. Special surplus reserves are set aside or turned around as required by law.

V. If there is earnings and the accumulated undistributed earnings, the board of directors shall prepare a distribution proposal for earnings and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The distribution proposal for the remuneration of employees shall be adopted by the board of directors with the consent of more than two-thirds of attended directors and more than half of attended directors and reported to the shareholders' meeting. The distribution shall be made in stock or cash by the resolution of the board of directors. The persons to whom the remuneration is distributed shall include the employees of the affiliated company who meet certain conditions. The relevant measures shall be authorized to be formulated by the board of directors.

2. Proposed (discussed) distribution of dividends this year:

For the distribution of earnings in 2022, the Board of Directors resolved to distribute a cash dividend of NTD 67,484 thousand (pay a cash dividend of NTD 1.2 per share to shareholders) and distribute NTD 112,474 thousand in cash from capital reserves (pay NTD 2.0 in cash per share to shareholders) on March 14, 2023, which has not yet been approved by the shareholders' meeting.

3. Dividend policy of the Company in the next three years is proposed as follows:

The industry which the Company is engaged in is in a stable growth. Based on sound financial planning for sustainable business development, in terms of distribution of earnings, the Company's budget of future capital expenditure and capital requirements shall be taken into consideration to determine the amount of earnings reserved or distributed. However, shareholders' dividends shall be distributed as more than 20% of after-tax net profits in the current year minus legal surplus reserve and special surplus reserve in the current year. Thereinto, the cash dividends are not less than 50%.

(vii) The impact of the stock dividends proposed at this shareholders' meeting on the Company's business performance and earnings per share: In this proposal, there is no the stock dividend, so

it is not applicable.

(viii) Remuneration of employees and directors:

1. The percentage or scope of remuneration of employees and directors as set out in the Articles of Incorporation: If the Company makes profits in the year, it shall contribute no less than 3% of the profits as the remuneration of employees and no more than 3% as the remuneration of directors. However, if there are accumulated losses, the amount of margin cover shall be reserved in advance.
2. If there is any difference between the valuation basis of the amount of remuneration of employees and directors, the calculation basis of the number of shares of employees' compensation distributed by shares and the actual distributed amount and the valuation amount, then the accounting treatment: If there is any difference between the amount of the remuneration of employees and the remuneration of directors estimated by the Company according to the Articles of Incorporation and the actual distributed amount decided by the board of directors, it will be classified as the profits and losses of the next year.
3. Approval of the distribution of remuneration by the Board of Directors:
  - (1) Amount of employees' and directors' remuneration distributed in cash or shares: The distribution of employees' and directors' remuneration in 2022, which was approved at the board meeting, is as follows: It was proposed to distribute NTD 40,000 thousand in cash as remuneration to employees and NTD 8,000 thousand as remuneration to directors. There is no difference between the amounts of the aforementioned employee remuneration and director remuneration to be distributed as resolved by the Board of Directors and the expenses recognized in 2022.
  - (2) The amount of remuneration distributed to employees in shares as a percentage of the sum of after-tax profits and total employee remuneration as stated in the standalone or individual financial report for the current period: The Company did not propose to distribute remuneration in shares to employees.
4. The actual distribution of employee remuneration and director remuneration in the previous year (including the number of shares distributed, amount, and stock price), and for any discrepancy from the recognized employee remuneration and director remuneration, if any, the difference, reason, and handling of such difference shall be detailed: The actual distribution amounts of employee remuneration and director remuneration in 2021 were NT\$43,000 thousand and NT\$10,000 thousand, respectively, which was not different from the estimated amount recognized in 2021.

(ix) Situation where the Company repurchases its shares: None.

II. Issuance of corporate bond: None.

III. Issuance of preferred shares: None.

IV. Issuance of overseas depository receipts: None.

V. Issuance of employee stock options: None.

VI. Issuance of new shares in connection with mergers/acquisitions or the receipt of shares transferred by other companies: None.

VII. Implementation of capital utilization plans: None.

## V. Operation profile

### I. Business content

#### (I) Business Scope

##### 1. The main business operation of the Company

The maintenance, trading, research and development, design, manufacturing, processing, and assembly of semiconductor equipment, optoelectronic equipment, and parts.

##### 2. Operating proportion

Unit: NTD 1,000

Product Business/Items	The 2022 (Consolidated)	
	Amount of net operating income	Amount of net operating income
Cleaning income	2,249,790	94
Trading income	138,294	6
Labor service income	4,680	-
Total	2,392,764	100

##### 3. The main products (services) of the Company currently

- ◆ Precision cleaning and reprocessing of manufacturing equipment
- ◆ Sales of manufacturing equipment, industrial equipment, and components.
- ◆ R&D, design, manufacturing, processing, and assembly of process equipment and components.
- ◆ Import and export trade business of process equipment and parts.
- ◆ Others

##### 4. New products (services) to be developed by the Company

R&D project	Intended use
1. ALD Coating for Y2O3 & Al2O3	Improve the customer's production yield and prolong the life of the workpiece through the research and development of ALD coating technology, reducing the porosity of the coating, and increasing the adhesion.
2. ESC debound and bound	Strive to help customers realize the effort of cost down and enhance the Company's competitiveness through the research and development of ESC debound & bound.

#### (II) Industry profile

##### 1. Current status and development of the industry

###### (1) Semiconductor industry

###### (A) Global semiconductor industry development

The Market Intelligence & Consulting Institute (MIC) of the Institute for



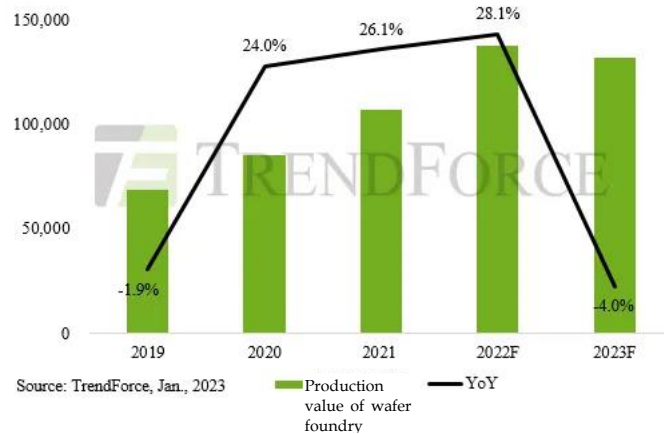
Information Industry pointed out that although the growth momentum of global semiconductors in 2022 was an extension from the year of 2021, however, due to factors such as demand reversals, inflation, and wars, the consumer market had declined with a growth less than expected. The market scale in 2022 was estimated to be US\$605.6 billion with a growth rate of 8.9%. In the prospect of 2023, the external environmental factors have not yet been eliminated, the buying momentum in the consumer market continues to be sluggish, and the buying power is weak due to the high inventory level of the supply chain industry; therefore, the global market size is predicted to be US\$608.6 billion, a mere 0.5% growth. Ker-Hsin Yang, an industry analyst of the MIC, pointed out that inventory consumption and memory production capacity in idling will continue until the first half of 2023, affecting the performance of the semiconductor market in 2023.



The World Semiconductor Trade Statistics Organization (WSTS) predicts that global semiconductor revenue may drop to US\$556.5 billion in 2023, a decrease of 4.1% from the year of 2022; memory revenue may decrease by 17%, which could be the product with the most severe decline. In terms of regions, WSTS estimates that the US market revenue is expected to grow by 17%, which will be the region with the highest growth generated; the European and Japanese market revenues will also grow by 12.6% and 10% respectively; while the Asia-Pacific market revenue may decrease by 2%, will be the region with the worst performance resulted.

TrendForce estimates that the demand for mature and advanced wafer foundries in the first quarter will continue to be adjusted down. The capacity utilization rate in the first half of the year is disappointing. In the prospect of the second half of the year, although some products with an earlier inventory depletion cycle may have orders received at the end of the year; however, the global political and economic environment remains with variables, and the recovery rate of capacity utilization may not be as fast as expected. The output value of wafer foundry will decrease by about 4% in 2023, which is a decline worse than that of in 2019.

Figure. Estimated Production Value of Global Wafer Foundry from 2019 to 2023 (Unit: USD million)



Overall, after a year-long inventory depletion period, some finished products are expected to resume the momentum of inventory replenishment for welcoming the peak season at the end of the year. According to TrendForce, the momentum of stocking will be driven by few products with unique specifications and the demand for urgent orders starting from 2023Q2; also, the utilization rate of 8-inch and 12-inch production capacity will go up significantly starting from the third quarter. However, since the development of macroeconomy remains unclear, the overall increase may be limited, and it will be difficult to resume the full capacity shortly.

Benefiting from subsidies provided by the government in many countries, fabs will move towards localization, and the mid-to-long term supply and demand of wafer foundries will gradually shift to the layout of multiple production capacities in various regions. According to TrendForce statistics, there will be more than 20 new fabs planned worldwide in recent years, including 5 units in Taiwan, 5 units in the United States, 6 units in China, 4 units in Europe, and 4 units in Japan, South Korea, and Singapore.

The awakening realization of localized production as geopolitics promoted has made semiconductor resources gradually become strategic materials for many countries. In addition to considering business operation and cost structures, wafer foundries also have to consider the government subsidy policies, meeting customers' localized production needs, and maintaining a balanced supply and demand; therefore, the diversification of future products and pricing strategies are the key to the operation of wafer foundries.

## (B) Semiconductor industry development in China

China has been ambitious in developing the semiconductor industry for years with several billions of US dollars invested so far. However, International Data Corporation (IDC), a market research organization, bluntly states that China's semiconductor manufacturing process is at least 3 or 4 generations behind its opponents due to the US's hindering China's technology industry; therefore, there remains a long way to go for China to be semiconductor independence.

The technological confrontation between the United States and China is intensive, and Washington has issued a series of control measures to contain China's semiconductor development. The U.S. government has announced a series of chip export control measures; therefore, the U.S. companies may not export advanced chips and related manufacturing equipment to China without

the government's permission, including chips manufactured in other countries with the U.S. technology used. Unprecedented sanctions The semiconductor industry and storage industry of China have been hit hard, including advanced manufacturing logic chips and AI chips foundry.

Allen Cheng, the director of the Zicheng PwC Taiwan (Technology Industry Research Center), points out that there remains a big gap between China's IC design industry and the United States and Taiwan, the wafer foundry industry compared with Taiwan and South Korea, and the wafer packaging and testing industry compared with Taiwan. Even though China's mature manufacturing processes is enhancing, the research and development of advanced manufacturing processes is limited due to the difficulty of obtaining EUV lithography machines, insufficient R&D personnel, and the continued sanctions against the development of advanced manufacturing imposed by the United States; therefore, the advanced manufacturing process of China's semiconductor industry is limited in-depth and speed.

#### (C) Semiconductor industry development in Taiwan

The semiconductor industry in Taiwan has officially entered the new generation of 3nm mass production in 2023. The Industrial Technology Research Institute estimates that the total output value will be as high as NT\$5 trillion, with an annual growth rate of about 6.1%, which is not only far better than the potential global recession rate of 3.6% and will reach the major milestone of NT\$5 trillion ahead of the schedule.

ITRI IEK pointed out that Taiwan's semiconductor industry was still benefiting from AI, IoT, automotive, high-performance computing (HPC), and other innovative applications in 2022 to drive growth, to effectively breakthrough the historical record high of NT\$4.7 trillion, and the annual growth rate reached 15.6% in 2022. ITRI's statistics on Taiwan's semiconductor industry includes IC design, IC manufacturing, and IC packaging and testing.

ITRI points out that Taiwan's semiconductor industry is highly developed with the advantages of clustering that allows the industry to focus on next-generation innovative products and application services, and takes Taiwan as the global headquarters of core value to drive the ecological chain development of the semiconductor industry. It is concluded by observing the growth momentum of semiconductors that the growing demand will rely on the emerging applications, especially the future growth momentum relates to vehicles and metaverses, which will lead the major manufacturers to focus on HPC.

## (2) Photoelectric industry

The global political and economic environment remain in the haze of the Russia-Ukraine war and high inflation in 2023, and the weak economy will continue to have an impact on TV sales. TrendForce predicts that global TV panel shipments will drop by 2.8% in 2023, so for 264 million units only, a three-year low. China's TV panel market share is as high as 70%, while Taiwan's two major panel manufacturers will secure 20% market share

Chinese panel makers with massive LCD production capacity are expected to corner 70.4% market share of LCD TV panel in 2023. Boe Technology Group Co., Ltd., TCL China Star Optoelectronics Co., Ltd., and HKC are the top three LCD TV panel providers in 2023, and the centralized supply has further helped enhance the importance of Chinese panel suppliers. Innolux Corporation has benefited from the transfer of orders from Nanjing CEC Panda LCD Technology Co., Ltd. due to the convergence of its 38.5-inch products, which is estimated to be with a market share of 14.1% in 2023. AUO's market share will slightly increase to 5.2% due to the increase in orders from major customers. The market share of the Innolux Corporation and AUO is around 20%.

年度	2019年	2020年	2021年	2022年	2023年 (估)
出貨量 (億片)	2.89	2.74	2.70	2.72	2.64
年成長率(%)	-0.10	-5.40	-1.40	0.80	-2.80

資料來源：TrendForce  
製表：袁顯庭

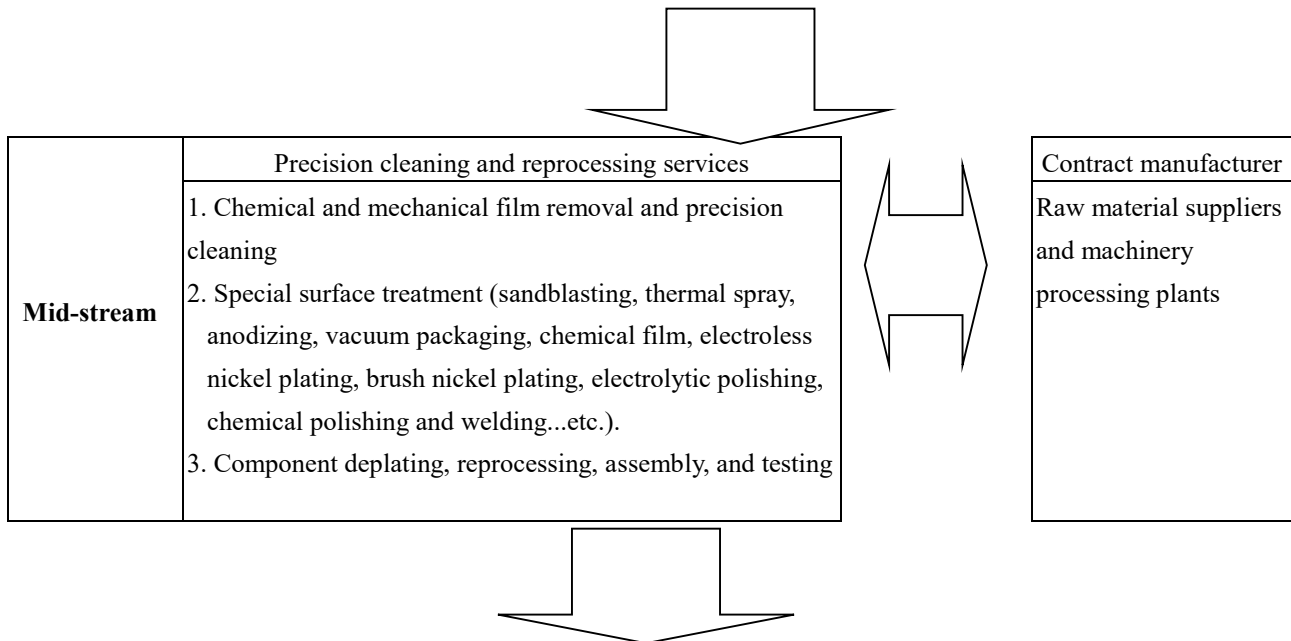
Annual	2019	2020	2021	2022	2023
Shipments (100 million pieces)	2.89	2.74	2.70	2.72	2.64
Annual Growth Rate (%)	-0.10	-5.40	-1.40	0.80	-2.80

Source: TrendForce  
Watchmaker: Yuan Haoting

## 2. The correlation of the up-, mid-, and down-stream of the industry

The correlation of the up-, mid-, and down-stream industry of semiconductor and optoelectronics is summarized as follows:

Semiconductor and optoelectronic industry			
Upstream	Process machine equipment	Machine parts	Type of materials
	Diffusion equipment, lithography, etching equipment, PE CVD equipment, Sputter, PVD equipment, vacuum equipment, and pump	Sputter, carriers, electrode plate, shower head, susceptor, heater, ceramic ring, dome, Liners, fittings, cover bellow, and buffer plate.	Aluminum alloy, stainless steel, titanium alloy, ceramic, quartz, and glass



Down stream	Semiconductor factory	Photoelectric plant	Solar cell factory	Equipment manufacturer	OEM factory
	TSMC, UMC, Winbond, Nanya, Micron Wafer, Macronix International Co., Ltd, PSMC, Micron Technology Inc., Siliconware Precision Industries Co., Ltd, ASE, Win Semiconductors, and Vanguard International Semiconductor Corporation	AUO, Innolux, Hannstar, AGC, TCE, HannsTouch, and E Ink	Motech and United Renewal Energy Co., Ltd.	Applied Materials, Inc. (USA), ULVAC, Branchy Technology Corp., AFC, TECO, YAC, UNAXIS, TEL, and LAM. · UNAXIS · TEL · LAM °	Foxsemicon Integrated Technology Inc., Marketch International Corp., China United, Philips (Singapore), and DAWOO (Korea)

### 3. Product development trends

TrendForce, a global market research organization, has compiled top-ten technological trends for the development of the technology industry in 2023 that has caught the attention of the market. The top-ten trends are:

- ◆ The advanced process of wafer foundry is converting to the transistor structure, and the mature process is focusing on the diversified development of special processes.
- ◆ The effort is on cultivating automotive IC design with the third type of semiconductors emerging.
- ◆ The new generation of DRAM memory chip is gradually taking shape, and NAND Flash is with the development of more than 200-layer technology accelerated.
- ◆ The development of automotive-standard MLCC (Multi-layer Ceramic Capacitor) is accelerating due to the increase in the penetration rate of advanced driver assistance systems.
- ◆ The transformation of transportation electrification is accelerated due to the requirements for carbon neutrality. The battery war for electric vehicles continues, and the cost issue becomes the frontline issue after the cancellation of subsidies.
- ◆ Production capacity and technology are gradually catching up, and the influence of Chinese panel makers on the small-size AMOLED market is expanding.
- ◆ TVs and vehicle displays will become the two key applications to help promote the market penetration of Mini LED backlights, while Micro LED will be with more diverse application scenarios emerging.
- ◆ In the prospect of 2023, the market share of 5G smartphones is expected to officially exceed 50%.
- ◆ AR/VR products become important in green production, which helps accelerate the prevailing of Metaverse.
- ◆ Global 5G FWA large scale commercial use will be realized in 2023, which helps accelerate the prevailing of home broadband.

### 4. Product competition

Currently, Ares Green Technology Corporation, Mitsubishi Chemical Taiwan Co., Ltd., HTC & Solar Tech Service Limited, KTT Precision Cleaning Service, Unicom, and Quantum Corporation in Taiwan are competing for the precision cleaning and reprocessing of the machines and components used by the semiconductor and optoelectronic industries. The Company is focusing on the development of PVD equipment and machine parts precision cleaning and reprocessing services. For the process of the semiconductor industry and the optoelectronic industry, the Company is the current market leader in the precision cleaning and reprocessing services market for PVD equipment components.

## (iii) Overview of technology and R&D

### 1. Technical level and research development of the business

At present, the Company provides precisely regenerative flushing of workpieces as the main services. This can effectively improve the service life of the client workpiece and improve its process yield, which obviously brings added value to the cost control of the client. In the future, the client will continue to reduce the maintenance cost of

the workpiece year by year. To comply with this trend, the Company will continue to increase R&D investment to enhance the added value of the service. The specific measures are as follows:

A. Enhance R&D strength

- a. Attract excellent R&D talents with the increased OTC popularity.
- b. Properly cooperate with academic and research institutes to shorten the development period of technology and processing equipment.

B. Accumulate R&D capability

- a. Strengthen overseas market expansion and cooperation with international equipment manufacturers to improve R&D capability.
- b. Plan to present past and future research and development results by patent application at the proper time to strengthen the company's long-term competitive niche.

2. R&D expenses in the most recent year and up to the date of publication of the annual report:

The R&D personnel of the Company are organized in grouping mode for the special project. The R&D Department is set under President Room and Wang Zhili, the President serves as the Process R&D Director. Process personnel are grouped to form the R&D Department.

Unit: the number of people

Item		By the end of 2021		By the end of 2022		As of March 31, 2023	
		Number of people	%	Number of people	%	Number of people	%
Distribution of education	Doctoral Degree	0	0%	0	0%	0	0%
	Master Degree	3	18%	4	17%	4	17%
	College Degree	8	47%	13	57%	13	57%
	Junior College Degree	3	18%	3	13%	3	13%
	High-school Degree	3	18%	3	13%	3	13%
	Total	17	100%	23	100%	23	100%
Average years (year)		9.74		8.12		8.37	

R&D expenses in the recent five year:

In the form of special projects, the Company will convene R&D projects by the

R&D Department under the President Room, and the relevant expenses will be attributed to R&D expenses.

Unit: NTD 1,000; %

Items	2018	2019	2020	2021	2022
R&D expenses	22,419	28,827	35,063	40,177	64,492
Net revenue	1,858,922	2,151,647	2,064,156	2,136,895	2,392,764
Proportion in net revenue (%)	1.21	1.34	1.70	1.88	2.70

### 3. Technology or product successfully developed in the most recent year

Year	R&D achievements
2018	Research on the mechanism analysis and application properties of metal coating and rare earth metal oxide coating: Know the best process conditions and enhance the competitiveness of SHIH HER through systematic analysis and research.
2019	Development of special aluminum alloy wire and research on coating application properties: Develop new aluminum alloy wire and melting technology through systematic analysis and research. The aluminum alloy thermal spray is used for replacing pure aluminum thermal spray to improve the thermal spray quality and prolong the service life of the workpiece; master the key technology of aluminum thermal spray to enhance the competitiveness of SHIH HER.
2020	With the key thermal spray technology of YOF, the service life of high-order dry etching process workpieces is extended, thus reducing the overall flushing cost.
2021	Through development of Atmospheric Plasma Spray technology, the porosity of the coating is reduced and the adhesive force is increased, to improve the customer's production yield and prolong the life of the workpiece.
2022	By researching and developing shower head and ceramic plate bonding technology, the Company reduced costs for customers and increased the revenue of the Company.

#### (IV) Long-term and short-term business development plan

##### 1. Short-term business plan development

- Optimize the product mix and increase the revenue percentage generated from the cleaning and reprocessing services provided to the semiconductor advanced process industry.
- Continue to maintain and expand the existing market share in China and Taiwan.
- Enhance operational efficiency and improve the quality of cleaning and reprocessing services, shorten the lead time of workpieces, and increase competitiveness and net profit.



2. Long-term business plan development
  - Continue to expand the cooperation with new customers and equipment manufacturers.
  - Set up an anodizing plant to provide customers with one-stop comprehensive cleaning, processing, and anodizing services.
  - The Chinese territory continues to grow, covering the customers in South China, Central China, and West China.

## II. Market and sales profile

### (i) Market analysis

#### 1. Sales (supply) regions of major commodities (services)

Unit: NTD 1,000

Regions	2021 (consolidated)		2022 (consolidated)	
	Sales amount	Operating proportion	Sales amount	Operating proportion
Taiwan	1,619,242	76%	1,857,179	78%
China	517,653	24%	535,585	22%
Total	2,136,895	100%	2,392,764	100%

#### 2. Main commodity (service) market share

Currently, Ares Green Technology Corporation, Mitsubishi Chemical Taiwan Co., Ltd., HTC & Solar Tech Service Limited, KTT Precision Cleaning Service, Unicomp, and Quantum Corporation in Taiwan are competing for the precision cleaning and reprocessing of the machines and components used by the semiconductor and optoelectronic industries. The Company is focusing on the development of PVD equipment and machine parts precision cleaning and reprocessing services. For the process of the semiconductor industry and the optoelectronic industry, the Company is the current market leader in the precision cleaning and reprocessing services market for PVD equipment components.

#### 3. The future market supply and demand and growth:

##### (1) The future market supply and demand:

The precision cleaning industry mainly provides precision cleaning and reprocessing services for process equipment used by the semiconductor industry, optoelectronics industry, and solar energy industry. The market supply and demand status changes steadily; the relationship between precision cleaning and reprocessing manufacturers and customers is based on mutual trust, reliability, on-time delivery, and other long-term business foundations. The precision cleaning manufacturers and reprocessing manufacturers will set up factories in accordance with the construction location and schedule of customers in order to provide localized services and to increase cleaning supply capacity. The customer's future

demand is based on the progress of factory expansion and mass production for each generation of products; also, the volume of equipment and components required cleaning service will grow as well.

#### (2) Market growth

The semiconductor industry and the optoelectronic industry in Taiwan will focus on expanding the 12-inch wafer fabs and six-generation panel lines in the future. Under the consideration of professional division of labor and economies of scale, the division of labor in the factory will inevitably be more detailed, causing the demand for outsourcing to grow. The increase in the size and precision of equipment and components will cause the demand for professional cleaning by professional manufacturers to grow. In addition, cleaning manufacturers can help improve the life of parts and components through surface treatment, which can help increase the added value of cleaning manufacturers and it can then become a source of market growth momentum.

Another source of market growth comes from the demand for factory expansion in mainland China. Since the precision cleaning industry is currently a unique business model derived from the professional division of the domestic semiconductor industry and the optoelectronic industry, in response to the Chinese government's listing the integrated circuit industry as a strategic and leading industry, the investment in constructing semiconductor fabs and panel factories in China will surge even further. For the sake of being competitive internationally after entering the mature stage of the industry, it is inevitable to have Taiwan's professional division of labor model replicated in mainland China. The development of Taiwan's precision cleaning industry in mainland China will become another growth factor for the precision cleaning market.

#### 4. Competitive niche

##### (1) Industry oligopoly, high entry barriers for competitors

Currently, the cleaning and reprocessing costs of equipment and components account for a low proportion of the operating costs of the semiconductor and optoelectronic industries, but the cleanliness affects the production yield significantly. The semiconductor and optoelectronic plants usually only choose 1 or 2 manufacturers to cooperate for the advantage of easy management. The long-term cultivation and word-of-mouth in this industry have an industry oligopoly phenomenon formed eventually, which becomes the entry barrier to late comers.

##### (2) The threshold of scale economy and professional division of labor

Due to the increasing complexity and different specifications of semiconductor, optoelectronic, and solar process equipment, it is difficult for semiconductor, optoelectronic, and solar companies to achieve return on investment when evaluating their investment in precision cleaning and reprocessing equipment costs and human resources; therefore, professional cleaning and reprocessing companies

have achieved economic scale and benefited through professional division of labor relatively easy. Therefore, cleaning and reprocessing companies invest in different specifications of cleaning equipment and technologies, achieve economies of scale through professional division of labor for the realization of a win-win situation. Therefore, major semiconductor and optoelectronic manufacturers have their cleaning operation outsourced to effectively reduce maintenance costs. Professional cleaning and reprocessing manufacturers may continue to invest resources through the practice of economies of scale and professional division of labor.

(3) Localization of cleaning services

Semiconductor and optoelectronic equipment are moving towards large-scale operations, and the size and precision of related equipment and components are large and complicate, which makes transportation and handling difficult, resulting in the needs for localized cleaning services. The factors of service and quality become crucial to the success of the professional cleaning manufacturers.

5. Advantages and disadvantages of future development and the countermeasures

(1) Advantages

- A. The requirements of experience and long learning time become entry barrier to later comers.
- B. The division of labor in the semiconductor and optoelectronic equipment industries becomes more specific and professionalized, and the professional cleaning manufacturers have secured their position in competition.
- C. The repaid growth of semiconductor and optoelectronic industries in the Asia-Pacific region will drive the growth of related peripheral industries.

(2) Disadvantages and countermeasures

- A. The company is not well-known and the cultivation and recruitment of talents is difficult.

Countermeasures:

Enhance the Company's institutionalized management and increase the Company's popularity to recruit suitable talents in order to help the Company enhance the technology continuously.

- B. The development of semiconductor and optoelectronic industries is accelerating.

The precision cleaning industry needs to cooperate with the development of semiconductor and optoelectronic industries, including the demand for active factory expansion. The equipment and technology must be upgraded in response to the increase in the precision and size of the manufacturing equipment, which placing pressure on the Company's capital expenditure.

Countermeasures:

Increase industrial scale and deepen the effect of economies of scale through

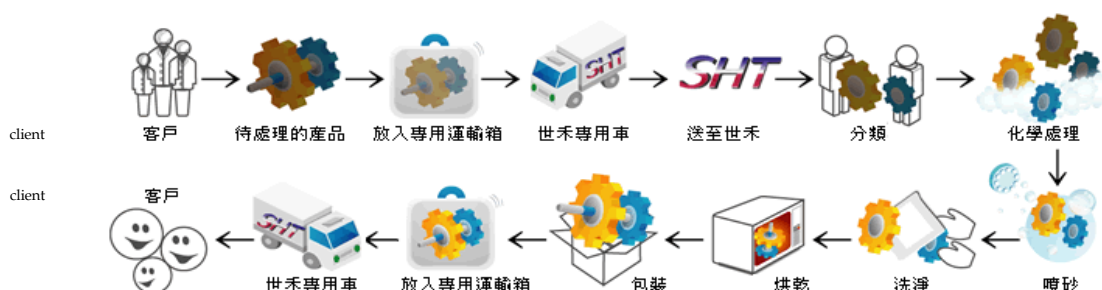
strategic alliances and mergers and acquisitions.

(II) Intended use and production processes of main products

1. Intended use of main products

The Company’s main operations are precision cleaning and reprocessing services with an aim mainly on the precision cleaning and reprocessing services of the process machine and components used by semiconductor, optoelectronic, and solar industries. The precision cleaning and reprocessing service provided by the Company can help improve the service life of equipment and components and can help reduce the frequency of purchasing new components. In addition, the Company’s short cleaning time can also help reduce the spare parts inventory costs of customers effectively.

1. Main product production process



(III) Supply of main raw materials

The Company’s business is mainly focusing on providing precision cleaning services to the equipment and components of the semiconductor and optoelectronic industry. The cost of raw materials in the cleaning process accounts for a low percentage of production costs. The main raw materials are divided into four categories: Sand materials, chemical raw materials, metal wires, and packaging materials. The raw materials can be obtained in Taiwan or overseas, and the Company has 2~3 suppliers for each type of raw materials with a stable supply secured.

Key raw material	Intended use	Suppliers
Sand material	The high-pressure sandblasting surface treatment is intended for removing deposits.	Stable and good
Chemical materials	The surface treatment is processed with special chemical liquid used.	Stable and good
Metal wire	Stabilize and protect the surface strength of the treated items.	Stable and good
Packaging Materials	Packaging of finished products and special protective packaging materials required in the manufacturing process	Stable and good

(iv) Customers whose sale amount accounted for more than 10% of the net amount of purchase (sales) in any of the last two years

(1) Major suppliers whose purchase amount accounted for more than 10% of the purchase

net amount in any of the last two years: No single customer has purchase rate more than 10% in the Company.

- (2) Data of customers whose sale amount accounted for more than 10% of the total sale amount in the whole year of any of the last two years:

Unit: NTD 1,000; %

Items	2021				2022			
	Name	Amount	Proportion in net sales of the whole year [%].	Relationship with the issuer	Name	Amount	Ratio to net sales of the whole year [%].	Relationship with the issuer
1	Customer B	550,350	26	None	Customer B	611,688	26	None
3	Customer A	224,025	10	None	Customer A	Less than 10%		
4	Others	1,362,520	64	None	Others	1,781,076	74	None
	Net sales	2,136,895	100		Net sales	2,392,764	100	

Note: If the name of the customer is not allowed to be disclosed due to the contract, or the transaction object is an individual and not related person, the code shall be used instead of name.

- (v) Form of the production volume and value in the last two years

Unit: 1,000 workpieces; NTD 1,000

Year Production volume and value Main products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Precisely regenerative flushing	2,688	2,100	2,016,773	2,688	2,010	2,249,790
Others			120,122			142,974
Total	2,688	2,100	2,136,895	2,688	2,010	2,392,764

- (vi) Form of sales volume and value in the last two years

Unit: 1,000 workpieces; NTD 1,000

Year Sales volume and value Main products	2021				2022			
	Sold at home		Sold abroad		Sold at home		Sold abroad	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Precisely regenerative flushing	1,244	1,499,120	856	517,653	1,272	1,714,205	820	535,585
Others	-	120,122	-	-		142,974		
Total	1,244	1,619,242	856	517,653	1,272	1,857,179	820	535,585

III. Information of employees in the most recent two years and up to the date of publication of the annual report

Unit: the number of people

Year		2021	2022	March 31, 2023
Number of employees	Direct employees	522	578	552
	Indirect employees	217	202	197
	Sales management personnel	260	257	267
	R&D personnel	17	23	23
	Total	1016	1060	1039
Average age (age)		37.37	37.22	37.34
Average service years		5.13	5.69	5.85
Proportion of the distribution of education	Master/ Doctoral Degree	2%	2%	2%
	College Degree	19%	21%	20%
	Junior College Degree	10%	13%	14%
	High-school Degree	60%	53%	52%
	Below High-school Degree	9%	12%	12%

IV. Environmental expenditure information

(1) The losses suffered due to environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the discipline date, the Disciplinary Doc. No., the violation of specific laws and regulations, the content of violations of laws and regulations, and the content of punishment should be detailed) in the most recent year and up to the prospectus publication date:

Date	Disciplinary Doc. No.	Factory	Violation of specific laws and regulations	Violation committed	Penalty amount/NTD
6.13. 2022	Huan-Shui-Shui-Tsai-Zi No.:30-111-100016	Guangfu Factory	Article 4 of the "Water Pollution Control and Test Reporting Management Regulations" and Article 18 of the "Water Pollution Control Act"	Cause of action: The Environmental Protection Bureau of the local government delegate personnel to your Guangfu factory for an on-site inspection in accordance with the watched-list of the Environmental Protection Administration (Doc. No.: Huan-Su- Shui -Zi No. 1111052716) on June 13, 2022 (address: No. 329, Shin-Sheng Lot, Chong-Sheng Section, Hukou Township, Hsinchu County). The inspector found that the layout of the wastewater treatment plant on the first floor was different from the site, and the size and material of the	10,000

Date	Disciplinary Doc. No.	Factory	Violation of specific laws and regulations	Violation committed	Penalty amount/NTD
				KOH collection tank and sedimentation tank were different from the “Water Pollution Control Measure;” also, the field reading value of T01-07, T01-08, and T01-09pH had exceeded the range of water quality parameters listed in the “Water Pollution Control Measure;” and T01-07~T01-09 polymer on-site were found with drug added differing from the record of the “Water Pollution Control Measure.”	
1.26.2022	Huan-Kong-Wu-Tsai-Di-Win No.: 21-111-030002	Transport Department	Article 5 of the “Air Emission Standards of Mobile Sources,” Article 3, Paragraph 1, Item 3-1 of the “Guidelines for Mobile Pollution Source Violation of the Air Pollution Control Act Penalty,” and Article 46, Paragraph 1 of the Air Pollution Control Act.	Cause of action: We conducted a visual inspection on the opposite side of No. 24-18, Zhong-Ron Li, An-Ding District of this city on December 22, 2021, and we found that the 3*8-TD trucks of yours that were made in December 2007 (Phase 4) were with the risk of air pollution. The Environmental Protection Bureau notified you to come for inspection before February 14, 2022 according to Article 46, Paragraph 1 of the Air Pollution Control Act. The trucks had arrived at Diesel Vehicle Smoke Exhaust Inspection Station in Liouying of this Bureau for inspection on January 26, 2022. The test result showed that the black smoke reached 1.3m-1, which exceeded the limit value stipulated in Article 5 of the Air Emission Standards of Mobile Sources - the emission standard between October 1, 2006 and December 31, 2011 was 1.0m-1.	5,000
3.2.2022	Nan-Shi-Lao-An-Zi Document No.: 1120223784	Tainan Plant	Violation of Article 6, Paragraph 1 and Article 37, Paragraph 2 of Occupational Safety and Health Act, for which a fine of NTD 100,000 and NTD 60,000 was imposed, respectively, according to Article 43, Subparagraph 2 of the Act	Subject: On March 24, 2021, an occupational accident involving hospitalization occurred at the Tainan Plant. The plant failed to notify the labor inspection agency within 8 hours. A targeted examination for injury or sickness benefits under labor insurance carried out in accordance with Letter Lao-Zhi-Bei-I-ZI No. 1111065151 dated December 7, 2022, and the occupational safety and health inspection conducted by the Occupational Safety and Health Department, Labor Affairs Bureau of Tainan City Government on January 3, 2023, found the following violations:	160,000

Date	Disciplinary Doc. No.	Factory	Violation of specific laws and regulations	Violation committed	Penalty amount/NTD
				1. When a worker was washing workpieces, the acid-mixed solution entered through the damaged protective glove, causing a second-degree burn to the right thumb of the worker. 2. The employer failed to notify the labor inspection agency within 8 hours after an accident with more than one person injured and requiring hospitalization occurring in the workplace of the business entity.	

All of the aforementioned findings were corrected accordingly with the inspection and improvement report submitted to the competent authority for future reference.

(2) Environmental protection expenditures incurred in the most recent year and up to the prospectus publication date

Environmental safety cost (NT\$ 1,000)	2022	January-March/2023
Factory II	3,412	616
Factory III	12,080	2,598
Factory IV	646	123
Factory V	10,631	2,116
Total	26,769	5,453

(3) Material environmental protection capital expenditures expected in the next two years

1. The Company intend to fully comply with the environmental protection regulations during the factory operation period and reduce the probability of abnormal events. There has been no major pollution incident occurred in recent years; therefore, the said improvement has no impact on the Company's earnings, competitive position, and capital expenditure.
2. The Company has been investing in equipment and personnel training needed for reducing industrial pollution constantly. The Company demands all factories to carry out patrol inspections in order to verify whether the pollution control measures meet the conditions of the operation license and whether the equipment is maintained to meet the requirements of environmental protection regulations. The Company will continue to evaluate the investment in making improvements depending on the progress of the pollution improvement.

#### V. Employer-employee relationship

1. The Company's various employee welfare measures, further education, training, and retirement systems and their implementation, as well as labor management agreements and various employee rights protection measures:

(1) Welfare measures and relative implementation



Pay the insurance for labor and health, marriage subsidies, etc.; build staff dormitories and pay fees for employee education and training, etc.; 0.15% of monthly sales income and 40% of monthly bottom income shall be allocated to employee welfare fund; besides, regularly pay expenses for activities including staff leisure travel, annual gifts, ball games and so on.

(2) Implementation of employee further education and training

To improve the quality of employees and strengthen the work efficiency and quality of employees, the Company will implement the guidance and training of job content once employees join the Company. During the term of office, the Company will also provide employees with professional education and training (including internal and external training) or further study opportunities according to the job requirements of employees from time to time. And it will log the actual education and training received by employees into the management, achieving the training of professionals and effective development and utilization of talents.

A. Corporate governance training for managers

Title	Name	Course Title	Course hours	Date
Accounting Manager	LIN, CHIN-YUAN	Advanced study courses for accounting supervisors of security issuer and TWSE	12 hours	9/22/2022~9/23/2022
Deputy Manager of Auditing	CHEN, MING-LI	Stock Affairs Regulations and Shareholders Meeting Practice Seminar Legal Compliance Audit of Corporate Social Responsibility and Sustainability Report	6 hours 6 hours	4/14/2022 - 9/15/2022

B. Staff education and training

Course title	Attendance	Course hours	Fees (NTD)
ISO45001/CNS45001 Environmental Safety and Health Management System Study	1	3	332,786
Non-construction industry occupational safety and health education and training for 6 hours	11	6	
On-job training for Class A labor safety and health supervisors	2	12	
Legal Compliance Audit of Corporate Social Responsibility and Sustainability Report	1	6	
On-job training for crane operators	1	3	
On-job training for operators of stationary cranes with a lifting load of less than 3 metric tons	1	3	
On-job training for safety and health management personnel	1	12	
Training for organic solvent operation supervisors	1	18	
On-job training for organic solvent operation supervisor	3	6	
Preliminary training for fire management personnel	1	12	
On-job training for fire management personnel	1	6	
Crane operators	1	18	
Stock Affairs Regulations and Shareholders Meeting Practice Seminar	1	6	
Preliminary training for paramedics	2	18	
On-job training for paramedics	3	3	
Professional response personnel for toxic and chemical substances of concern (technical level)	7	40	

Course title	Attendance	Course hours	Fees (NTD)
Training for specific chemical substance operation supervisor	1	18	
On-job training for specific chemical substance operation supervisor	4	6	
Training for dust operation supervisor	2	18	
On-job training for dust operation supervisor	7	6	
Special safety and health education and training for operators of high-altitude working vehicles	3	18	
Preliminary training for operators of forklifts with a load of more than one metric ton	4	18	
On-job training for forklift operator	4	3	
Advanced study courses for the agents of the accounting supervisor of security issuer and TWSE	1	12	
Advanced study courses for accounting supervisors of security issuer and TWSE	1	12	
Analysis of laws and regulations and audit focuses of the board of directors and functional committees	1	6	
Information security protection and cloud security audit practice seminar	1	6	
Electromechanical safety protection	1	3	
Radiation protection on-job training	5	3	
Occupational safety management practice	1	3	

C. The situation that personnel related to financial information transparency obtain relevant licenses:

International internal auditor: 1 person for the Auditing Room

Securities Foundation - cooperate internal control certificate: 1 person for the General Management Office, 1 person for the Auditing Room, and 1 person for the Finance Department.

Professional ability test certificate for stock personnel: 2 persons for Finance Department and 1 person for General Management Office.

(3) Retirement system and relative implementation

A. The employee retirement system of the Company follows the provisions of the labor basic standard law. As a result, the Company has formulated the "Employee Retirement Method" and set up a special account for the employee retirement fund. The employee retirement reserve is allocated at 3% of the total salary every month, and this account is deposited in the Central Trust of China.

B. Since July 1, 2005, the Company has consulted the willingness of its employees to adopt the new system or the old system according to the implementation of the new labor retirement system. For those who adopt the new labor retirement system, the Company will allocate 6% of their total salary to the employee's individual pension account every month to ensure their life after retirement.

(4) Protective measures for work environment and personal safety of employees

The labor safety and health of the Company are in compliance with the regulations of the competent authorities, and have obtained ISO14001 and ISO45001 environmental management system certifications, and the Company has formulated "safety and health operation", "emergency response control procedures" and other disaster prevention and rescue precautions, as well as accident and occupational hazard notification procedures,

for all employees to follow.

- A. Safety and health management units and personnel: The Immediate President is responsible for the Environmental Safety Division and allocation of qualified environmental safety personnel, and each plant has qualified first aid personnel to maintain the Company's environment and safety and health issues.
- B. Facility safety: There are equipment maintenance and inspection specifications and procedures for the maintenance of various equipment. Special machines and tools shall be maintained in accordance with the regulations and operated by qualified personnel.
- C. Environmental health: Regular inspection shall be conducted in accordance with the regulations of the competent authorities, and regular health checkups for employees shall be implemented depending on the nature of work.
- D. Education and training: In accordance with the annual education and training plan, we will complete the on-the-job training courses on safety and health for new employees and employees.

(5) Labor management agreements

The industry which the Company engaged in is an industry applicable to the Labor Standards Act, and all operations are based on the Labor Standards Act. The Company has an employee suggestion box to accept complaints from employee comments and to solicit their opinions, which serves as a reference for the improvement of the Company's measures. Since the Company always attaches importance to the employee benefits and the two-way communication with employees, the labor relations are very harmonious, and there have been no labor disputes since its establishment. However, the Company will still strengthen the communication and coordination between labor and management, and make every effort to implement benefit measures to promote more harmonious labor relations, so as to eliminate the possibility of labor disputes.

(6) Code of conduct or ethics for employees

With regard to the code of conduct and ethics for employees, the Company has formulated a number of relevant measures and regulations to govern the ethical concepts, rights, obligations and behavior of employees at all levels. The relevant measures are briefly described as follows:

- A. Approval authority: To improve the efficiency of work, strengthen the hierarchical responsibility management and effectively regulate the work authority of employees at all levels.
- B. Responsibilities of each department: Specify the responsibilities and organizational functions of each unit.
- C. Employee attendance measures: Improve the attendance system and establish good discipline for employees.
- D. Immediate rewards and punishments: Reward or punish employees for their actions or behaviors that result in profits or losses in the Company's operations.
- E. Employee leave method: This method is specially formulated to enable employees to

take leave and ask for leave.

- F. Guidance measures for new employees: In order to enable new employees to eliminate the insecurity of the new environment when they report for duty, and to get familiar with the working environment and personnel as soon as possible, we help new employees to arrange for their productivity within a short period of time, and reduce the turnover rate of new employees.
- G. Dormitory management measures: Regulate the behavior, rights, and obligations of accommodation colleagues.
- H. Business trip management measures: Formulate business trip application process and reporting standards for domestic and foreign employees.
- I. Bonus payment measures: To formulate the method of bonus profit sharing payment of the Company.
- J. Talent development program: Implement on-the-job training and cadre development programs for employees.

(7) Handling of internal material information

SHIH HER company attaches great importance on the management of material information to achieve openness, transparency, authenticity and security of information. In July 2009, the Company's Board of Directors approved the "Operating Procedures for the Handling of Internal Material Information", and the current system regulation and implementation are briefly described as follows:

- A. Payroll cycle system: Managers and employees sign the "Intellectual Property Rights, Non-competition and Confidentiality Consent".
- B. Code of practice for corporate governance : Improve information transparency and establish a spokesperson system.
- C. Document and data control measures: Archives of internal material information of the Company shall be kept in a safe place.
- D. Any institution or personnel other than the Company that participates in the mergers and acquisitions, important memorandum, strategic alliances, other business cooperation plans or the signing of important contracts of the Company have signed a confidentiality agreement, and shall not disclose any internal material information of the Company to others.
- E. System notification: The relevant personnel who are informed of internal material information of the Company shall be notified by means of announcement and signature.

- 2. The losses arising from labor disputes (including the labor inspection results that violate the Labor Standards Act, the discipline date, the Disciplinary Doc. No., the violation of specific laws and regulations, the content of violations of laws and regulations, and the content of disciplinary act should be detailed) in the most recent year and up to the prospectus

publication date, and the disclosure of the estimated amount and response measures that may occur currently and in the future:

(1) Labor inspection results that violate the Labor Standards Act in 2022 and up to the prospectus publication date:

Discipline date	County/City	Disciplinary Doc. No.	Violation of regulations	Statute description	Amount of fine
6/1/2022	Tainan City	Nan-Shi-Lao-An-Zi No. 1110708839	Article 24 of the Labor Standards Act and Article 32, Paragraph 2 of the Labor Standards Act	No overtime wages are paid for extended working hours; and the extended working hours exceed the provisions of laws and regulations.	750,000

(2) Estimated amount that may occur currently and in the future, and the corresponding countermeasures: The Company will have it handled in accordance with relevant laws and regulations, and Article 32 of the Labor Standards Act: Inform employees to be aware of the upper limit of overtime hours; also, there are four shifts a day arranged to increase the number of shifts flexibly.

The Company values the importance of the employees' welfares. There has been no labor dispute so far, nor has the operation affected by a labor dispute. In addition, there is not a potential risk of labor problem currently; therefore, the possibility of the occurrence of a labor dispute is unlikely.

## VI. Cybersecurity management

(I) Describe the cybersecurity risk management framework, cybersecurity policies, specific management plans, and resources invested in cybersecurity management.

1. In order to ensure the security of the Company's and customers' information assets, and in view of the assessment of information security risks, and to protect the rights and interests of the Company and our stakeholders, the Information Department of the Company is responsible for the related information security affairs, formulating information security strategies for the Company, and executing information security audits to implement cybersecurity management. The Information Department is supervised by the director of General Management Office. The head of the Information Department, together with the Software and Hardware Sections, coordinates the Company's affairs.

2. The Company develops information security policies and information security management measures based on the computer cycle in the internal control system and, in accordance with the government laws and regulations, personal information management regulations, etc., collects and analyzes relevant information security laws and regulations from time to time to formulate or revise relevant management measures. We also regularly review required information security-related operations to ensure compliance with security policies.

3. The Company attaches great importance to the control and prevention of information security risks by establishing information security control specifications and systems and implementing strict control measures, such as restricted external network connection by the production department, mandatory approval for the use of external connections, password control for printing and photocopying, network anomaly detection, mandatory application for purchasing information equipment, prohibition of the use of personal storage devices, prohibition of using private equipment to take pictures or recording videos in production areas, and if necessary, enhanced access control, quarterly assessment of the necessity of account use and relevant permissions, and propaganda and explanation of the current information security status and serious information security problems that have occurred recently in the world from time to time.
4. The Company invests resources in cybersecurity management. For the protection of network information security, we build firewalls, detect network threats, prevent email viruses, and filter spams. In terms of endpoint information security, the Company updates Windows (for vulnerability patches) and endpoint anti-virus software when appropriate according to the current situation. With respect to human resources, apart from confirming the operation of software and hardware on a daily basis, simulation exercises for ERP system disaster recovery, internal information cycle audits, and CPAs' audits are conducted every year. As for customer relations, the Company cooperates with customers to automate, accelerate and expand the third-party security assessment and management process (Panorays) in the hope of reducing network risks and data leakage and increasing the level of network security.

(ii) List the loss, possible impact and countermeasures of a material information communication security incident in the most recent year and up to the date of publication of the annual report. If they cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

#### VII. Important contracts

Contractual nature	Parties	Contract starting/ending date	Main content	Restrictions
Long-term loan contract	Hua Nan Bank – Da Chong Branch	1.13.2012 ~ 4.12.2027	Mortgage loans for land and factory	None
Mid-term loan contract	E.Sun Bank – Hsinchu Branch	8.15.2017 ~ 8.15.2026	Mortgage loans for land and factory	None
Mid-term loan contract	Chinatrust Bank	2.23.2021 ~ 8.31.2025	Mortgage loans for land and factory	None
Mid-term loan contract	Yuanta Bank – Hsinchu Branch	11.25.2021 ~ 11.24.2026	Mortgage loans for land and factory	None

## VI. Financial Overview

I. Condensed balance sheet, income statement, and CPAs' audit opinions for the most recent five years

(i) Condensed balance sheet and composite income sheet information - IFRSs

1. Condensed balance sheet - IFRSs

Unit: NTD 1,000

Source: Standalone Financial Report

Item		Year	Financial information in the last five years					As of March 31, 2022 in current year Financial information (not applicable)
		2018	2019	2020	2021	2022		
Current asset			1,096,057	1,150,263	785,836	862,826	859,325	-
Real estate property, plant and equipment (Note 1)			1,242,663	1,165,425	1,212,870	1,425,039	1,635,482	-
Intangible asset			-	-	-	-	-	-
Other assets (Note 1)			-	-	-	-	-	-
Total assets			3,667,807	3,772,129	3,948,236	4,305,635	4,614,265	-
Current liability	Before distribution		401,501	360,879	475,899	571,659	633,748	-
	After distribution		469,630	457,396	600,804	770,371		-
non-current liabilities			558,066	627,073	526,908	494,968	576,128	
Total liabilities	Before distribution		959,567	987,952	1,002,807	1,066,627	1,209,876	-
	After distribution		1,027,696	1,084,469	1,127,712	1,265,339		-
Equity attributable to owners of parent company			2,708,240	2,784,177	2,945,429	3,239,008	3,404,389	-
Share capital			567,749	567,749	567,749	567,749	567,749	-
Capital reserve			679,504	679,504	679,504	611,523	469,586	-
Retained earnings	Before distribution		1,547,685	1,666,604	1,821,006	2,170,276	2,478,384	-
	After distribution		1,479,556	1,570,087	1,696,101	1,971,564		-
Other equities			(86,698)	(129,680)	(122,830)	(110,540)	(80,000)	-
Treasury stock			-	-	-	-	(31,330)	-
Non-controlling equity			-	-	-	-	-	-
Equity	Before distribution		2,708,240	2,784,177	2,945,429	3,239,008	3,404,389	
Total	After distribution		2,640,111	2,687,660	2,820,524	3,040,296		-

Note 1: No revaluation of assets was carried out in the above years.

Note 2: The amount after distribution in 2022 has not been disclosed as of the date of publication of the annual report since the 2023 annual general meeting has not been convened



Unit: NTD 1,000  
Source: Consolidated Financial Reporting

Item	Year	Financial information in the last five years					As of March 31, 2023 in current year Financial information (Note 1)
		2018	2019	2020	2021	2022	
Current asset		1,425,696	1,562,602	1,541,893	1,740,334	1,728,376	1,713,637
Real estate property, plant and equipment (Note 2)		1,776,107	1,813,222	1,951,448	2,245,666	2,532,832	2,569,696
Intangible asset		27	26	-	-	-	-
Other assets (Note 2)		-	-	-	-	-	-
Total assets		3,773,607	3,993,832	4,106,442	4,437,958	4,790,235	4,794,945
Current liability	Before distribution	504,292	576,775	626,814	693,923	789,299	729,859
	After distribution	572,421	673,292	751,719	892,635	(Note 3)	-
non-current liabilities		558,971	630,372	531,482	505,027	582,789	570,600
Total liabilities	Before distribution	1,063,263	1,207,147	1,158,296	1,198,950	1,385,846	1,300,459
	After distribution	1,131,392	1,303,664	1,283,201	1,397,662	(Note 3)	-
Equity attributable to owners of parent company		2,708,240	2,784,177	2,945,429	3,239,008	3,404,389	3,494,486
Share capital		567,749	567,749	567,749	567,749	567,749	567,749
Capital reserve		679,504	679,504	679,504	611,523	469,586	469,586
Retained earnings	Before distribution	1,547,685	1,666,604	1,821,006	2,170,276	2,478,384	2,559,171
	After distribution	1,479,556	1,570,087	1,821,006	1,971,564	(Note 3)	-
Other equities		(86,698)	(129,680)	(122,830)	(110,540)	(80,000)	(70,690)
Treasury stock		-	-	-	-	(31,330)	(31,330)
Non-controlling equity		2,104	2,508	2,717	-	-	-
Equity	Before distribution	2,710,344	2,786,685	2,948,146	3,239,008	3,404,389	3,494,486
Total	After distribution	2,642,215	2,690,168	2,823,241	3,040,296	(Note 3)	-

Note 1: Since 2013, we have officially adopted International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission. The above financial information has been audited and certified by the Certified Public Accountant. The financial information of IFRS adopted in the first quarter of 2022 has been reviewed by the Certified Public Accountant.

Note 2: No asset revaluation has been carried out in the above years.

Note 3: As the shareholders' meeting in 2023 has not yet been held up to the date of publication of the annual report, the amount after distribution for 2022 shall not be filled in temporarily.

## 2. Condensed composite income sheet information - IFRSs

Unit: NTD 1,000  
Source: Standalone Financial Report

Year Items	Financial information in the last five years					As of March 31, 2023 in current year Financial information (not applicable)
	2018	2019	2020	2021	2022	
Operating income	1,281,420	1,450,177	1,449,874	1,571,294	1,804,287	-
Business gross profit	424,672	541,290	585,715	612,123	704,302	-
Business gains and losses	188,342	304,448	327,870	336,174	412,523	-
Non-business income and expenditure	33,415	(30,903)	(1,238)	152,353	31,666	-
Profit before tax	221,757	273,545	326,632	488,527	444,189	-
Net profit of units to continue to operate in the current period	177,098	212,461	251,850	406,626	363,156	-
Losses of units to stop operating	-	-	-	-	-	-
Net profit (loss) in the current period	177,098	212,461	251,850	406,626	363,156	-
Other comprehensive income in the current period (Net amount after tax)	(23,440)	(45,685)	5,919	11,709	32,267	-
Total comprehensive gains and losses in the current period	153,658	166,776	257,769	418,335	395,423	-
Net profit attributable to owners of parent company	177,098	212,461	251,850	406,626	363,156	-
Net profit attributable to non-controlling equity	-	-	-	-	-	-
Total comprehensive gains and losses attributable to owners of parent company	153,658	166,776	257,769	418,335	395,423	-
Total comprehensive gains and losses attributable to non- controlling equity	-	-	-	-	-	-
Earnings per share (EPS)	3.12	3.74	4.44	7.16	6.40	-

Unit: NTD 1,000  
Source: Consolidated Financial Reporting

Year Items	Financial information in the last five years					As of March 31, 2023 in current year Financial information (Note 1)
	2018	2019	2020	2021	2022	
Operating income	1,858,922	2,151,647	2,064,156	2,136,895	2,392,764	574,507
Business gross profit	556,734	718,929	771,602	763,623	888,941	225,252
Business gains and losses	197,872	298,173	334,195	416,898	445,787	103,931
Non-business income and expenditure	25,643	(25,014)	2,783	76,214	29,336	4,932
Profit before tax	223,515	273,159	336,978	493,112	475,123	108,863
Net profit of units to continue to operate in the current period	177,047	212,865	252,059	407,061	363,156	80,787
Losses of units to stop operating	-	-	-	-	-	-
Net profit (loss) in the current period	177,047	212,865	252,059	407,061	363,156	80,787
Other comprehensive income in the current period (Net amount after tax)	(23,440)	(45,685)	5,919	11,709	32,267	9,310
Total comprehensive gains and losses in the current period	153,607	167,180	257,978	418,770	395,423	90,097
Net profit attributable to owners of parent company	177,098	212,461	251,850	406,626	363,156	80,787
Net profit attributable to non-controlling equity	(51)	404	209	435	-	-
Total comprehensive gains and losses attributable to owners of parent company	153,658	166,776	257,769	418,335	395,423	90,097
Total comprehensive gains and losses attributable to non-controlling equity	(51)	404	209	435	-	-
Earnings per share (EPS)	3.12	3.74	4.44	7.16	6.40	1.44

Note 1: Since 2013, we have officially adopted International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission. The above financial information has been audited and certified by the Certified Public Accountant. The financial information of IFRS adopted in the first quarter of 2022 has been reviewed by the Certified Public Accountant.

(ii) Name and audit opinions of the Certified Public Accountants in the last five years

1. Name and audit opinions of the Certified Public Accountants in the last five years

Year	Accounting firm	Name of the Certified Public Accountants	Audit opinions
2018	Deloitte & Touche	SU, YU-HSIU, GONG, SHUANG-SYONG	Unqualified opinions
2019	Deloitte & Touche	SU, YU-HSIU, You Suhuan	Unqualified opinions
2020	KPMG	Chen Zhenqian, Huang Yonghua	Unqualified opinions
2021	KPMG	Chen Zhenqian, Huang Yonghua	Unqualified opinions
2022	KPMG	Chen Zhenqian, Huang Yonghua	Unqualified opinions

2. For any change of CPAs in the most recent five years, please list the reason for the change by the Company and predecessor and successor CPAs:

In response to the need for internal adjustment of Deloitte Taiwan, in the second quarter of 2017, the Company's CPAs, GONG, SHUANG-SYONG and SU, YU-HSIU, were replaced by CPAs SU, YU-HSIU and CHIH, JUI-CHUAN.

In response to the need for internal adjustment of Deloitte Taiwan, in the third quarter of 2018, the Company's CPAs SU, YU-HSIU and CHIH, JUI-CHUAN, were replaced by CPAs SU, YU-HSIU and GONG, SHUANG-SYONG.

In response to the need for internal adjustment of Deloitte Touche, in the fourth quarter of 2019, the Company's CPAs, SU, YU-HSIU and GONG, SHUANG-SYONG, were replaced by SU, YU-HSIU and YU, SU-HUAN.

In light of the Company's future development and internal management, in the third quarter of 2020, the Company's CPAs, SU, YU-HSIU and YU, SU-HUAN from Deloitte Taiwan, were replaced by CPAs CHEN, CHEN-CHIEN and HUANG, YUNG-HUA from KPMG Taiwan.

## II. Financial analysis for the most recent five years

### (i) IFRS - Financial analysis

#### IFRS - Financial analysis of standalone financial report

Source: Standalone Financial Report

Analysis items (Note 3) / Year (Note 1)		Financial information in the last five years					As of March 31, 2023 in current year (Not applicable)
		2018	2019	2020	2021	2022	
Financial structure (%)	Ratio of liabilities to assets	26.16	26.19	25.40	24.77	26.22	
	Ratio of long-term capital to real estate property, plant and equipment	262.85	292.70	286.29	262.03	243.38	
Solvency (%)	Current ratio	272.99	318.74	165.13	150.93	135.59	
	Quick ratio	225.07	293.97	151.15	135.42	116.47	
	Interest coverage ratio	30.18	25.32	39.89	82.39	58.86	
Operation capacity	Turnover rate of accounts receivable (Times)	4.03	5.26	5.27	5.47	6.20	
	Average cash collection days	90.57	69.46	69.25	66.75	58.83	
	Turnover rate of inventory (Times)	4.88	7.13	13.20	13.95	11.91	
	Turnover rate of accounts payable (Times)	15.48	18.25	13.95	11.90	12.21	
	Average sales days	74.79	51.18	27.64	26.16	30.63	
	Turnover rate of real estate property, plant and equipment (Times)	1.01	1.20	1.22	1.19	1.18	
	Turnover rate of total assets (Times)	0.35	0.39	0.38	0.38	0.40	
Profitability	Return on assets (%)	5.04	5.95	6.70	9.97	8.28	
	Return on equity (%)	6.64	7.74	8.79	13.15	10.93	
	Ratio of net profit before tax to paid-up capital (%)	39.06	48.18	57.53	86.05	78.24	
	Net profit rate (%)	13.82	14.65	17.37	25.88	20.13	
	Earnings per share (NTD)	3.12	3.74	4.44	7.16	6.40	
Cash flow	Cash flow ratio (%)	65.34	97.19	116.21	65.54	100.61	
	Cash flow adequacy ratio (%)	119.08	153.02	264.05	164.46	149.29	
	Cash reinvestment ratio (%)	4.52	6.89	12.21	3.28	5.42	
Leverage	Operating leverage	6.80	4.76	4.42	4.67	4.37	
	Financial leverage	1.04	1.04	1.03	1.02	1.02	
<p>Please describe the reasons for changes in financial ratios in the most recent two years: (No analysis is required if the change was less than 20%)</p> <ol style="list-style-type: none"> <li>1. Decrease in interest coverage ratio and net profit margin: Mainly due to the decrease in non-operating revenue and profit.</li> <li>2. Decrease in inventory turnover, increase in payables turnover, and increase in average days in sales: Mainly due to the increase in inventory and operating cost.</li> </ol>							

IFRS - Financial analysis of consolidated financial reporting

Source: Consolidated Financial Reporting

Year (Note 1) Analysis items (Note 3)		Financial analysis in the last five years					As of March 31, 2023 in current year (Note 2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Ratio of liabilities to assets	28.18	30.23	28.21	27.02	28.93	27.12
	Ratio of long-term capital to real estate property, plant and equipment	184.07	188.45	178.31	166.72	157.96	158.19
Solvency %	Current ratio	282.71	270.92	245.99	250.80	218.98	234.79
	Quick ratio	240.19	253.70	231.11	234.02	199.57	212.91
	Interest coverage ratio	30.41	20.23	34.38	77.03	61.70	38.53
Operation capacity	Turnover rate of accounts receivable (Times)	4.07	4.43	4.16	4.58	5.13	5.04
	Average cash collection days	89.69	82.38	87.77	79.68	71.08	72.42
	Turnover rate of inventory (Times)	7.00	10.40	16.53	15.63	12.99	10.56
	Turnover rate of accounts payable (Times)	16.15	14.02	9.50	9.73	11.15	11.4
	Average sales days	52.13	35.08	22.08	23.36	28.09	34.56
	Turnover rate of real estate property, plant and equipment (Times)	1.06	1.20	1.10	1.02	1.00	0.92
	Turnover rate of total assets (Times)	0.50	0.55	0.51	0.50	0.52	0.48
Profitability	Return on assets (%)	4.93	5.77	6.42	9.65	8.01	6.92
	Return on equity (%)	6.64	7.74	8.79	13.16	10.93	9.36
	Ratio of net profit before tax to paid-up capital (%)	39.37	48.11	59.35	86.85	83.69	76.68
	Net profit rate (%)	9.52	9.89	12.21	19.05	15.18	14.06
	Earnings per share (NTD)	3.12	3.74	4.44	7.16	6.40	1.42
Cash flow	Cash flow ratio (%)	77.27	61.15	116.44	81.74	88.74	18.66
	Cash flow adequacy ratio (%)	78.35	88.78	113.57	118.19	117.75	119.73
	Cash reinvestment ratio (%)	8.64	7.06	16.55	10.26	10.54	11.28
Leverage	Operating leverage	9.39	7.22	6.18	5.13	5.37	5.53
	Financial leverage	1.04	1.05	1.03	1.02	1.02	1.03

Please describe the reasons for changes in financial ratios in the most recent two years: (No analysis is required if the change was less than 20%)

1. Decrease in interest coverage ratio and net profit margin: Mainly due to the decrease in non-operating revenue and profit.
2. Increase in cash flow ratio and cash reinvestment ratio: Due to the increase in net cash inflow from operating activities as a result of the use of funds from financial assets measured at fair value through profit or loss.

Note 1 Each above financial information has been audited and certified by the Certified Public Accountant.

Note 2: This rate is converted to a full year.

Note 3: The following calculation formula shall be listed at the end of this table in the annual report:

1. Financial structure

(1) Ratio of liabilities to assets = total liabilities / total assets.

(2) Ratio of long-term capital to real estate property, plant and equipment = (total equity + non-current liabilities) / net amount of real estate property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.

3. Operation capacity

(1) Turnover rate of accounts receivable (including accounts receivable and negotiable instrument receivable arising from business) = net sales / average balance of accounts receivables (including accounts receivable and negotiable instrument receivable arising from business) in each period.

(2) Average cash collection days = 365 / turnover rate of accounts receivable.

(3) Turnover rate of inventory = cost of sales / average inventory amount.

(4) Turnover rate of accounts payable (including accounts payable and negotiable instrument payable arising from business) = cost of sales / average balance of accounts payables (including accounts payable and negotiable instrument payable arising from business) in each period.

(5) Average sales days = 365 / turnover rate of inventory.

(6) Turnover rate of real estate property, plant and equipment = net sales / average net amount of real estate property, plant and equipment.

(7) Turnover rate of total assets = net sales / average total assets.

4. Profitability

(1) Return on assets = [after-tax gains and losses + interest expense × (1 - tax rate)] / average total assets.

(2) Return on equity = after-tax gains and losses / average total equity.

(3) Net profit ratio = after-tax gains and losses / net sales.

(4) Earnings per share = (gains and losses attributable to owners of parent company - dividend on preferred stock) / weighted average number of issued shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from business activities/current liabilities.

(2) Net cash flow adequacy ratio = net cash flow from business activities in the last five years/(capital expenditure + inventory increase + cash dividends) in the last five years.

(3) Cash reinvestment ratio = (net cash flow from business activities - cash dividends)/(gross amount of real estate property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Degree of operating leverage = (net operating income - variable operating costs and expenses)/business gains (Note 6).

(2) Degree of financial leverage = business gains/(business gains - interest expense).

Note 4: For the above calculation formula of earnings per share, the special attention shall be paid to the following items:

1. The weighted average number of ordinary shares shall prevail, rather than the number of shares issued at the end of the year.
2. Where there is a cash capital increase or treasury stock trading, the weighted average number of shares shall be calculated during the circulation period.
3. Where there is a capital increase from earnings or capital reserves, retroactive adjustment shall be made in proportion to the capital increase when calculating the earnings per share for the previous years and semiannual periods, without regard to the issuance period of such capital increase.
4. If the preference shares are non-convertible cumulative preference shares, the dividends (whether paid or not) of the current year shall be deducted from net income after tax or increased by net loss after tax. If the preference share is non-cumulative, the preference share dividends shall be deducted from net income in the case that there is after-

tax profit; if there is a loss, no adjustment is required.

Note 5: For the cash flow analysis, the special attention shall be paid to the following items:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflows from capital investments.
3. The increase in inventories is included only when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends of ordinary shares and preference shares.
5. Gross of real estate property, plant and equipment refers to the total amount of real estate property, plant and equipment before deducting accumulated depreciation.

Note 6: The Issuer shall distinguish each operating cost and operating expense into fixed and variable by nature, and where estimates or subjective judgments are involved, care should be taken to ensure that they are reasonable and consistent.

Note 7: If the Company's shares has no par value or the par value per share is not NTD 10, the above mentioned ratio to paid-up capital shall be calculated based on the ratio of equity attributable to the owners of the parent company in the balance sheet.



# Audit Committee's Audit Report

The Board of Directors prepared the Company's business report, financial statements (including standalone and consolidated financial statements), and earnings distribution proposal for 2022. CPAs CHEN, CHEN-CHIEN and HUANG, YUNG-HUA from KPMG Taiwan have audited the financial statements and issued an audit report with unqualified opinions. The Audit Committee has reviewed the aforementioned business report, financial statements, and earnings distribution proposal and determined that there is no inconsistency and thus provides the information above as required by Article 14-4 of the Securities and Exchange Act and Article 219 of the Company. Please review.

Sincerely,

SHIH HER TECHNOLOGIES INC. 2023 Annual General Meeting

SHIH HER TECHNOLOGIES INC. Audit  
Committee

Convener: CHIA, CHAO-YI

March 14, 2023

IV. Consolidated financial report for the most recent year audited by CPAs: please refer to Appendix I.

V. Standalone financial report of the Company for the most recent year audited by CPAs: please refer to Appendix II.

VI. Effect of any financial distress faced by the Company or any of its affiliated companies in the most recent year and up to the date of publication of the annual report on the Company's financial position: None.

## VII. Review and Analysis of Financial Situation and Financial Performance and Evaluation of Risk Matters

### I. Analysis of finance situation

Unit: NTD 1,000

Items	Year	2021 (Consolidated)	2022 (Consolidated)	Differences	
				Amount	%
Current asset		1,740,334	1,728,376	(11,958)	-0.69%
Property, Plant and Equipment		2,245,666	2,532,832	287,166	11.34%
Other assets		451,958	520,027	68,069	13.09%
Total assets		4,437,958	4,790,235	352,277	7.35%
Current liability		693,923	789,299	95,376	12.08%
non-current liabilities		505,027	596,547	91,520	15.34%
Equity attributable to owners of parent company		3,239,008	3,404,389	165,381	4.86%
Share capital		567,749	567,749	0	0.00%
Capital reserve		611,523	469,586	-141,937	-30.23%
Retained earnings		2,170,276	2,478,384	308,108	12.43%
Other equities		(110,540)	(80,000)	30,540	-38.18%
Non-controlling equity		0	0	0	0%
Total equity		3,239,008	3,404,389	165,381	4.86%
The main reasons and impacts of major changes (including changes by more than 20% and by NTD 10 million or more) are analyzed as follows:					
1. Decrease in capital reserves: Mainly due to the distribution of dividends. The additional capital accumulated over the years was paid back to shareholders in the form of cash dividends.					
2. Increase in other equity: the exchange difference arising from the translation of the financial statements of foreign operations					

### II. Analysis of finance performance

Unit: NTD 1,000

Items	Year	2021 (Consolidated)	2022 (Consolidated)	Differences	
				Amount	%
Operating income		2,136,895	2,392,764	255,869	10.69%
Business gross profit		763,623	888,941	125,318	14.10%
Business gains and losses		416,898	445,787	28,889	6.48%
Non-business income and expenditure		76,214	29,336	-46,878	-159.80%
Profit before tax		493,112	475,123	-17,989	-3.79%
Net profit (loss) in the current period		407,061	363,156	-43,905	-12.09%
Other comprehensive income in the current period (Net amount after tax)		11,709	32,267	20,558	63.71%
Total comprehensive gains and losses in the current period		418,770	395,423	-23,347	-5.90%
Net profit attributable to owners of parent company		406,626	363,156	-43,470	-11.97%
Net profit attributable to non-controlling equity		435	0	-435	0
Total comprehensive gains and		418,335	395,423	-22,912	-5.79%

losses attributable to owners of parent company				
Total comprehensive gains and losses attributable to non-controlling equity	435	0	-435	0
Earnings per share (NTD)	7.16	6.40	-1	-11.88%

The main reasons and impacts of major changes (including changes by more than 20% and by NTD 10 million or more) are analyzed as follows:

1. The decrease in non-operating revenue was mainly due to the gain from the sale of plants in the previous period.
2. The increase in other comprehensive income (amount after tax) in the current period was a result of the exchange difference arising from the translation of the financial statements of foreign operations.

### III. Cash flow analysis

#### 1. Analysis and description of cash flow changes in the most recent two years

Unit: %

Item \ Year	2021	2022	Percentage of change % (increase/decrease)
Cash flow ratio (%)	81.74	88.74	7
Cash flow adequacy ratio (%)	118.19	117.75	-0.44
Cash reinvestment ratio (%)	10.26	10.54	0.28
Description: Reasons for changes in ratios in the most recent two years (no analysis is required if the change was less than 20%). No significant effect on financial performance.			

#### 2. Remedial measures for cash deficits and liquidity analysis:

The Company did not experience shortage of cash in the most recent year.

#### 3. Liquidity analysis for the next year (2023):

Unit: NTD 1,000

Cash balance at beginning of period (December 31, 2022)	Annual net cash flow from operating activities (2023)	Projected cash outflow for the whole year (2023)	Cash surplus (deficit) amount (2023) December 31, 2022)	Remedies for cash deficits	
				Investment plan	Financing plan
1,022,583	600,000	850,000	772,583	Bank loans 0	0
Analysis and description: Cash outflow from investing and financing activities: Mainly due to the expected final payment for the phase 2 construction of Factory V, the expected distribution of dividends, and the final payment for the Chengdu Plant.					

### IV. Effect of material capital expenditure on finances and business in the most recent year

#### 1. Source and utilization of funds for major capital expenditure

Unit: NTD 1,000

Scheduled project	Source of funds	Date of completion	Funds required	Utilization of funds			
				2020	2021	2022	2023
Investment in the factory of SHIZHENG in Chengdu	Own funds and long-term bank loans	Q3 2022	560,000	237,112	135,927	105,280	81,681
Phase 2 construction of Factory V	Own funds	Q4 2022	840,000	76,128	93,058	382,054	288,760

Factory renovation: To provide well-planned production space to meet the Company's business needs.

Factory construction:

To cope with the increase in high-end semi-conductor equipment in Taiwan and develop new overseas markets and customers in Chengdu and Chongqing.

Purchase of equipment: To expand production capacity, strengthen the Company's competitiveness and enhance operating efficiency.

Investment in subsidiaries: To increase the scale of operations to meet the needs of new customers .

V. Investment policies in the most recent year, main reason for profits or losses, improvement plans, and the investment plan for the upcoming year:

Unit: NTD 1,000

Description Item	Amount invested as of December 31, 2022	Policy	Investment gain/loss of investees recognized in the most recent year	Main reason for profits or losses	Improvement plan	Investment plan for the coming year
Minerva Works Pte Ltd (Singapore)	11,538	Company invested in by the Company to expand the market in Singapore	(2,897)	Loss from normal operations	None	None
Skill High Management Limited	1,742,059	Overseas holding subsidiary established for investment in Mainland China	653	Recognition of investment gain	None	None
CHANG YORK TECHNOLOGIES INC.	49,313	Subsidiary established to offer anodizing services	18,059	Profit from normal operations	None	None
YUAN GUANG TECHNOLOGIES INC.	17,310	Subsidiary acquired to offer precious metal recycling services	5,568	Profit from normal operations	None	None
Shih Full Management Limited	1,007,605	Overseas holding subsidiary established for investment in Mainland China	13,356	Recognition of investment gain	None	None
Shih Hang Management Limited	431,744	Overseas holding subsidiary established for investment in Mainland China	5,495	Recognition of investment gain	None	None
Shih-Pu Management Limited	293,243	Overseas holding subsidiary established for investment in Mainland China	(4,816)	Recognition of investment loss	None	None
SHIH-PING TECHNOLOGIES (SHENZHEN) CO., LTD.	1,529,740	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.	16,768	Profit from normal operations	None	None
SHI JU TECHNOLOGY (HEFEI) CO., LTD. (SHENZHEN) CO., LTD.	387,970	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.	58,208	Profit from normal operations	None	None
NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO., LTD. (SHENZHEN) CO., LTD.	210,530	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.	12,156	Profit from normal operations	None	None
SHI TIAN	290,085	Wholesale, repair and	(5,108)	Recognition of	None	None

PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO., LTD. (SHENZHEN) CO., LTD.		assembly of semiconductor equipment, optoelectronic equipment and parts, etc.		impairment loss on investment property		
DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD. (SHENZHEN) CO., LTD.	563,770	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.	(17,156)	Loss from normal operations	None	None
CHENGDU SHIZHENG TECHNOLOGY CO., LTD. (SHENZHEN) CO., LTD.	618,139	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.	(53,453)	Trial operation	None	None

VI. Risk matters in the most recent year and up to the date of publication of the annual report and evaluation

**(i) The impact of interest rate, exchange rate changes and inflation on the Company's gains and losses and future countermeasures**

Unit: NTD 1,000

Item \ Year	2021		2022	
	Amount	Ratio to operating income	Amount	Ratio to operating income
Interest incomes	9,910	0.46%	15,934	0.67%
Interest expenses	6,635	0.31%	8,019	0.34%
Exchange gains (losses)	(6,940)	0.32%	18,348	0.77%

Source: Consolidated financial statements for 2022 audited by CPAs.

**1. Interest rate changes**

The consolidated interest income and interest expense of the Company and subsidiaries were NTD 15,934 thousand and NTD 8,019 thousand in 2022 respectively, accounting for 0.67% and 0.34% of the Company's operating revenue and 3.35% and 1.69% of the pre-tax profit. This was mainly due to the increase in the long-term loans for the phase 2 construction of Factory. We tried our best to negotiate with the bank to set the borrowing interest rate below the bank's interest rate for secured loans. As the Company is committed to prudent and conservative financial management, the Company makes reference to the research reports of domestic and foreign economic research institutions and banks in order to grasp the trend of interest rate in the future. We also maintain smooth communication channels with banks to know the current interest rate level at any time so as to control the cost of funds.

**2. Exchange rate changes**

Due to the rapid appreciation of the US dollar, the Company's exchange gain in 2022

was NTD 18,348 thousand. The Company will continue to monitor the overall economic impact on the exchange rate to take necessary hedging measures. The natural write-off principle is adopted for foreign currency hedging to reduce the impact of exchange rate changes on the Company's profit and loss.

### 3. Inflation

To cope with the sharp rise of raw material and labor costs due to global inflation, the inventory has been increased to prevent price rises.

## **(II) Policies on engaging in high-risk and high-leverage investments, loaning of funds to others, endorsements and guarantees, and derivative transactions, main reason for profits or losses, and countermeasures in the future:**

1. We concentrate on our own business and do not engage in high-risk and high-leverage investments.

2. Loaning of funds to others and countermeasures in the future:

The Company did not loan funds to others in the most recent year and up to the date of publication of the annual report. If the Company needs to do so in the future, the Company will comply with laws and regulations and announce information in a timely and accurate manner.

3. Implementation of endorsement guarantee and future countermeasures:

In the most recent year and up to the date of publication of the annual report, the Company has no other endorsement guarantee. If there is a need for the endorsement guarantee in the future, it will be handled in accordance with laws and regulations, and the Company will announce all information in a timely and accurate manner and follow the Company's "Procedures for Endorsement Guarantee".

4. Implementation of derivative commodity transaction and future countermeasures:

In the most recent year and up to the date of publication of the annual report, the Company has only purchased derivative commodity transactions of convertible corporate bond credit-linked portfolio investment commodities in accordance with the provisions of the Standards for the Preparation of Financial Report of Securities Issuers, and has made the timely and correct announcements and reports of all transaction information according to laws and regulation.

## **(III) Future R&D plans and expected R&D expenses**

R&D project	Main goal of R&D projects
1. ALD Coating for Y2O3 & Al2O3	Improve the customer's production yield and prolong the life of the workpiece through the research and development of ALD coating technology, reducing the porosity of the coating, and increasing the adhesion.
2. ESC debound and bound	Strive to help customers realize the effort of cost down and enhance the Company's competitiveness through the research and development of ESC debound & bound.

The Company expects to invest approximately NTD 83,467 thousand in R&D in 2023.

**(iv) The impact of important policy and legal changes at home and abroad on the Company's financial business and countermeasures:**

The daily operations of the Company are conducted in compliance with relevant domestic and foreign laws and regulations, and it shall keep an eye on domestic and foreign policy trends and changes in regulations and collect relevant information for the reference of the management in making decisions, to adjust the relevant operational strategies of the Company. The financial statements of the Company have been prepared in accordance with government acts and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations and Explanatory Statements (IASs) approved by the Financial Supervisory Commission (FSC), and are sufficient to present fairly the financial position of the Company.

**(v) The impact of technological changes (including information and communications security risks) and industrial changes on the Company's financial business and countermeasures:**

The Company's main business is the precisely regenerative flushing, surface treatment and fabrication of components for semiconductor and optoelectronic process equipment. In line with the deployment of the semiconductor industry and the optoelectronic industry in China, we are expanding the market in China, extending the application of our core technologies of Precisely regenerative flushing, continuing to grow revenue, strictly controlling costs, improving internal workflow, enhancing operational efficiency, and increasing customer satisfaction through the establishment of a technical support system and after-sales service system. In the future, the Company will continue to pay attention to the relevant technological changes in its industry, assess the impact on the Company's operations, and make corresponding adjustments to strengthen the Company's business development and financial situation.

**(vi) The impact of business image change on business crisis management and countermeasures:**

Since the establishment of the Company, we have continued to actively strengthen our internal management and improve our service quality management capabilities in order to build up the Company's image and further increase our customers' trust in the Company. In addition to the domestic plan to develop towards the capital market, the listing of the stock on the OTC market will have a positive effect on the Company's image. In the future, the Company will pursue the maximization of shareholders' rights while fulfilling its corporate social responsibilities.

**(vii) Expected benefits and possible risks of merger and acquisition and countermeasures:**

Up to the date of publication of the annual report, the Company has no plans to conduct any merger and acquisition. However, if there are plans for merger and acquisition in the future, the Company will take a prudent assessment attitude and consider whether the merger and acquisition can bring specific comprehensive effects to the Company to ensure the protection of the Company's interests and shareholders' rights.

**(VIII) Expected benefits, possible risks and countermeasures for factory expansion**



The factory in Chengdu, China was completed and commenced operation in the fourth quarter of 2021, and the second phase of Factory V is expected to be put into operation in the second quarter of 2023. The Company will provide high-quality and timely local cleaning services and increase overall operating revenue.

**(ix) Risks due to concentration of purchase or sales and countermeasures:**

**Purchase:** The Company is mainly engaged in the cleaning of semiconductor and optoelectronic workpieces. The main materials required are chemical solvents such as hydrogen peroxide, nitric acid, hydrochloric acid, alumina sand, aluminum wire, glass beads, which are all supplied by different manufacturers. In addition, each major material is supplied by more than two suppliers. Therefore, there is no risk of concentration of purchase.

**Sales:** In addition to establishing good production and sales relationships with its existing customer bases, the Company is actively developing new customers at home and abroad, so there is no risk of concentration of sales.

**(x) The impact of mass transfer or change of equity by Directors or major shareholders holding more than 10% of the shares on the Company, its risks and countermeasures:**

In the last two years and up to the date of publication of the annual report, there is no change in the management rights of the Company due to the transfer or replacement of more than half of the shares held by Directors or major shareholders holding more than 10% of the shares.

**(xi) Impact of change of management rights on the Company, risks and countermeasures:**

There was no change in the Company's management right in the last two years and up to the date of publication of the annual report, therefore, it is not applicable.

**(XII) Litigious and non-litigious matters:**

If there has been any material impact on shareholders' equity or the Company's security price as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case should be disclosed in the prospectus.

The Company had filed a civil lawsuit against Shin-Li-Hong Optoelectronics Co., Ltd. for the "illegal demolition of the trade subject." The judge had the first instance litigation proceeding remanded to the first instance for the preliminary proceedings of trial on August 28, 2019; also, the judge proposed to the two parties to settle, which was accepted by the two parties with an amount of NT\$19.5 million of settlement agreed upon. Shin-Li-Hong Optoelectronics Co., Ltd. agreed to recover

the settlement amount by way of compulsory execution, and the Company had received the settlement amount from Shin-Li-Hong Optoelectronics Co., Ltd. on January 19, 2021.

**(xiii) Other important risks and countermeasures:**

The description of the Company's exposure to the risk of low price competition between domestic and foreign competitors is as follows:

At present, the scale and technology of the precisely regenerative flushing manufacturer input in Taiwan and China are different, and some regenerative flushing service projects do have price competition in recent years; for example, the Company's precisely regenerative flushing services for process equipment components in the optoelectronic industry and high-end semiconductor processes have been subjected to price competition in the same industry in recent years, resulting in a slight decline in unit prices.

In order to insight into the trend of industrial change, avoid price competition and strengthen competitiveness, the Company has adopted the following strategies.

- A. Insist on the quality of precisely regenerative flushing service to improve customer trust.
- B. Improve the accuracy of delivery time to reduce the number of spare sets at the customer end to save costs.
- C. Strengthen internal production management and process improvement to reduce our own operating costs.
- D. Strengthen the added value of the service content of development, such as workpiece improvement, renovation and manufacturing and other differentiated services.
- E. Increase industry scale and deepen economic economies of scale by means of strategic alliances as well as mergers and acquisitions, to continue to widen the gap with competitors and accelerate the expansion of products.

VII. Other important matters: information security of the Company. In order to implement information security management, policies are formulated to protect information on our operating activities from unauthorized access, tampering, destruction, and theft, and to ensure the accuracy, integrity, and confidentiality of information. We provide information security education and training to deepen employees' awareness of information security and strengthen their knowledge of related responsibilities. Implement an internal audit system for information security to ensure the implementation of information security management. Comprehensively improve the ability of information security protection from personnel to organization.

## **VIII. Special Records**

1. Related information of related enterprises
  - (i) Consolidated business report of related enterprises: Please refer to pages 152~156.
  - (ii) Consolidated financial statements of related enterprises: please refer to Appendix I.
  - (iii) Reports of related enterprises: None.

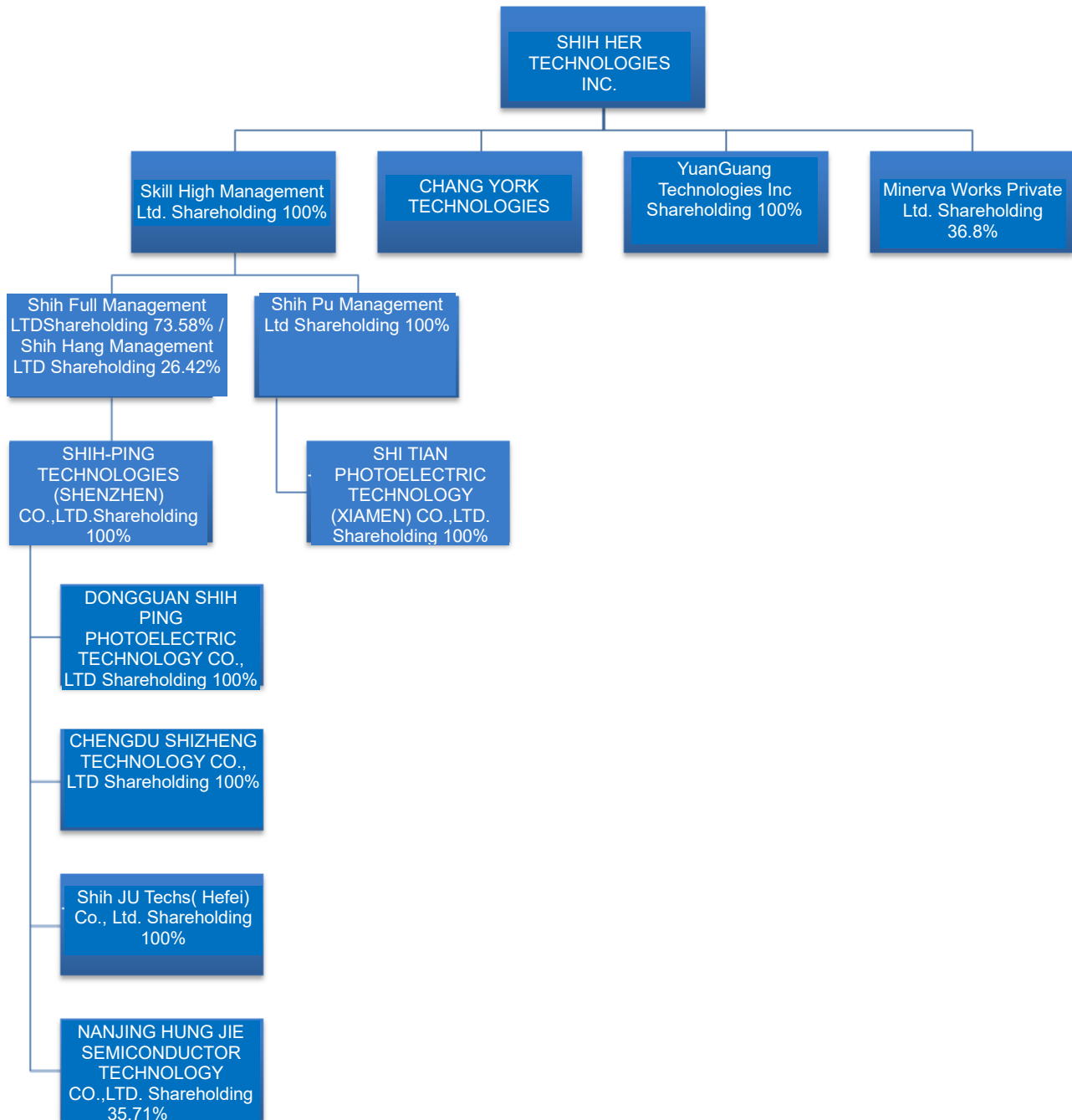
# SHIH HER TECHNOLOGIES INC.

## 2022 Consolidated Business Report of Related Enterprises

### I. Overview of related enterprises

#### (i) Organization overview of related enterprises

December 31, 2022



## (ii) Basic information of related enterprises

December 31, 2022 Unit: NTD 1,000

Name of enterprise	Date of establishment	Address	Paid-up capital	Main business or production items
Minerva Works Private Ltd.	May 24, 2004	WOODLANDS SECTOR 1, WOODLANDS SPECTRUM #05-31, SINGAPORE 738068	SGD1,100	Flushing, repair, trading and assembly of semiconductor equipment, optoelectronic equipment and parts
Skill High Management Ltd.	November 20, 2007	Offshore Chambers, P.O.Box 217, Apia Samoa	USD57,300	General investment industry
Shih Full Management Ltd.	November 20, 2007	Offshore Chambers, P.O.Box 217, Apia Samoa	USD35,500	General investment industry
Shih Hang Management Ltd.	August 30, 2012	Offshore Chambers, P.O.Box 217, Apia Samoa	USD14,100	General investment industry
Shih-Pu Management Ltd	December 23, 2015	Offshore Chambers, P.O.Box 217, Apia Samoa	USD9,100	General investment industry
SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.	July 11, 2008	615, F6, Block A, Wanhe Science and Technology Building, No. 7 Huitong Road, Fenghuang Community, Fenghuang Sub-district, Guangming District, Shenzhen	RMB352,150	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.
SHI JU TECHNOLOGY (HEFEI) CO.,LTD.	May 10, 2013	No. 156, Luohe Road, Economic Development Zone, Lujiang County, Hefei City, Anhui Province	RMB89,312	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.
SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO.,LTD.	February 4, 2016	No. 891, Tonglong 2nd Road, (Xiang'an) Industrial Zone, Xiamen Torch High-tech Development Zone, Xiamen City, Fujian Province	RMB58,369	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.
DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD	April 22, 2014	No. 12, Xinfeng Street, Changlong Village, Huangjiang Town, Dongguan City	RMB120,000	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.
NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO.,LTD.	November 18, 2016	Building 6, Zifeng Phase I, Qiaolin Sub-district, Pukou District, Nanjing City, Jiangsu Province	RMB47,459	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.
CHANG YORK TECHNOLOGIES INC.	August 21, 2009	No. 6, Siwei Road, Hukou Township,	NTD50,000	Wholesale, repair and assembly of

		Hsinchu County		semiconductor equipment, optoelectronic equipment and parts, etc.
YUAN GUANG TECHNOLOGIES INC.	November 23, 2006	No. 14, Guangfu South Road, Hukou Township, Hsinchu County	NTD15,000	Precious metal recycling and other businesses
CHENGDU SHIZHENG TECHNOLOGY CO., LTD	December 19, 2017	No. 3000, Section 2, Huanglong Avenue, Huangjia Sub-district, Southwest Airport-based Economic Development Zone, Shuangliu District, Chengdu City	RMB143,072	Wholesale, repair and assembly of semiconductor equipment, optoelectronic equipment and parts, etc.

(iii) The data on same shareholders who are presumed to have both a controlling and subordinate relationship: None

(iv) Information of directors of related enterprises

December 31, 2022

Name of enterprise	Title	Name or representative	Shares held	
			The number of shares	Shareholding ratio
Minerva Works Private Ltd.	SHIH HER TECHNOLOGIES INC. Corporate Entity, Director Representative	CHERN,SHYUE-JER	404,800	36.80%
Skill High Management Ltd.	SHIH HER TECHNOLOGIES INC. Corporate Entity, Director Representative	CHEN,HSUEH-SHEN	57,300,000	100%
Shih Full Management Ltd.	Corporate Entity, Director Representative of Skill High Management Ltd	CHEN,HSUEH-SHEN	35,500,000	100%
Shih Hang Management Ltd.	Corporate Entity, Director Representative of Skill High Management Ltd	CHEN,HSUEH-SHEN	14,100,000	100%
Shih-Pu Management Ltd	Corporate Entity, Director Representative of Skill High Management Ltd	CHEN,HSUEH-SHEN	9,100,000	100%
SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.	SHIH FULL MANAGEMENT LTD. Corporate Entity, Director Representative	Chen Guanlin CHEN,HSUEH-SHEN CHERN,SHYUE-JER	-	100%
SHI JU TECHNOLOGY (HEFEI) CO.,LTD.	SHIH HANG MANAGEMENT LTD. Corporate Entity, Director Representative	HO,CHI-YUAN CHEN,HSUEH-SHEN CHERN,SHYUE-JER	-	100%
SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO.,LTD.	SHIH-PU MANAGEMENT LTD Corporate Entity, Director Representative	HO,CHI-YUAN CHEN,HSUEH-SHEN CHERN,SHYUE-JER	-	100%
DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD	SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD. Corporate Entity, Director	HO,CHI-YUAN CHEN,HSUEH-SHEN CHERN,SHYUE-JER	-	100%

	Representative			
NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO.,LTD.	SHIH HANG MANAGEMENT LTD. Corporate Entity, Director Representative	CHERN,SHYUE-JER	-	35.71%
CHANG YORK TECHNOLOGIES INC.	SHIH HER TECHNOLOGIES INC. Corporate Entity, Director Representative	CHERN,SHYUE-JER	5,000,000	100%
YUAN GUANG TECHNOLOGIES INC.	SHIH HER TECHNOLOGIES INC. Corporate Entity, Director Representative	CHERN,SHYUE-JER	1,500,000	100%
CHENGDU SHIZHENG TECHNOLOGY CO., LTD	SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD. Corporate Entity, Director Representative	HO,CHI-YUAN CHEN,HSUEH-SHEN CHERN,SHYUE-JER	-	100%

## (v) Operation overview of related enterprises

## Financial situation and operating results of related enterprises:

December 31, 2022 Unit: NTD 1,000

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating income	Business gains	Gains and losses in the current period (after tax)
Minerva Works Private Ltd.	SGD1,100	SGD9,871	SGD4,220	SGD5,651	SGD9,685	(SGD482)	(NTD8,293)
Skill High Management Ltd.	NTD1,742,059	NTD1,807,534	NTD13,758	NTD1,793,776	NTD14,035	NTD13,986	NTD653
Shih Full Management Ltd.	NTD1,060,126	NTD1,169,632	NTD0	NTD1,169,632	NTD12,338	NTD12,289	NTD13,356
Shih Hang Management Ltd.	NTD431,744	NTD413,515	NTD0	NTD413,515	NTD4,430	NTD4,395	NTD5,495
Shih-Pu Management Ltd	NTD293,243	NTD218,354	NTD0	NTD218,354	(NTD5,108)	(NTD5,146)	(NTD4,816)
SHIH-PING TECHNOLOGIES (SHENZHEN) CO.,LTD.	NTD1,529,740	RMB353,925	RMB1,306	RMB352,619	RMB7,224	RMB2,255	NTD16,768
SHI JU TECHNOLOGY (HEFEI) CO.,LTD.	NTD387,970	RMB105,062	RMB19,490	RMB85,572	RMB78,434	RMB15,094	NTD58,208
SHI TIAN PHOTOELECTRIC TECHNOLOGY (XIAMEN) CO.,LTD.	NTD290,085	RMB49,159	RMB311	RMB48,848	RMB85	(RMB1,993)	(NTD5,108)
DONGGUAN SHIH PING PHOTOELECTRIC TECHNOLOGY CO., LTD	NTD563,770	RMB120,232	RMB6,375	RMB113,857	RMB39,139	(RMB4,437)	(NTD17,156)
NANJING HUNG JIE SEMICONDUCTOR TECHNOLOGY CO.,LTD.	NTD210,530	RMB66,548	RMB12,410	RMB54,138	RMB50,316	RMB10,266	NTD34,040
CHANG YORK TECHNOLOGIES INC.	NTD50,000	NTD94,616	NTD24,038	NTD70,578	NTD82,889	NTD21,355	NTD18,059
YUAN GUANG TECHNOLOGIES INC.	NTD15,000	NTD28,429	NTD5,448	NTD22,981	NTD24,111	NTD6,077	NTD5,568
CHENGDU SHIZHENG TECHNOLOGY CO., LTD	NTD618,139	RMB132,932	RMB6,667	RMB126,265	RMB5,255	(RMB12,283)	(NTD53,453)



II. Handling of private placement of securities in the most recent year and up to the date of publication of the annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the most recent year and up to the publication date of the annual report: None.

IV. Other necessary supplementary explanations: (OTC commitments)

1. The Company undertakes that the technology transfer or authorization policy shall be specified in the "Technology Transfer or Authorization Regulations" and approved by the Company's Board of Directors and that independent directors shall attend the board meeting and express their opinions. The same shall be applicable to changes in the policy.

Description: The Company applied for the dissolution of the fulfilled commitment on April 6, 2021, and TPEx approved the dissolution on April 22, 2021.

2. The Company undertakes to participate in the "Evaluation of Corporate Governance System for Listed and OTC Companies" conducted by the Chinese Corporate Governance Association at least once every three years after its OTC, and the evaluation results shall be reported at the shareholders' meeting.

Note: The corporate governance self-assessment report is completed annually and the information is disclosed in the corporate governance section of the public information portal.

V. In the most recent year and up to the date of publication of the annual report, the events that have a significant impact on shareholders' equity or security prices as specified in Paragraph 2, Item 3, Article 36 of the Securities Exchange Act: None.

## **Declaration**

In 2022 (from January 1 to December 31, 2022), the companies which the Company shall include in the preparation of the consolidated financial statements of related enterprises in accordance with the “Standards for the Preparation of Consolidated Business Reports, Consolidated Financial Statements of Related Enterprises and Related Reports” are the same as the companies which the Company shall include in the preparation of the consolidated financial statements of parent-subsidary companies in accordance with International Financial Reporting Standard 10 approved by Financial Supervisory Commission, and the relevant information that should be disclosed in the consolidated financial statements of related enterprises has been disclosed in the previously disclosed consolidated financial reports of parent-subsidary companies, so the consolidated financial statements of related enterprises will not be prepared separately.

It is hereby certified

Company name: SHIH HER TECHNOLOGIES INC.

Director: CHEN, HSUEH-SHEN

Date: March 14, 2023

Appendix I  
Consolidated Financial  
Report

**SHIH HER TECHNOLOGIES INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

Address: No.18, Renzheng Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C.)  
Telephone: 886-3598-1100

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of SHIH HER TECHNOLOGIES INC. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SHIH HER TECHNOLOGIES INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: SHIH HER TECHNOLOGIES INC.

Chairman: Hsueh Shen, Chen

Date: March 14, 2023

## Independent Auditors' Report

To the Board of Directors of SHIH HER TECHNOLOGIES INC.:

### Opinion

We have audited the consolidated financial statements of SHIH HER TECHNOLOGIES INC.( “the Group” ), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( “IFRSs” ), International Accounting Standards ( “IASs” ), Interpretations developed by the International Financial Reporting Interpretations Committee ( “IFRIC” ) or the former Standing Interpretations Committee ( “SIC” ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Group' s financial statements are stated as follows:

#### 1. Impairment of account receivable

Please refer to Note 4(g) “Financial instruments” for the accounting policy of impairment of account receivable and refer to Note 6(c) of the consolidated financial statements for the details.

Description of key audit matter:

The Group engages in business primarily with clients which are involved in the manufacture of mold and electronic parts with credit term, which make the Group vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss involves subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit:

Our principal audit procedures included: assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's policy, including inquiring from the management if they had identified the debtors who have financial difficulties; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Revenue recognition

For the accounting policy regarding the revenue recognition, please refer to Note 4(o) Revenue from contracts with customers; for the details of revenue recognition and the explanation of revenue, please refer to Note 6(r) of the consolidated financial report.

Description of the key audit matter:

The Group is engaged in the cleaning and maintenance of semiconductor equipment, photoelectric equipment and more. The timing of the recognition of operating revenues is based on the transaction terms in the contract with the customers, and given consideration to the special industry characteristic the Group is in, the sales revenue comes from multiple operation, therefore, our auditors deem this as one of the key audit matters.

How the matter was addressed in our audit:

Our principal procedures include: examining the sales contracts and evaluating revenue recognition policies based on the contract terms; observing the design of internal controls regarding sale transactions, as well as performing sample testing to confirm its effectiveness; performing adjustment analysis of all receipts and account records for a particular customer, or sample testing individual sales transactions and matching them against the respective customer purchase order, delivery slips and account records etc.; selecting transactions and making before and after period end as samples to inspect the transaction terms, delivery slips, and customer confirmation etc.; obtaining the details of the work in progress items, understanding its completion ratio calculation and evaluating the reasonableness of revenue recognition at the year end.

**Other Matter**

The Group has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.



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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2023

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Balance Sheets  
December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021			
		Amount	%	Amount	%			Amount	%	Amount	%		
<b>Current assets:</b>						<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(a))	\$	1,022,583	21	919,878	21	2100	Short-term borrowings (note 6(k))	\$	40,000	1	-	-
1110	Financial assets at fair value through profit or loss - current (note 6(b))		92,913	2	227,920	5	2170	Notes and trade payable		132,963	3	136,820	3
1170	Notes and trade receivable (including related party), net (notes 6(c) and 7)		457,286	10	474,659	11	2230	Current tax liabilities		80,425	2	99,121	2
130X	Inventories (note 6(d))		131,235	3	100,271	2	2280	Lease liability - current (note 6(m))		3,446	-	3,495	-
1476	Other financial assets (note 7)		2,299	-	1,448	-	2305	Other current financial liabilities		395,193	8	355,312	8
1479	Other current assets		22,060	-	16,158	-	2322	Long-term borrowings, current portion (note 6(l))		111,143	2	66,325	2
			<u>1,728,376</u>	<u>36</u>	<u>1,740,334</u>	<u>39</u>	2399	Other current liabilities		<u>26,129</u>	<u>1</u>	<u>32,850</u>	<u>1</u>
<b>Non-current assets:</b>									<u>789,299</u>	<u>17</u>	<u>693,923</u>	<u>16</u>	
1550	Investments accounted for using the equity method (note 6(f))		132,798	3	117,475	3	<b>Non-Current liabilities:</b>						
1600	Property, plant and equipment (notes 6(g) and 8)		2,532,832	53	2,245,666	51	2540	Long-term borrowings (note 6(l))		573,139	12	494,714	11
1755	Right-of-use assets (note 6(h))		49,260	1	53,681	1	2570	Deferred tax liabilities (note 6(o))		16,529	-	-	-
1760	Investment property, net (note 6(i))		147,917	3	151,276	3	2580	Non-current lease liabilities (note 6(m))		2,305	-	5,751	-
1840	Deferred tax assets (note 6(o))		3,473	-	4,687	-	2670	Other non-current liabilities		<u>4,574</u>	<u>-</u>	<u>4,562</u>	<u>-</u>
1990	Other non-current assets (notes 6(j) and (n))		195,579	4	124,839	3				<u>596,547</u>	<u>12</u>	<u>505,027</u>	<u>11</u>
			<u>3,061,859</u>	<u>64</u>	<u>2,697,624</u>	<u>61</u>	<b>Total liabilities</b>			<u>1,385,846</u>	<u>29</u>	<u>1,198,950</u>	<u>27</u>
						<b>Equity attributable to owners of parent (note 6(p))</b>							
						3110	Ordinary shares		567,749	12	567,749	13	
						3200	Capital surplus		<u>469,586</u>	<u>10</u>	<u>611,523</u>	<u>14</u>	
						<b>Retained earnings:</b>							
						3310	Legal reserve		394,924	9	354,320	8	
						3320	Special reserve		110,540	2	122,830	3	
						3350	Unappropriated retained earnings		<u>1,972,920</u>	<u>41</u>	<u>1,693,126</u>	<u>38</u>	
									<u>2,478,384</u>	<u>52</u>	<u>2,170,276</u>	<u>49</u>	
						<b>Other equity:</b>							
						3400	Other equity		(80,000)	(2)	(110,540)	(3)	
						3500	Treasury shares		<u>(31,330)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	
						<b>Total equity</b>			<u>3,404,389</u>	<u>71</u>	<u>3,239,008</u>	<u>73</u>	
<b>Total assets</b>		<b>\$</b>	<b><u>4,790,235</u></b>	<b><u>100</u></b>	<b><u>4,437,958</u></b>	<b><u>100</u></b>	<b>Total liabilities and equity</b>		<b>\$</b>	<b><u>4,790,235</u></b>	<b><u>100</u></b>	<b><u>4,437,958</u></b>	<b><u>100</u></b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
4000 Sales revenues (notes 6(r) and 7)	\$ 2,392,764	100	2,136,895	100
5000 Operating costs (notes 6(d) and 12)	1,503,823	63	1,373,272	64
5950 Gross profit from operations	888,941	37	763,623	36
<b>Operating expenses</b> (notes 6(c), (s) and 12):				
6100 Selling expenses	194,008	8	187,751	9
6200 Administrative expenses	197,460	8	183,312	9
6300 Research and development expenses	64,492	3	40,177	2
6450 Reversal of impairment loss determined in accordance with IFRS 9	(12,806)	(1)	(64,515)	(3)
<b>Total operating expenses</b>	443,154	18	346,725	17
6900 <b>Net operating profit</b>	445,787	19	416,898	19
<b>Non-operating income and expenses:</b>				
7010 Other income (notes 6(t) and 7)	4,166	-	13,762	1
7020 Other gains and losses (notes 6(b), (e) and (u))	7,996	-	48,425	2
7050 Finance costs (note 6(m))	(8,019)	-	(6,635)	-
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(f))	9,259	-	10,752	1
7100 Interest income	15,934	1	9,910	-
<b>Total non-operating income and expenses</b>	29,336	1	76,214	4
7900 <b>Profit before income tax</b>	475,123	20	493,112	23
7950 <b>Less: Income tax expenses (note 6(o))</b>	111,967	5	86,051	4
8200 <b>Profit</b>	363,156	15	407,061	19
<b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	1,727	-	(581)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	1,727	-	(581)	-
8360 <b>Item that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	30,540	1	12,290	1
8300 <b>Other comprehensive income (loss), net</b>	32,267	1	11,709	1
<b>Total comprehensive income</b>	<b>\$ 395,423</b>	<b>16</b>	<b>418,770</b>	<b>20</b>
<b>Profit , attributable to:</b>				
Owners of parent	\$ 363,156	15	406,626	19
Non-controlling interests	-	-	435	-
	<b>\$ 363,156</b>	<b>15</b>	<b>407,061</b>	<b>19</b>
<b>Comprehensive income attributable to:</b>				
Owners of parent	\$ 395,423	16	418,335	20
Non-controlling interests	-	-	435	-
	<b>\$ 395,423</b>	<b>16</b>	<b>418,770</b>	<b>20</b>
9750 <b>Basic earnings per share (NT dollars) (note 6(q))</b>	<b>\$ 6.40</b>		<b>7.16</b>	
9850 <b>Diluted earnings per share (NT dollars) (note 6(q))</b>	<b>\$ 6.31</b>		<b>7.08</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent										
	Retained earnings					Total other equity interest		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements					
<b>Balance at January 1, 2021</b>	\$ 567,749	679,504	329,228	129,680	1,362,098	(122,830)	-	2,945,429	2,717	2,948,146	
Profit	-	-	-	-	406,626	-	-	406,626	435	407,061	
Other comprehensive income (loss)	-	-	-	-	(581)	12,290	-	11,709	-	11,709	
Total comprehensive income (loss)	-	-	-	-	406,045	12,290	-	418,335	435	418,770	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	25,092	-	(25,092)	-	-	-	-	-	
Special reserve appropriated	-	-	-	(6,850)	6,850	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)	-	(56,775)	
Cash dividends from capital surplus	-	(68,130)	-	-	-	-	-	(68,130)	-	(68,130)	
Difference between consideration and carrying amount of subsidiaries acquired	-	149	-	-	-	-	-	149	-	149	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(3,152)	(3,152)	
<b>Balance at December 31, 2021</b>	\$ 567,749	611,523	354,320	122,830	1,693,126	(110,540)	-	3,239,008	-	3,239,008	
Profit	-	-	-	-	363,156	-	-	363,156	-	363,156	
Other comprehensive income (loss)	-	-	-	-	1,727	30,540	-	32,267	-	32,267	
Total comprehensive income (loss)	-	-	-	-	364,883	30,540	-	395,423	-	395,423	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	40,604	-	(40,604)	-	-	-	-	-	
Special reserve appropriated	-	-	-	(12,290)	12,290	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)	-	(56,775)	
Cash dividends from capital surplus	-	(141,937)	-	-	-	-	-	(141,937)	-	(141,937)	
Purchase of treasury share	-	-	-	-	-	-	(31,330)	(31,330)	-	(31,330)	
<b>Balance at December 31, 2022</b>	\$ 567,749	469,586	394,924	110,540	1,972,920	(80,000)	(31,330)	3,404,389	-	3,404,389	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before income tax</b>	\$ 475,123	493,112
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	194,890	164,539
Amortization expense	31,759	23,354
Expected credit loss (reversal of provision)	(12,806)	(64,515)
Net loss (gain) on financial assets at fair value through profit or loss	34	3,630
Finance cost	8,019	6,635
Interest revenue	(15,934)	(9,910)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(9,259)	(10,752)
Loss on disposal of property, plant and equipment	181	1,390
Gain on disposal of non-current assets classified as held for sale	-	(71,984)
Loss (gain) on disposal of investments	2,735	(6,709)
Impairment loss on non-financial assets	3,792	18,421
Others	-	8
<b>Total adjustments to reconcile profit (loss)</b>	203,411	54,107
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	132,238	(21,614)
Notes and trade receivables	30,179	48,211
Other receivables	(851)	19,186
Inventories	(30,964)	(24,778)
Other current assets and others	(5,647)	27,589
Notes and accounts payable	(3,857)	(8,534)
Other current liabilities	28,140	65,482
<b>Total changes in operating assets and liabilities</b>	149,238	105,542
Cash inflow generated from operations	827,772	652,761
Interest paid	(8,019)	(6,635)
Income taxes paid	(119,333)	(78,921)
<b>Net cash flows from operating activities</b>	700,420	567,205
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of investments accounted for using equity method	-	2,865
Proceeds from disposal of non-current assets classified as held for sale	-	126,616
Acquisition of property, plant and equipment	(555,889)	(511,464)
Disposal of property, plant and equipment	-	1,136
Decrease (increase) in guarantee deposits paid	(77)	24,266
Decrease (increase) in other non-current assets	2,796	(12,690)
Interest received	15,934	9,910
<b>Net cash flows used in investing activities</b>	(537,236)	(359,361)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	40,000	(7,279)
Proceeds from long-term debt	383,582	160,000
Repayments of long-term debt	(260,339)	(82,279)
Increase (decrease) in guarantee deposits received	12	(230)
Payment of lease liabilities	(3,495)	(3,625)
Cash dividends paid	(198,712)	(124,905)
Cost of increase in treasury stock	(31,330)	-
Acquisition of non-controlling interests	-	(1,875)
<b>Net cash flows used in financing activities</b>	(70,282)	(60,193)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	9,803	7,455
<b>Net increase in cash and cash equivalents</b>	102,705	155,106
<b>Cash and cash equivalents at beginning of period</b>	919,878	764,772
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,022,583</b>	<b>919,878</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

SHIH HER TECHNOLOGIES INC. (the “Company” ) was incorporated in June 1997 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities of the Company are the manufacture, design and maintain of semiconductor and opto-electronics. The Company’ s common shares were listed on the Taipei Exchange (TPEX) in April 2008.

**(2) Approval date and procedures of the consolidated financial statements**

These consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the

(Continued)



**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liability (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding (%)		Description
			December 31, 2022	December 31, 2021	
The Company	Skill High Management Limited (Skill High)	General investment	100.00%	100.00%	
The Company	CHANG YORK TECHNOLOGY INC. (CHANG YORK)	Maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	100.00%	100.00%	(Note 1)
The Company	YUAN GUANG TECHNOLOGIES INC. (YUAN GUANG)	Gold products manufacturing, recycled precious metal manufacturing and chemical products manufacturing	100.00%	100.00%	
Skill High	Shih Full Management Limited (Shih Full)	General investment	100.00%	100.00%	
Skill High	Shih Hang Management Limited (Shih Hang)	"	100.00%	100.00%	
Skill High	Shih Pu Management Limited (Shih Pu)	"	100.00%	100.00%	
Shih Full	Shih Ping Technologies (Shen Zhen) Co. Ltd (hereinafter referred to as Shih Ping (Shen Zhen))	Semiconductor, photoelectric equipment and parts cleaning, maintenance and recycling treatment	73.58%	73.58%	(Note 2)
Shih Hang	Shih Ping Technologies (Shen Zhen) Co. Ltd (hereinafter referred to as Shih Ping (Shen Zhen))	"	26.42%	26.42%	(Note 2)
Shih Pu	Shih Tien Optoelectronics Technologies (ximen) (hereinafter referred to as Shin Tien (Ximen))	"	100.00%	100.00%	
ShinPing (Shen Zhen)	Dongguan Shih Ping Optoelectronics Technology, Ltd. (hereinafter referred to as Shih Ping (Dongguan))	"	100.00%	100.00%	
Shih Ping (Shen Zhen)	Chengdu Shih Zheng Technology, Ltd. (hereinafter referred to as Shih Zheng (Chengdu))	"	100.00%	100.00%	
Shih Ping (Shen Zhen)	Shin Ju Technologies (Hefei) Ltd (hereinafter referred to as Shih Ju (Hefei))	"	100.00%	100.00%	(Note 2)

(Note 1) The Group acquired a non-controlling interest in the company in November 2021.

(Note 2) The Group originally established a third-party company to invest in Mainland China companies, and in December 2021, the restructuring was adjusted to reinvest in Mainland China companies through a Mainland China company.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(d) Foreign currencies****(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the dates that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the dates of transaction.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

**(e) Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

## 1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

## 2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

## 3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

## 4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

## (ii) Financial liabilities and equity instruments

## 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

## 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

## 4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

#### 6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first in first out method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(Continued)



**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(j) Investment in associates**

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

**(k) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

**(l) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**(iii) Depreciation**

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Housing construction and its ancillary equipment: 3~56 years
- 2) Machinery and equipment: 3~13 years
- 3) Office equipment and others: 3~11 years

Depreciation methods, useful lives and residual values are reviewed at year end and adjusted if appropriate.

**(m) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(i) As a lessee**

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group' s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has selected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and transportation equipment, leases of low value lease object and staff dormitory leases of variable object. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

## (ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

## (n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(o) Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment of such goods or services by the customer will not exceed one year, therefore, the company does not adjust the monetary time value of the transaction price.

**(p) Government grants and government assistance**

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable.

Other government grants related to assets are initially recognized as deferred income or deducted from the book value at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized. If the government grant is to subsidize the cost of assets obtained, the Group recognized in profit or loss during the useful life period according to the depreciation and amortization method of the asset.

**(q) Employee benefits****(i) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

**(ii) Defined benefit plans**

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in retained earnings within equity.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and has reflected the uncertainty related to income tax.

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(u) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

**(a) Judgment of whether the Group has substantive control over its investees**

The Group holds 36.80% of Minerva Works PTD. Ltd. (Minerva) and 63.20% of the remaining equity is concentrated. The Company is unable to obtain more than half of the seats of directors or more than half of the voting rights of the shareholders present at the Board of Shareholders.

The Group holds 35.71% of Nanjing Hung Jie Technology Corporation (Nanjing Hung Jie), and the remaining shares are held by one single shareholder.

Therefore, the judgment of the Group has only material influence on the investee company.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

**(a) The loss allowance of trade receivables**

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

The Group's accounting policies include measuring financial and nonfinancial assets and liabilities at fair value through profit or loss.

(Continued)



## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. The Group establishes relevant internal control for fair value measurement. This includes establishing an evaluation team to be responsible for reviewing all major fair value measurements (including level 3 fair value) and reporting directly to two CFO.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (non-observable parameter).

The Group recognizes the transfer on the reporting date if there is a transfer event or situation between the various levels of fair value. For relevant information on the assumption used to measure fair value, please refer to Note 6(v) Financial Instruments.

#### (6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand and demand deposits	\$ 671,911	719,754
Time deposits	350,672	180,111
Cash equivalents (Bonds acquired under repurchase agreement with a maturity less than 3 months)	-	20,013
	<b>\$ 1,022,583</b>	<b>919,878</b>

Please refer to note 6(v) for the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Derivative financial assets – Convertible Bonds (CLN)	\$ 27,163	28,963
Structured Deposits	-	13,870
Beneficiary Certificate	65,750	185,087
	<b>\$ 92,913</b>	<b>227,920</b>

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (i) For the years ended December 31, 2022 and 2021, the Group recognized the fair value are \$34 and \$3,630 thousand, accounted under other gain and loss.
- (ii) For credit risk and market risk, please refer to note 6(v).
- (iii) The financial assets above have not been pledged as collateral.
- (c) Notes and trade receivables (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivables	\$ 5,625	4,911
Trade receivables	495,458	526,620
Trade receivables-related parties	1,267	570
Less: Loss allowance	<u>(45,064)</u>	<u>(57,442)</u>
	<b><u>\$ 457,286</u></b>	<b><u>474,659</u></b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The Group's loss allowance provisions for notes and trade receivables were determined as follows:

	<b>December 31, 2022</b>		
	<b>Notes and trade receivables amount</b>	<b>Weighted average Loss rate</b>	<b>Loss Allowance provision</b>
Current	\$ 419,884	0%~5%	2,212
Past due within 60 days	30,956	0%~12%	1,286
Past due 61~180 days	20,238	0%~80%	11,179
Past due 181~360 days	1,770	50%~100%	885
Past due over 360 days	2,927	100%	2,927
There is indication of breaching for contract	<u>26,575</u>	100%	<u>26,575</u>
Total	<b><u>\$ 502,350</u></b>		<b><u>45,064</u></b>

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2021</b>		
	<b>Notes and trade receivables amount</b>	<b>Weighted average Loss rate</b>	<b>Loss Allowance provision</b>
Current	\$ 428,778	0%~2%	1,614
Past due within 60 days	44,160	0%~12%	5,082
Past due 61~180 days	19,174	0%~80%	10,757
Past due 181~360 days	6,298	80%~100%	6,298
Past due over 360 days	7,116	100%	7,116
There is indication of breaching for contract	26,575	100%	26,575
Total	<b>\$ 532,101</b>		<b>57,442</b>

The movement in the allowance for impairment loss on notes and trade receivables was as follows:

	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 57,442	122,170
Impairment losses recognized (reversed)	(12,806)	(64,515)
Collection of bad debt	-	(487)
Amounts written off	(57)	-
Foreign exchange gains	485	274
Balance at December 31	<b>\$ 45,064</b>	<b>57,442</b>

As of December 31, 2022 and 2021, the notes and trade receivables have not been pledged as collateral.

(d) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finished goods	\$ 99,727	78,967
Work in progress	1,081	117
Raw materials	30,427	21,187
	<b>\$ 131,235</b>	<b>100,271</b>

The cost of inventory recognized as cost of good sold in 2022 and 2021 were \$1,503,823 thousand and \$1,373,272 thousand, respectively.

The Group did not provide any inventories as collateral.

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(e) Non-current assets held for sale

In February 2021, the Group sold the Datong Factory through the resolution of the Board of Directors. The Group signed a real estate sales contract with Licheng Technology Co., Ltd., and according to the agreement, the Group needed to obtain soil pollution inspection report. The registration of transfer of ownership could be carried out only after receiving the relieving control permission of the environmental hazardous substances, with the sales amount of \$129,000 thousand (before tax). These properties were reclassified to non-current assets held for sale with a carrying amount of \$54,632 thousand and derecognized after obtaining the approval of change registration in August 2021. The gain of \$71,984 thousand (including value-added tax, etc.) resulting from the disposal was recognized under other gains and losses, please refer to Note 6 (u) for details.

(f) Investments accounted for using equity method

(i) Associate company information

Name of Associates	Proportion of shareholding and voting rights	
	December 31, 2022	December 31, 2021
	Minerva Works Pte. Ltd. (Minerva)	36.80%
Zhe An Technology (Shen Zhen) Ltd. (Shen Zhen Zhe An)	- %	(Note 1)
Nanjing Hong Jie Optoelectronics Technology Ltd. (Nanjing Hong Jie)	35.71%	35.71% (Note 2)

Note 1: Shen Zhen Zhe An completed the liquidation in the third quarter of 2021, with the investment price of \$2,865 thousand recovered due to the liquidation.

Note 2: Nanjing Hongjie was originally held by Shih Hang. In December 2021, Nanjing Hongjie underwent a restructuring and was owned by Shih Ping (ShenZhen), with the shareholding ratio remained unchanged. The relevant change registration process of restructuring had been completed.

(ii) The Group's financial information for investments accounted for using the equity method that are individually insignificant, which is the amount contained in the financial statements of the consolidated company, was as follows:

	December 31, 2022	December 31, 2021
Carrying amount of individually insignificant associates' equity	\$ 132,798	117,475
Attributable to the Group:		
Profit	\$ 9,259	10,752
Other comprehensive income	5,044	-
Total profit	\$ 14,303	10,752

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) The Group did not provide any investments accounted for using the equity method as collateral.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2022	\$ 584,388	1,296,069	517,107	205,745	447,374	3,050,683
Additions	-	98,793	86,312	36,289	242,182	463,576
Disposals and retirements	-	(6,443)	(17,769)	(14,443)	-	(38,655)
Reclassification	-	287,570	12,414	11,428	(311,412)	-
Effect of changes in exchange rates	-	5,671	3,313	1,285	5,492	15,761
Balance on December 31, 2022	<b>\$ 584,388</b>	<b>1,681,660</b>	<b>601,377</b>	<b>240,304</b>	<b>383,636</b>	<b>3,491,365</b>
Balance on January 1, 2021	\$ 417,907	1,316,482	464,138	207,790	282,302	2,688,619
Additions	203,137	31,935	82,274	20,345	163,652	501,343
Disposals and retirements	-	(25,835)	(27,318)	(25,989)	-	(79,142)
Reclassification	-	-	(3,147)	3,147	-	-
Transfer to non-current assets held for sale	(36,656)	(28,762)	-	-	-	(65,418)
Effect of changes in exchange rates	-	2,249	1,160	452	1,420	5,281
Balance on December 31, 2021	<b>\$ 584,388</b>	<b>1,296,069</b>	<b>517,107</b>	<b>205,745</b>	<b>447,374</b>	<b>3,050,683</b>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2022	-	419,945	264,673	120,399	-	805,017
Depreciation	-	90,483	60,925	32,796	-	184,204
Disposals and retirements	-	(6,443)	(17,727)	(14,304)	-	(38,474)
Reclassification	-	169	(223)	54	-	-
Impairment loss	-	3,792	-	-	-	3,792
Effect of changes in exchange rates	-	1,226	1,852	916	-	3,994
Balance on December 31, 2022	<b>\$ -</b>	<b>509,172</b>	<b>309,500</b>	<b>139,861</b>	<b>-</b>	<b>958,533</b>
Balance on January 1, 2021	\$ -	382,459	243,071	111,641	-	737,171
Depreciation	-	72,899	50,351	30,717	-	153,967
Disposals and retirements	-	(25,020)	(26,933)	(24,663)	-	(76,616)
Reclassification	-	-	(2,414)	2,414	-	-
Transfer to non-current assets held for sale	-	(10,786)	-	-	-	(10,786)
Effect of changes in exchange rate	-	393	598	290	-	1,281
Balance on December 31, 2021	<b>\$ -</b>	<b>419,945</b>	<b>264,673</b>	<b>120,399</b>	<b>-</b>	<b>805,017</b>
<b>Carrying amounts:</b>						
Balance on December 31, 2022	<b>\$ 584,388</b>	<b>1,172,488</b>	<b>291,877</b>	<b>100,443</b>	<b>383,636</b>	<b>2,532,832</b>
Balance on December 31, 2021	<b>\$ 584,388</b>	<b>876,124</b>	<b>252,434</b>	<b>85,346</b>	<b>447,374</b>	<b>2,245,666</b>
Balance on January 1, 2021	<b>\$ 417,907</b>	<b>934,023</b>	<b>221,067</b>	<b>96,149</b>	<b>282,302</b>	<b>1,951,448</b>

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## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group provide property, plant and equipment for using the equity method as collateral, please refer to Note 8.

In addition, the Group disposed of the Datong Plant in March 2021, and reclassified it from property, plant and equipment to non-current assets held for sale based on its carrying amount. The disposal was completed in August 2021. Please refer to Note 6(e).

(h) Right-of-use assets

	Land	Land use rights	Building	Other equipment	Total
<b>Cost:</b>					
Balance on January 1, 2022	\$ -	115,725	10,186	425	126,336
Effect of changes in exchange rates	-	1,705	-	-	1,705
Balance on December 31, 2022	<b>\$ -</b>	<b>117,430</b>	<b>10,186</b>	<b>425</b>	<b>128,041</b>
Balance on January 1, 2021	\$ 163,127	115,166	9,080	1,299	288,672
Additions	-	-	10,186	-	10,186
Write-off	(163,127)	-	(9,080)	(874)	(173,081)
Effect of changes in exchange rates	-	559	-	-	559
Balance on December 31, 2021	<b>\$ -</b>	<b>115,725</b>	<b>10,186</b>	<b>425</b>	<b>126,336</b>
<b>Accumulated depreciation and impairment losses:</b>					
Balance on January 1, 2022	\$ -	71,287	1,132	236	72,655
Depreciation	-	1,544	3,395	142	5,081
Effect of changes in exchange rates	-	1,045	-	-	1,045
Balance on December 31, 2022	<b>\$ -</b>	<b>73,876</b>	<b>4,527</b>	<b>378</b>	<b>78,781</b>
Balance on January 1, 2021	\$ -	69,434	6,810	969	77,213
Depreciation	-	1,512	3,402	141	5,055
Write-off	-	-	(9,080)	(874)	(9,954)
Effect of changes in exchange rates	-	341	-	-	341
Balance on December 31, 2021	<b>\$ -</b>	<b>71,287</b>	<b>1,132</b>	<b>236</b>	<b>72,655</b>
<b>Carrying amount:</b>					
Balance at December 31, 2022	<b>\$ -</b>	<b>43,554</b>	<b>5,659</b>	<b>47</b>	<b>49,260</b>
Balance on December 31, 2021	<b>\$ -</b>	<b>44,438</b>	<b>9,054</b>	<b>189</b>	<b>53,681</b>
Balance on January 1, 2021	<b>\$ 163,127</b>	<b>45,732</b>	<b>2,270</b>	<b>330</b>	<b>211,459</b>

The Group is subject to the regulations of the Bureau of Industry of the Ministry of Economic Affairs of the "Key Points of Land Lease in Tainan Science and Technology Industrial Zone". In March 2021, the Group applied for the approval of the exercise of preferential off-take rights in the case of lease-sub-acquisition and paid \$148,764 thousand. Because the Group is subject to the Environmental Protection Agency of the Executive Yuan "Soil and Groundwater Pollution Dyeing and Renovation Law", the land was transferred in July 2021, recognized in Property, plant and equipment.

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**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(i) Investment property

Investment property comprises office buildings that are leased to third parties under operating lease, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 5 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

	<u>Buildings</u>
<b>Cost or deemed cost:</b>	
Balance on January 1, 2022	\$ 224,928
Effect of changes in foreign exchange rates	<u>3,314</u>
Balance on December 31, 2022	<u><b>\$ 228,242</b></u>
Balance on January 1, 2021	\$ 223,841
Effect of changes in foreign exchange rates	<u>1,087</u>
Balance on December 31, 2021	<u><b>\$ 224,928</b></u>
<b>Accumulated depreciation and impairment losses:</b>	
Balance on January 1, 2022	\$ 73,652
Depreciation for the year	5,605
Effect of changes in exchange rates	<u>1,068</u>
Balance on December 31, 2022	<u><b>\$ 80,325</b></u>
Balance on January 1, 2021	\$ 49,406
Depreciation for the year	5,517
Impairment loss	18,421
Effect of changes in exchange rates	<u>308</u>
Balance on December 31, 2021	<u><b>\$ 73,652</b></u>
<b>Carrying amounts:</b>	
Balance on December 31, 2022	<u><b>\$ 147,917</b></u>
Balance on December 31, 2021	<u><b>\$ 151,276</b></u>
<b>Fair value amounts:</b>	
Balance on December 31, 2022	<u><b>\$ 147,917</b></u>
Balance on December 31, 2021	<u><b>\$ 151,276</b></u>

- (i) The investment property listed above refers to commercial investment property leased to others. Each lease contract includes the original non-cancellable lease term of 1 to 2 years, and the subsequent lease term in negotiated with the lessee, and no contingent rent is collected.
- (ii) The fair value is evaluated based on the market value. The emulation considers the aggregate amount of using the rate of return that reflects the specific, risks inherent in the net cash flow to determine the value of the investment property.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(iii) In 2021, it is assessed that the book value of the investment property is higher than the recoverable amount, so the impairment loss of \$18,421 thousand is recognized under other profit and loss. As of December 31, 2022 has no such condition.

(iv) The investment property of the Group had not been pledged as collateral.

(j) Other non current assets

The other non current assets of the Group were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Prepayments for equipment	\$ 173,595	68,377
Guarantee deposits paid	4,129	4,052
Others	17,855	52,410
	<b><u>\$ 195,579</u></b>	<b><u>124,839</u></b>

(k) Short-term borrowings

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unsecured bank loans	\$ 40,000	-
Commercial paper payable	-	-
Total	<b><u>\$ 40,000</u></b>	<b><u>-</u></b>
Unused credit lines	<b><u>\$ 690,000</u></b>	<b><u>730,000</u></b>
Range of interest rates	<b><u>1.52%~1.69%</u></b>	<b><u>-</u></b>

(i) In 2022, the new short-term borrowings and repayments of the Group amounted to \$179,973 thousand and \$139,973 thousand, respectively. Moreover, except for repayments due, the amounts of short-term borrowings of the Group in 2021 was not significant.

(ii) The short-term borrowings of the Group had not been pledged as collateral.

(l) Long-term borrowings

The detail, conditions and terms of the long-term borrowings of the Group are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bank loans	\$ 580,282	449,039
Unsecured bank loans	104,000	112,000
Less: current portion due within 1 year	(111,143)	(66,325)
Total	<b><u>\$ 573,139</u></b>	<b><u>494,714</u></b>
Range of interest rates	<b><u>1.45%~1.85%</u></b>	<b><u>1%~1.2%</u></b>

(i) In 2022 and 2021, the Group's new long-term borrowings amounted to \$383,582 thousand and \$160,000 thousand, and the repayments amounted to \$260,339 thousand and \$82,279 thousand, respectively.

(Continued)



**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(ii) For the collateral for long-term borrowings, please refer to note 8.

(m) Lease liabilities

The Group leases land, buildings and vehicles for its operation. The leases period is 3 to 20 years. The Group has preferential right to purchase part of the leased land and buildings, and some lease agreements have terms for renewal.

The Group's lease liabilities are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 3,446</u>	<u>3,495</u>
Non-current	<u>\$ 2,305</u>	<u>5,751</u>

Expiration analysis please refer to note 6(v) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 130</u>	<u>60</u>
Expenses relating to short-term leases	<u>\$ 3,395</u>	<u>3,441</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 7,020</u>	<u>7,126</u>

The Group repurchased the leased land from lease and exercised the preferential purchase right in March 2021, please refer to Note 6 (h).

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of the defined benefit obligations	\$ (36,160)	(34,991)
Fair value of plan assets	<u>38,642</u>	<u>35,730</u>
Net defined benefit asset	<u>\$ 2,482</u>	<u>739</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$38,642 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movement in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group in the year 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligations at January 1	\$ 34,991	33,793
Benefits paid	(124)	-
Current service costs and interest cost (income)	176	169
Remeasurements loss (gain):		
- Experience gain and loss	3,113	18
- demographic assumptions	-	1,011
- financial assumptions	(1,996)	-
Defined benefit obligation at December 31	<b>\$ 36,160</b>	<b>34,991</b>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group in the year 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Fair value of plan assets at January 1	\$ 35,730	35,093
Contributions	12	12
Benefits paid	(124)	-
Interest income	180	175
Remeasurements loss (gain):		
- Return on plan assets excluding interest income	2,844	450
Fair value of plan assets at December 31	<b>\$ 38,642</b>	<b>35,730</b>

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2022</u>	<u>2021</u>
Net interest of net liabilities for defined benefit obligations (assets)	<u>\$ (4)</u>	<u>(7)</u>
Operating costs	\$ (3)	(10)
Selling expenses	(1)	(2)
Administration expenses	-	5
	<u>\$ (4)</u>	<u>(7)</u>

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	1.500%	0.500%
Future salary increases rate	3.500%	3.000%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$12 thousand.

The weighted average lifetime of the defined benefits plans is 10.2 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation in the year 2022 and 2021 shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
<b>December 31, 2022:</b>		
Discount rate	<u>\$ (905)</u>	<u>941</u>
Future salary increasing rate	<u>\$ 908</u>	<u>(878)</u>
<b>December 31, 2021:</b>		
Discount rate	<u>\$ (959)</u>	<u>1,000</u>
Future salary increasing rate	<u>\$ 959</u>	<u>(925)</u>

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, as the contribution in the current period.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$27,855 thousand and \$25,199 thousand for the years ended December 31, 2022 and 2021, respectively.

(o) Income Taxes

(i) Income tax expense

The components of income tax expense in the years 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Current income tax expense	\$ 94,224	85,865
Deferred income tax expense	17,743	186
Income tax expense	<b>\$ 111,967</b>	<b>86,051</b>

The Group had no income tax recognized in other comprehensive income for 2022 and 2021.

Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

	<b>2022</b>	<b>2021</b>
Profit excluding income tax	\$ 475,123	493,112
Income tax using the Company's domestic tax rate	95,025	98,622
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	2,410	15,215
Non-deductible expenses	(3,791)	(31,342)
Undistributed earnings additional tax	16,048	8,499
Others	2,275	(4,943)
Income tax expense	<b>\$ 111,967</b>	<b>86,051</b>

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

Changes in the amount of deferred income tax assets for 2022 and 2021 were as follows:

	<u>Allowance loss</u>	<u>Others</u>	<u>Total</u>
<b>Balance at January 1, 2022</b>	\$ (628)	(4,059)	(4,687)
Recognized in profit or loss	23	1,191	1,214
<b>Balance at December 31, 2022</b>	<b>\$ (605)</b>	<b>(2,868)</b>	<b>(3,473)</b>
<b>Balance at January 1, 2021</b>	\$ (596)	(4,277)	(4,873)
Recognized in profit or loss	(32)	218	186
<b>Balance at December 31, 2021</b>	<b>\$ (628)</b>	<b>(4,059)</b>	<b>(4,687)</b>

2) Recognized deferred income tax liabilities

	<u>Defined Benefit Plans</u>	<u>Investment income recognized under the equity method</u>	<u>Total</u>
<b>Balance at January 1, 2022</b>	\$ -	-	-
Recognized in profit or loss	2,771	13,758	16,529
<b>Balance at December 31, 2022</b>	<b>\$ 2,771</b>	<b>13,758</b>	<b>16,529</b>

The Group have not recognized any deferred tax liabilities in December 31, 2021.

3) Unrecognized deferred income tax liabilities

Considered the overall development and investment planning of the group, the Group does not intend to repatriate the surplus of overseas subsidiaries, therefore, the Group does not recognize the deferred tax assets and deferred tax liabilities of overseas subsidiaries.

As of December 31, 2022, the company has not recognized as a deferred tax liabilities was amounted \$8,399 thousand.

(iii) The Company and its subsidiaries, CHANG YORK and YUAN GUANG., whose tax returns for the years through 2020 were assessed by the National Tax Bureau.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the number of authorized ordinary shares were both 100,000 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$1,000,000 thousand. As of that date, 56,775 thousand of ordinary shares amounted \$567,750 thousand were issued. All issued shares were paid up upon issuance.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Share issue premium	\$ -	111,159
Corporate debt conversion premium	467,023	497,801
Difference arising from subsidiary' s share price and its carrying value	1,218	1,218
Stock option expired	233	233
Changes in equity of the invested company accounted for using equity method	<u>1,112</u>	<u>1,112</u>
	<u><b>\$ 469,586</b></u>	<u><b>611,523</b></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

In accordance with the resolution of Board of Directors held on March 24, 2022, and March 25, 2021, the Company has resolved to distribute the cash dividends of \$141,937 thousand and \$68,130 thousand from capital surplus to the owners of common stock in the amount of \$2.5 per share and \$1.2 per share, respectively, which have been approved and implemented at the shareholders' meeting.

(iii) Retained earnings and dividend policy

The Company' s article of incorporation stipulate that Company' s net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The stock dividends shall not be more than 50% of total dividend, and the cash dividend shall be 50% to 100% of total dividend.

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## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

1) Legal reserve

Under the Companies Act, a company shall allocate 10 per cent of its net after-tax profits as statutory surplus accumulation until it is equal to the total amount of capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Regulation issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2022 and 2021, the balances of special reserve were \$110,540 thousand and \$122,830 thousand, respectively.

3) Retained earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders' meeting on June 22, 2022 and August 12, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividend	\$ 1.00	56,775	1.00	56,775

4) Treasury shares

For the Company's integrity and shareholders' equity, the Company has complied with Securities and Exchange Act Article 28-2 to repurchase 538 thousand treasury stocks (amounted to \$31,330 thousand), which were not cancelled as of December 31, 2022.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder's rights before their transfer.

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**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(q) Earnings per share

The calculation of basic earnings per share and diluted earning per share of the Group are calculated as follows:

(i) Basic earnings per share

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Group	<u>\$ 363,156</u>	<u>406,626</u>
Weighted-average number of ordinary shares (thousnad) outstanding at the end of period	<u>56,708</u>	<u>56,775</u>
Basic earnings per share (dollar)	<u>\$ 6.40</u>	<u>7.16</u>

(ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary shareholders of the Group	<u>\$ 363,156</u>	<u>406,626</u>
Weighted-average number of ordinary shares outstanding (basic)	56,708	56,775
The impact of full stock issuance on employee	<u>827</u>	<u>671</u>
Weighted average number of ordinary shares outstanding (thousand shares)	<u>57,535</u>	<u>57,446</u>
Diluted earnings per share (dollar)	<u>\$ 6.31</u>	<u>7.08</u>

(r) Revenue from contracts with customers

(i) The details of the revenue were as follows:

	<u>2022</u>	<u>2021</u>
Cleaning income	\$ 2,249,790	2,016,773
Sale of goods	138,294	115,653
Income from services	<u>4,680</u>	<u>4,469</u>
	<u>\$ 2,392,764</u>	<u>2,136,895</u>

(ii) Contract balance

For details on trade receivables and allowance for impairment, please refer to note 6(c).

(s) Employee and board of directors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$40,000 thousand and \$43,000 thousand and directors' and supervisors' remuneration amounting to \$8,000 thousand and \$10,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(t) Other revenue

	2022	2021
Grant income	\$ 1,455	10,027
Other	2,711	3,735
	<b>\$ 4,166</b>	<b>13,762</b>

(u) Other gains and losses

	2022	2021
Loss on disposal of property, plant and equipment	\$ (181)	(1,390)
Gain on disposal of non-current assets held to be sold	-	71,984
Gain(loss) on disposals of investments	(2,735)	6,709
Foreign currency exchange gain(loss), net	18,348	(6,940)
Impairment loss	(3,792)	(18,421)
Others	(3,644)	(3,517)
	<b>\$ 7,996</b>	<b>48,425</b>

(v) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Group are centralized in the Semiconductor industry and panel industry customer. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. As of December 31, 2022 and 2021, 46% and 43% of trade receivables were from the top 5 customers. Thus, credit risk is significantly centralized.

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## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3) Receivables and debt securities

The financial assets, trade receivables and other receivables of the Group as measured at amortized cost as of the reporting date are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 6(c).

#### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The analysis of the maturity date of financial debt contracts were as follow:

- 1) Based on the earliest date on which the consolidated company may be required to repay, it is compiled based on the undiscounted cash flow of financial liabilities, which includes interest but does not include the effect of the netting agreement.
- 2) The maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date.
- 3) Derivatives for net delivery are prepared based on undiscounted contract net cash inflows and outflows; derivatives for gross delivery are prepared on the basis of total undiscounted cash inflows and outflows.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowing	\$ 40,000	40,108	40,108	-	-
Long-term borrowing	684,282	704,678	117,892	581,563	5,223
Notes and trade payable	132,963	132,963	132,963	-	-
Lease liabilities	5,751	5,836	3,516	2,320	-
Other financial liabilities	207,296	207,296	207,296	-	-
	<b>\$ 1,070,292</b>	<b>1,090,881</b>	<b>501,775</b>	<b>583,883</b>	<b>5,223</b>
<b>December 31, 2021</b>					
Non-derivative financial liabilities:					
Long-term borrowing	\$ 561,039	578,830	70,999	474,810	33,021
Notes and trade payable	136,820	136,820	136,820	-	-
Lease liabilities	9,246	9,461	3,625	5,836	-
Other financial liabilities	173,618	173,618	173,618	-	-
	<b>\$ 880,723</b>	<b>898,729</b>	<b>385,062</b>	<b>480,646</b>	<b>33,021</b>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Some of the Group's operating activities are not measured in one of the Group's functional currencies, resulting in foreign currency exchange rate risk.

The Group's significant exposure to foreign currency risk was as follows:

(in thousands)	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
<u>Monetary items</u>						
USD	\$ 8,067	30.71	247,738	4,566	27.68	126,387
CNY	8,338	4.408	36,754	15,163	4.344	65,868
<u>Non-Monetary items</u>						
Long-term investment under equity method						
SGD	2,080	22.88	47,581	2,221	20.46	45,434
CNY	19,332	4.408	85,217	16,584	4.344	72,042
Financial liabilities						
<u>Monetary items</u>						
USD	157	30.71	4,807	182	27.68	5,045

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A weakening (strengthening) of 1% of the NTD against the foreign currency at December 31, 2022 and 2021, would have decreased or increased the net profit before tax by \$2,797 thousand and \$1,872 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021 foreign exchange gains (losses) (including realized and unrealized portions), please referred to note 6(u) in detail.

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## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Interest rate risk

The interest rates of interest-bearing financial instruments of the Group on the reporting date are summarized as follows:

	Carrying amount	
	December 31, 2022	December 31, 2021
Fixed-rate instruments:		
Financial assets	\$ 350,672	213,995
Financial liabilities	(40,000)	-
	<b>\$ 310,672</b>	<b>213,995</b>
Variable-rate instruments:		
Financial assets	\$ 670,657	717,915
Financial liabilities	(684,282)	(561,039)
	<b>\$ (13,625)</b>	<b>156,876</b>

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit(loss) before tax would have decreased or increased by \$(34) thousand and \$392 thousand for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Group's financial assets at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis.

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments that was not quoted prices in the active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)



**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2021				
	Carrying amounts	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Long and short term borrowing	561,039				
Notes and trade payables	136,820				
Lease liabilities	9,246				
Guarantee deposit	4,562				
Other financial assets	355,312				
	<u>\$ 1,066,979</u>				

2) Valuation techniques for financial instruments measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

c) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgement and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgement.

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## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The financial instruments held by the Group are classified as follows:

- Financial instruments with active markets: including financial assets which listed (counter) company stocks with active market transactions, their fair value series are determined with reference to market quotes.
- Financial instruments without active markets: Fair value is based on valuation techniques or reference counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on market information available on the date of the consolidated balance sheet.

d) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	<b>Financial assets at fair value through profit or loss-unquoted equity instruments</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 13,870	15,347
Recognized in profit or loss	-	(17)
Aquisition/ Disposal/ Redemption	34,772	(1,460)
Effect of movements in exchange rate	(154)	-
Balance on December 31	<b><u>\$ 48,488</u></b>	<b><u>13,870</u></b>

The aforementioned total gains and losses were recognized in “other gains and losses” .

e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’ s financial instruments that use Level 3 inputs to measure fair value use third-party pricing information. Therefore, it is not intended to disclose quantitative information on significant unobservable inputs of fair value.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

Note 6(v) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(ii) Risk management structure

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(x) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 31 December 2022, the Group's capital management strategy is consistent with the prior year as of 31 December 2021. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December, 2022 and 2021 is 29% and 27%, respectively.

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities, which did not affect the current cash flow, for the years ended December 31, 2022 and 2021, were as follows:

(i) Acquisition of Right-of-use assets by lease, please refer to note 6(h).

(Continued)



**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-Cash flows</b>	<b>December 31, 2022</b>
Short-term borrowings	\$ -	40,000	-	40,000
Long-term borrowings	561,039	123,243	-	684,282
Lease liabilities	9,246	(3,495)	-	5,751
<b>Total liabilities from financing activities</b>	<b>\$ 570,285</b>	<b>159,748</b>	<b>-</b>	<b>730,033</b>

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-Cash flows</b>	<b>December 31, 2021</b>
Short-term borrowings	\$ 7,279	(7,279)	-	-
Long-term borrowings	483,318	77,721	-	561,039
Lease liabilities	139,599	(3,625)	(126,728)	9,246
<b>Total liabilities from financing activities</b>	<b>\$ 630,196</b>	<b>66,817</b>	<b>(126,728)</b>	<b>570,285</b>

**(7) Related-party transactions:**

(a) Name and relationship with related parties

<b>Name of related party</b>	<b>Relationship with the Group</b>
Minerva Works Pte Ltd. (Minerva)	An associate
Zhe An Technology (Shenzhen) Ltd. (Shen Zhen Zhe An) (Note 1)	An associate
Nanjing Hung Jie Optoelectronics Technology Ltd. (Nanjing Hung Jie)	An associate

(Note 1) Shen Zhen Zhe An was dissolved and liquidated in August, 2021.

(b) Significant transactions with related parties

(i) Sales

	<b>Sales</b>		<b>Trade receivables and other receivables-related party</b>	
	<b>2022</b>	<b>2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	\$ 16,541	27,150	2,169	1,349

The above trading terms and conditions are not materially different from those of ordinary customers.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (ii) Rent revenue

	<b>2022</b>	<b>2021</b>
Associates		
Zhe An (Shenzhen)	<b>\$ -</b>	<b>1,486</b>

The rent will be charged at the prevailing market price on the tenth day of each month.

## (c) Key management personnel compensation

	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 31,012	30,678
Post-employment benefits	635	621
	<b>\$ 31,647</b>	<b>31,299</b>

**(8) Pledged assets:**

The following assets are provided as collateral for financing, litigation, factory lease deposit and business transaction margin.

		<b>December 31, 2022</b>	<b>December 31, 2021</b>
Pledged assets	Object		
Land	Bank loan	\$ 550,538	347,400
Building	Bank loan	445,680	480,341
		<b>\$ 996,218</b>	<b>827,741</b>

**(9) Commitments and contingencies:**

(a) The consolidated company' s unrecognized contractual commitments on the acquisition of real estate, plant and equipment that are material and unrecognized are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Acquisition of property, plant and equipment	<b>\$ 374,915</b>	<b>240,931</b>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31, 2022			For the year ended December 31, 2021		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit							
Salary		459,291	222,467	681,758	427,590	221,844	649,434
Labor and health insurance		37,374	16,734	54,108	33,668	15,325	48,993
Pension		17,308	10,543	27,851	15,937	9,255	25,192
Remuneration of directors		-	8,183	8,183	-	10,162	10,162
Others		26,202	11,868	38,070	26,103	12,108	38,211
Depreciation (Note 1)		147,867	41,418	189,285	131,107	27,915	159,022
Amortization		29,823	1,936	31,759	22,115	1,239	23,354

(Note 1) The depreciation of investment real estate is not included.

**(13) Other disclosures:****(a) Information on significant transactions:**

The following is the information on significant transactions during the year ended December 31, 2022 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

**(i) Loans to other parties:**

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 2)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 1)	Maximum financing limit for the lender (Note 1)
													Item	Value		
1	Shih Tian (Xiamen)	Shih Ju (Hefei)	Other receivables-related parties	Yes	(RMB5,0 thousand)	-	-	1.75%	2	-	Operating capital	-	-	-	21,532	86,128
1	Shih Tian (Xiamen)	Shin Ping (Shenzhen)	Other receivables-related parties	Yes	(RMB5,5 thousand)	-	-	1.75%	2	-	Operating capital	-	-	-	21,532	86,128

Note 1: The total amount of leading to others shall not exceed 10% of the net value, and the total amount shall not exceed 40% of the company's net worth.

Note 2: Nature of financing activities is as follows:

- (1) Represents entities with business transaction with the Group.
- (2) Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

**(ii) Guarantees and endorsements for other parties: None**

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance			Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		Fair value
The Company	Yuanta 2-10 Year Investment Grade Corporate Bond Fund-USD(A)	None	Current financial assets at fair value through profit of loss	10	3,053	-	3,053	
"	Yuanta CHINSAN CLN	"	"	200	20,135	- %	20,135	
"	Yuanta GSD CLN	"	"	70	7,028	- %	7,028	
YUAN GUANG	Allianz Global Investors Taiwan Money Market Fund	"	"	160	2,040	- %	2,040	
"	UPAMC James Bond Money Market Fund	"	"	118	2,004	- %	2,004	
"	Yuanta DE-LI Money Market Fund	"	"	121	2,007	- %	2,007	
"	Yuanta DE-BAO Money Market Fund	"	"	164	2,006	- %	2,006	
CHANG YORK	Yuanta DE-LI Money Market Fund	"	"	121	2,011	- %	2,011	
"	Yuanta 2-10 Year Investment Grade Corporate Bond Fund-USD(A)	"	"	7	2,137	- %	2,137	
"	UPAMC James Bond Money Market Fund	"	"	118	2,004	- %	2,004	
Shih Ju (Hefei)	ICBC "Tianlibao" No. 2 Net Value Financial Investment Product for Corporate*	"	"	10,000	44,080	- %	44,080	
"	ICBC "Premium Selection 14 days Chi-Ying Fixed Income Open-end Financial Investment Product for Corporate*	"	"	976	4,408	- %	4,408	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	The factory	2022/06/08	229,394	173,555	Tech-Top Engineering Co., LTD.	Non-related parties				-	According to market conditions	The group's operations and capacity expansion	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(Continued)

## SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (ix) Trading in derivative instruments: Please refer to note 6(b).
- (x) Business relationships and significant intercompany transactions: (Only disclosed transaction amounted to more than 10 million)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-par ty	Nature of relationship (Note 2)	Intercompany transactions for the year ended December 31, 2022			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Shih (Hefei)	1	Service revenue	15,678	(Note 3)	0.66%
1	Shih (ShenZhen)	Donggu Shih Ping	3	Other income	11,013	(Note 3)	0.46%
2	Donggu Shih Ping	Shih P (ShenZhen)	3	Processing Fees income	19,710	(Note 3)	0.82%
3	Chengdu Shih Zheng	Shih (Hefei)	3	Processing Fees income	13,166	(Note 3)	0.55%
4	YU GUANG Company		2	Processing Fees income	16,319	(Note 3)	0.68%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The sales prices and payment terms of intercompany sales are not significantly different from those of third parties.

Note 4: Transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees (excluding investments in mainland China):

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
the Company	Skill high	Samoa	General investment	1,742,059	1,812,247	57,300	100.00%	1,793,776	100.00	653	653	Note 1
"	Chang York	Taiwan	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	49,313	49,313	5,000	100.00%	70,578	100.00	18,059	18,059	
"	Yuan Guang	Taiwan	Metal and Chemical Manufacturing	17,310	17,310	1,500	100.00%	22,981	100.00	5,568	5,568	
"	Mineva	Singapore	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	11,538	11,538	405	36.80%	47,581	36.80	(8,293)	(2,897)	Note 2
Skill high	Shih Fu	Samoa	General investment	1,007,605	1,007,605	35,500	100.00%	1,169,632	100.00	13,356	13,356	
"	Shih Hang	Samoa	General investment	431,744	501,931	14,100	100.00%	413,515	100.00	5,495	5,495	Note 1
"	Shih Pu	Samoa	General investment	293,243	293,243	9,100	100.00%	218,354	100.00	(4,816)	(4,816)	

Note 1: Skill High and Shih Hang reduced their capitals in cash during March 2022. Thereafter, Shih Hang returned the shares to Skill High, who then returned the shares to the Company, resulting in a change in the original investment amounts in both companies. The related procedures were still in progress as of the reporting date.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Information on investment in mainland China:

1) Information on re-investment in business related information in mainland China:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee (note 1)	Percentage of ownership	Investment income (losses) (note 1)	Book value (note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Shih Ping (Shen Zhen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	1,529 (RMB352,150 thousand)	(1) (4)	1,526,346	-	70,187	1,456,159	16,768	100.00%	16,768	1,554,345	-
Shih Ju (Hefei)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	3 (RMB89,310 thousand)	(4)	-	-	-	-	58,208	100.00%	58,208	377,202	-
Dongguan Shih Ping	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	5 (RMB120,000 thousand)	(2)	-	-	-	-	(17,156)	100.00%	(17,156)	501,882	-
Shih Tien (Xiamen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	2 (RMB58,360 thousand)	(1)	290,085	-	-	290,085	(5,108)	100.00%	(5,108)	215,319	-
Chengdu Shih Zheng	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	6 (RMB143,072 thousand)	(2)	-	-	-	-	(53,453)	100.00%	(53,453)	556,575	-
Nanjing Hung Jie	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	2 (RMB47,450 thousand)	(3) (4)	-	-	-	-	34,032	35.71%	12,156	85,217	-

Note 1: Through the third region investments set up a company to reinvest in the mainland.

Note 2: Reinvestment in a mainland through a mainland company.

Note 3: The above equity transactions have been written off at the time of the preparation of consolidated financial statements expect for the related enterprise invested by Nanjing Hong Jie.

Note 4: The Group originally established a third-party company to invest in Mainland China companies, and in December 2021, the restructuring was adjusted to reinvest in Mainland China companies through a Mainland China company.

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,746,244	1,746,244	Note 1

Note 1: The company obtained the approval document issued by the Industrial Development Bureau, Ministry of Economic Affairs for compliance with the operation headquarters in May 2019. Therefore, it is not subject to the limited stipulated by the Ministry of Economic Affairs' "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" .

3) Significant transactions:

For the major direct or indirect transaction of the invested companies in mainland China in 2022 (written off at the time of preparation of the consolidated report), please refer to

(a) "information related to major transactions" in detail.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Major shareholders:

(Unit: share)

Shareholder' s Name	Shareholding	Shares	Percentage
GUANJUN LIN Holdings Co. LTD.		8,558,190	15.07%

**(14) Segment information:**

(a) Information about reportable segments and their measurement and reconciliations:

	2022					Total
	the Company	Taiwan		China	Reconciliation and elimination	
		CHANG YORK TECHNOLOGY INC.	YUAN GUANG TECHNOLOGY INC.			
Revenue						
Revenue from external customers	\$ 1,771,196	78,191	7,792	535,585	-	2,392,764
Intersegment	33,091	4,698	16,319	37,642	(91,750)	-
Total revenue	<u>\$ 1,804,287</u>	<u>82,889</u>	<u>24,111</u>	<u>573,227</u>	<u>(91,750)</u>	<u>2,392,764</u>
Reportable segment profit or loss	<u>\$ 412,523</u>	<u>20,283</u>	<u>6,473</u>	<u>(6,013)</u>	<u>12,521</u>	<u>445,787</u>
	2021					Total
	the Company	Taiwan		China	Reconciliation and elimination	
		CHANG YORK TECHNOLOGY INC.	YUAN GUANG TECHNOLOGY INC.			
Revenue						
Revenue from external customers	\$ 1,540,901	74,424	3,917	517,653	-	2,136,895
Intersegment	30,393	5,700	13,772	39,936	(89,801)	-
Total revenue	<u>\$ 1,571,294</u>	<u>80,124</u>	<u>17,689</u>	<u>557,589</u>	<u>(89,801)</u>	<u>2,136,895</u>
Reportable segment profit or loss	<u>\$ 336,174</u>	<u>20,541</u>	<u>815</u>	<u>47,097</u>	<u>12,271</u>	<u>416,898</u>

(b) Product and service information

The Corporation is engaged in the maintenance, trading, research and development, design, manufacturing, processing and installment of semiconductor equipment, photoelectric equipment and spare parts.

The revenue, profit and losses and identifiable assets account for more than 90% of the each segment, and there is no need for the disclosure of industry information.

(Continued)

**SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Region</u>	<u>2022</u>	<u>2021</u>
Revenue from external customer		
Taiwan	\$ 1,857,179	1,619,242
China	535,585	517,653
	<u>\$ 2,392,764</u>	<u>2,136,895</u>

(d) Major customers

Revenue from single customer amounting to more than 10% of the combined company' s total revenue is follows:

	<u>2022</u>
Customer B	<u>\$ 611,688</u>
	<u>2021</u>
Customer B	\$ 550,350
Customer A	224,025
	<u>\$ 774,375</u>



Appendix II  
Standalone Financial  
Report

**SHIH HER TECHNOLOGIES INC.**  
**Parent Company Only Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2022 and 2021**

Address: No.18, Renzheng Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C.)  
Telephone: 886-3598-1100

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of SHIH HER TECHNOLOGIES INC.:

### Opinion

We have audited the financial statements of SHIH HER TECHNOLOGIES INC.( “the Company” ), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company' s financial statements are stated as follows:

#### 1. Impairment of account receivable

Please refer to Note 4(f) “Financial instruments” for the accounting policy of impairment of account receivable and refer to Note 6(c) of the financial statements for the details.

Description of key audit matter:

The Company engages in business primarily with clients which are involved in the manufacture of mold and electronic parts with credit term, which make the Company vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss involves subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit:

Our principal audit procedures included: assessing whether the Company's impairment of accounts receivable has been set aside in accordance with the Company's policy, including inquiring from the management if they had identified the debtors who have financial difficulties; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Revenue recognition

For the accounting policy regarding the revenue recognition, please refer to Note 4(n) Revenue from contracts with customers; for the details of revenue recognition and the explanation of revenue, please refer to Note 6(p) of the consolidated financial report.

Description of the key audit matter:

The Company is engaged in the cleaning and maintenance of semiconductor equipment, photoelectric equipment and more. The timing of the recognition of operating revenues is based on the transaction terms in the contract with the customers, and given consideration to the special industry characteristic the Company is in, the sales revenue comes from multiple operation, therefore, our auditors deem this as one of the key audit matters.

How the matter was addressed in our audit:

Our principal procedures include: examining the sales contracts and evaluating revenue recognition policies based on the contract terms; observing the design of internal controls regarding sale transactions, as well as performing sample testing to confirm its effectiveness; performing adjustment analysis of all receipts and account records for a particular customer, or sample testing individual sales transactions and matching them against the respective customer purchase order, delivery slips and account records etc.; selecting transactions and making before and after period end as samples to inspect the transaction terms, delivery slips, and customer confirmation etc.; obtaining the details of the work in progress items, understanding its completion ratio calculation and evaluating the reasonableness of revenue recognition at the year end.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2023

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.





(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SHIH HER TECHNOLOGIES INC.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Sales revenue (notes 6(p) and 7)	\$ 1,804,287	100	1,571,294	100
5000	Operating costs (notes 6(d), (l), 7 and 12)	1,099,985	61	959,171	61
	<b>Gross profit from operations</b>	<b>704,302</b>	<b>39</b>	<b>612,123</b>	<b>39</b>
	<b>Operating expenses</b> (notes 6(c), (l), (q) and 12):				
6100	Selling expenses	125,289	7	121,400	8
6200	Administrative expenses	132,628	7	127,367	8
6300	Research and development expenses	33,932	2	26,902	2
6450	Reversal of impairment loss determined in accordance with IFRS 9	(70)	-	280	-
	<b>Total operating expenses</b>	<b>291,779</b>	<b>16</b>	<b>275,949</b>	<b>18</b>
	<b>Net operating profit</b>	<b>412,523</b>	<b>23</b>	<b>336,174</b>	<b>21</b>
	<b>Non-operating income and expenses:</b>				
7010	Other income (note 6(r))	4,396	-	3,042	-
7020	Other gains and losses (notes 6(e) and (s))	8,482	1	71,915	5
7050	Finance costs (note 6(k))	(7,679)	-	(6,394)	-
7100	Interest income (note 7)	5,084	-	2,449	-
7070	Share of profit (loss) of associates, subsidiaries, and joint ventures accounted for using equity method (note 6(k))	21,383	1	81,341	5
	<b>Total non-operating income and expenses</b>	<b>31,666</b>	<b>2</b>	<b>152,353</b>	<b>10</b>
	<b>Profit before income tax</b>	<b>444,189</b>	<b>25</b>	<b>488,527</b>	<b>31</b>
7951	Less: Income tax expenses (note 6(m))	81,033	5	81,901	5
	<b>Profit</b>	<b>363,156</b>	<b>20</b>	<b>406,626</b>	<b>26</b>
	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	1,727	-	(581)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<b>1,727</b>	<b>-</b>	<b>(581)</b>	<b>-</b>
8360	<b>Item that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	30,540	2	12,290	1
8300	<b>Other comprehensive income (loss), net</b>	<b>32,267</b>	<b>2</b>	<b>11,709</b>	<b>1</b>
	<b>Total comprehensive income</b>	<b>\$ 395,423</b>	<b>22</b>	<b>418,335</b>	<b>27</b>
9750	<b>Basic earnings per share (NT dollars) (note 6(o))</b>	<b>\$ 6.40</b>		<b>7.16</b>	
9810	<b>Diluted earnings per share (NT dollars) (note 6(o))</b>	<b>\$ 6.31</b>		<b>7.08</b>	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**SHIH HER TECHNOLOGIES INC.****Statements of Changes in Equity****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings				Unappropriated retained earnings	Total other equity interest Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
	Share capital	Capital surplus	Legal reserve	Special reserve				
<b>Balance at January 1, 2021</b>	\$ 567,749	679,504	329,228	129,680	1,362,098	(122,830)	-	2,945,429
Profit	-	-	-	-	406,626	-	-	406,626
Other comprehensive income (loss)	-	-	-	-	(581)	12,290	-	11,709
Total comprehensive income (loss)	-	-	-	-	406,045	12,290	-	418,335
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	25,092	-	(25,092)	-	-	-
Special reserve appropriated	-	-	-	(6,850)	6,850	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)
Cash dividends from capital surplus	-	(68,130)	-	-	-	-	-	(68,130)
Difference between consideration and carrying amount of subsidiaries acquired	-	149	-	-	-	-	-	149
<b>Balance at December 31, 2021</b>	567,749	611,523	354,320	122,830	1,693,126	(110,540)	-	3,239,008
Profit	-	-	-	-	363,156	-	-	363,156
Other comprehensive income (loss)	-	-	-	-	1,727	30,540	-	32,267
Total comprehensive income (loss)	-	-	-	-	364,883	30,540	-	395,423
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	40,604	-	(40,604)	-	-	-
Special reserve appropriated	-	-	-	(12,290)	12,290	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)
Cash dividends from capital surplus	-	(141,937)	-	-	-	-	-	(141,937)
Purchase of treasury share	-	-	-	-	-	-	(31,330)	(31,330)
<b>Balance at December 31, 2022</b>	\$ 567,749	469,586	394,924	110,540	1,972,920	(80,000)	(31,330)	3,404,389

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SHIH HER TECHNOLOGIES INC.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit before income tax	\$ 444,189	488,527
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	97,188	89,636
Amortization expense	29,690	22,032
Expected credit loss (reversal of provision)	(70)	280
Finance cost	7,679	6,394
Interest revenue	(5,084)	(2,449)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(21,383)	(81,341)
Impairment loss on non-financial assets	3,792	826
Gain on disposal of non-current assets classified as held for sale	-	(71,984)
Others	2,806	(2,376)
<b>Total adjustments to reconcile profit (loss)</b>	<b>114,618</b>	<b>(38,982)</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	192,870	(77,336)
Notes and trade receivables (including related party)	11,554	(18,739)
Other receivables (including related party)	7,139	16,224
Inventories	(26,489)	(20,652)
Other current assets	(2,779)	24,098
Notes and accounts payables	(105)	19,107
Other current liabilities	10,492	57,342
<b>Total changes in operating assets and liabilities</b>	<b>192,682</b>	<b>44</b>
<b>Total adjustments</b>	<b>307,300</b>	<b>(38,938)</b>
Cash inflow generated from operations	751,489	449,589
Interest received	-	1,560
Interest paid	(7,679)	(6,394)
Income taxes paid	(106,192)	(70,117)
<b>Net cash flows from operating activities</b>	<b>637,618</b>	<b>374,638</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	-	(182,584)
Proceeds from capital reduction of investments accounted for using equity method	70,187	29,063
Dividends received from subsidiaries	16,084	5,890
Proceeds from disposal of non-current assets classified as held for sale	-	126,616
Acquisition of property, plant and equipment	(453,227)	(363,949)
Disposal of property, plant and equipment	-	448
Decrease(increase) in guarantee deposits paid	(7)	24,300
Decrease in other receivables due from related parties	-	92,640
Decrease(increase) in other non-current assets	(28,993)	3,972
Interest received	5,084	1,396
<b>Net cash flows used in investing activities</b>	<b>(390,872)</b>	<b>(262,208)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	40,000	-
Proceeds from long-term debt	383,582	160,000
Repayments of long-term debt	(260,339)	(82,279)
Payment of lease liabilities	(144)	(145)
Cash dividends paid	(198,712)	(124,905)
Cost of increase in treasury stock	(31,330)	-
<b>Net cash flows used in financing activities</b>	<b>(66,943)</b>	<b>(47,329)</b>
<b>Net increase in cash and cash equivalents</b>	<b>179,803</b>	<b>65,101</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>231,774</b>	<b>166,673</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 411,577</b>	<b>231,774</b>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**SHIH HER TECHNOLOGIES INC.**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

SHIH HER TECHNOLOGIES INC. (the “Company” ) was incorporated in June 1997 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities of the Company are the manufacture, design and maintain of semiconductor and opto-electronics. The Company’ s common shares were listed on the Taipei Exchange (TPEX) in April 2008.

**(2) Approval date and procedures of the financial statements**

These financial statements were authorized for issue by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

## (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## (b) Basis of preparation

## (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liability (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

## (ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company' s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

## (c) Foreign currencies

## (i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the dates that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the dates of transaction.

## (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

## (f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## (i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## 1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

## 2) Fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

## 3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

(Continued)



**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

#### 4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

#### 5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

#### 6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements****(k) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**(iii) Depreciation**

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Housing construction and its ancillary equipment: 6~56 years
- 2) Machinery and equipment: 3~13 years
- 3) Office equipment and others: 3~10 years

Depreciation methods, useful lives and residual values are reviewed at year end and adjusted if appropriate.

**(l) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(i) As a lessee**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

The Company has selected not to recognize right-of-use assets and lease liabilities for short-term leases, leases of low value lease object and staff dormitory leases of variable object. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rent income'.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Company expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment of such goods or services by the customer will not exceed one year, therefore, the company does not adjust the monetary time value of the transaction price.

(o) Government grants and government assistance

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable.

Other government grants related to assets are initially recognized as deferred income or deducted from the book value at fair value if there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized. If the government grant is to subsidize the cost of assets obtained, the Company recognized in profit or loss during the useful life period according to the depreciation and amortization method of the asset.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to applicable minimum funding requirements.

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**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021, for further details.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

- (a) For the judgment regarding significant influence of subsidiaries, please refer to the consolidated financial report 2022.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

- (b) Judgment of whether the Company has substantive control over its investees

The Company holds 36.80% of Minerva Works PTD. Ltd. (Minerva) and 63.20% of the remaining equity is concentrated. The Company is unable to obtain more than half of the seats of directors or more than half of the voting rights of the shareholders present at the Board of Shareholders. Therefore, the judgment of the Company has only material influence on the investee company.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- (a) The loss allowance of trade receivables

The Company has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

The Company's accounting policies include measuring financial and nonfinancial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. The Company establishes relevant internal control for fair value measurement. This includes establishing an evaluation team to be responsible for reviewing all major fair value measurements (including level 3 fair value) and reporting directly to two CFO.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (non-observable parameter).

The Company recognizes the transfer on the reporting date if there is a transfer event or situation between the various levels of fair value. For relevant information on the assumption used to measure fair value, please refer to Note 6(t) Financial Instruments.

(Continued)

**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand and demand deposits	\$ 228,459	211,136
Time deposits	183,118	20,638
Cash and cash equivalents in the statement of cash flows	<b><u>\$ 411,577</u></b>	<b><u>231,774</u></b>

Please refer to note 6(v) for the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Derivatives financial assets—Convertible Bonds (CLN)	\$ 27,163	28,963
Beneficiary Certification	3,053	183,059
Structured Deposits	-	13,870
Total	<b><u>\$ 30,216</u></b>	<b><u>225,892</u></b>

(i) For the years ended December 31, 2022 and 2021, the Company recognized the fair value are \$46 and \$3,648 thousand, accounted under other gain and loss.

(ii) For credit risk and market risk, please refer to note 6(v).

(iii) The financial assets above have not been pledged as collateral.

(c) Notes and trade receivables (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivables	\$ 1,783	3,963
Trade receivables	300,528	309,906
Trade receivables-related parties	2,357	2,353
Less: Loss allowance	(19,582)	(19,652)
	<b><u>\$ 285,086</u></b>	<b><u>296,570</u></b>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The Company's loss allowance provisions for notes and trade receivables were determined as follows:

(Continued)

## SHIH HER TECHNOLOGIES INC.

## Notes to the Financial Statements

	<b>December 31, 2022</b>		
	<b>Notes and trade receivables amount</b>	<b>Weighted average Loss rate</b>	<b>Loss Allowance provision</b>
Current	\$ 275,250	0%~2%	14
Past due within 60 days	8,689	0%~10%	174
Past due 61~180 days	1,486	0%~80%	151
Past due 181~360 days	-	0%~100%	-
Past due over 360 days	-	0%~100%	-
There is indication of breaching for contract	<u>19,243</u>	100%	<u>19,243</u>
Total	<u><b>\$ 304,668</b></u>		<u><b>19,582</b></u>

	<b>December 31, 2021</b>		
	<b>Notes and trade receivables amount</b>	<b>Weighted average Loss rate</b>	<b>Loss Allowance provision</b>
Current	\$ 279,829	0%~2%	-
Past due within 60 days	16,581	0%~10%	331
Past due 61~180 days	569	0%~80%	78
Past due 181~360 days	-	0%~100%	-
Past due over 360 days	-	0%~100%	-
There is indication of breaching for contract	<u>19,243</u>	100%	<u>19,243</u>
Total	<u><b>\$ 316,222</b></u>		<u><b>19,652</b></u>

The movement in the allowance for impairment loss on notes and trade receivables was as follows:

	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 19,652	19,859
Impairment losses recognized (reversed)	(70)	280
Others	-	(487)
Balance at December 31	<u><b>\$ 19,582</b></u>	<u><b>19,652</b></u>

As of December 31, 2022 and 2021, the notes and trade receivables have not been pledged as collateral.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

(d) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 16,387	10,006
Finished goods	89,178	69,070
	<b>\$ 105,565</b>	<b>79,076</b>

The cost of inventory recognized as cost of good sold in 2022 and 2021 were \$1,099,985 thousand and \$959,171 thousand, respectively.

The Company did not provide any inventories as collateral.

(e) Non-current assets held for sale

In February 2021, the Company sold the Datong Factory through the resolution of the Board of Directors. The Company signed a real estate sales contract with Licheng Technology Co., Ltd., and according to the agreement, the Company needed to obtain soil pollution inspection report. The registration of transfer of ownership could be carried out only after receiving the relieving control permission of the environmental hazardous substances, with the sales amount of \$129,000 thousand (before tax). These properties were recalssified to non-current assets held for sale with a carrying amount of \$54,632 thousand and derecognized after obtaining the approval of change registration in August 2021. The gain of \$71,984 thousand (including value-added tax, etc.) resulting from the disposal was recognized under other gains and losses, please refer to note 6(s) for details.

(f) Investments accounted for using equity method

The Company' s financial information for investments accounted for using the equity method at the reporting date is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ 1,887,335	1,923,830
Associates	47,581	45,434
	<b>\$ 1,934,916</b>	<b>1,969,264</b>

(i) Please refer to the Company' s consolidated financial statements for the year ended December 31, 2022, for details of subsidiaries.

(ii) The Company' s financial information for investments accounted for using the equity method that are individually insignificant, which is the amount contained in the financial statements of the company, was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Carrying amount of individually insignificant associates' equity	<b>\$ 47,581</b>	<b>45,434</b>

(Continued)

**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

	2022	2021
Attributable to the Company:		
Profit	\$ (2,897)	3,615
Other comprehensive income	5,044	-
Total profit	<b>\$ 2,147</b>	<b>3,615</b>

(iii) The Company did not provide any investments accounted for using the equity method as collateral.

(iv) Quoted prices in an active market are not available for investments in the associates of the Company.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
<b>Cost or deemed cost:</b>						
Balance on January 1, 2022	\$ 584,388	823,693	241,149	110,047	147,350	1,906,627
Additions	-	6,810	49,986	18,199	236,286	311,281
Disposals and retirements	-	(6,209)	(13,584)	(12,432)	-	(32,225)
Balance on December 31, 2022	<b>\$ 584,388</b>	<b>824,294</b>	<b>277,551</b>	<b>115,814</b>	<b>383,636</b>	<b>2,185,683</b>
Balance on January 1, 2021	\$ 417,907	864,444	208,124	116,679	82,085	1,689,239
Additions	203,137	13,658	59,202	16,308	65,265	357,570
Disposals and retirements	-	(25,647)	(26,177)	(22,940)	-	(74,764)
Reclassifications	(36,656)	(28,762)	-	-	-	(65,418)
Balance on December 31, 2021	<b>\$ 584,388</b>	<b>823,693</b>	<b>241,149</b>	<b>110,047</b>	<b>147,350</b>	<b>1,906,627</b>
<b>Depreciation and impairments loss:</b>						
Balance on January 1, 2022	-	324,709	103,142	53,737	-	481,588
Depreciation	-	41,772	35,931	19,343	-	97,046
Disposals and retirements	-	(6,209)	(13,584)	(12,432)	-	(32,225)
Impairments loss	-	3,792	-	-	-	3,792
Balance on December 31, 2022	<b>\$ -</b>	<b>364,064</b>	<b>125,489</b>	<b>60,648</b>	<b>-</b>	<b>550,201</b>
Balance on January 1, 2021	\$ -	317,456	101,476	57,437	-	476,369
Depreciation	-	42,871	27,843	18,781	-	89,495
Disposals and retirements	-	(24,832)	(26,177)	(22,481)	-	(73,490)
Reclassification	-	(10,786)	-	-	-	(10,786)
Balance on December 31, 2021	<b>\$ -</b>	<b>324,709</b>	<b>103,142</b>	<b>53,737</b>	<b>-</b>	<b>481,588</b>
<b>Carrying amounts:</b>						
Balance on December 31, 2022	<b>\$ 584,388</b>	<b>460,230</b>	<b>152,062</b>	<b>55,166</b>	<b>383,636</b>	<b>1,635,482</b>
Balance on December 31, 2021	<b>\$ 584,388</b>	<b>498,984</b>	<b>138,007</b>	<b>56,310</b>	<b>147,350</b>	<b>1,425,039</b>
Balance on January 1, 2021	<b>\$ 417,907</b>	<b>546,988</b>	<b>106,648</b>	<b>59,242</b>	<b>82,085</b>	<b>1,212,870</b>

(Continued)

## SHIH HER TECHNOLOGIES INC.

## Notes to the Financial Statements

The property, plant and equipment of the Company had been pledged as collateral for borrowing; please refer to Note 8.

## (h) Right-of-use assets

	<u>Land</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>			
Balance at December 31, 2022 (As opening balance)	<u>\$ -</u>	<u>425</u>	<u>425</u>
Balance at January 1, 2021	\$ 163,127	1,299	164,426
Reduction	<u>(163,127)</u>	<u>(874)</u>	<u>(164,001)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>425</u>	<u>425</u>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2022	\$ -	236	236
Depreciation	<u>-</u>	<u>142</u>	<u>142</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>378</u>	<u>378</u>
Balance at January 1, 2021	\$ -	969	969
Depreciation	<u>-</u>	<u>141</u>	<u>141</u>
Reduction	<u>-</u>	<u>(874)</u>	<u>(874)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>236</u>	<u>236</u>
<b>Carrying amount:</b>			
Balance on December 31, 2022	<u>\$ -</u>	<u>47</u>	<u>47</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>189</u>	<u>189</u>
Balance at January 1, 2021	<u>\$ 163,127</u>	<u>330</u>	<u>163,457</u>

The Company is subject to the regulations of the Bureau of Industry of the Ministry of Economic Affairs of the “Key Points of Land Lease in Tainan Science and Technology Industrial Zone”. In March 2021, the Company applied for the approval of the exercise of preferential off-take rights in the case of lease-sub-acquisition and paid \$148,764 thousand. Because the Company is subject to the Environmental Protection Agency of the Executive Yuan “Soil and Groundwater Pollution Dyeing and Renovation Law”, the land was transferred in July 2021, recognized in Property, plant and equipment, please refer to Note 6 (g).

## (i) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ 40,000	-
Secured bank loans	<u>-</u>	<u>-</u>
Total	<u>\$ 40,000</u>	<u>-</u>
Unused credit lines	<u>\$ 690,000</u>	<u>730,000</u>
Range of interest rates	<u>1.52%~1.69%</u>	<u>-</u>

(Continued)



**SHIH HER TECHNOLOGIES INC.**

**Notes to the Financial Statements**

(i) In 2022, the new short-term borrowings and repayments of the Company amounted to \$179,973 thousand, and \$139,973 thousand, respectively. Moreover, except for repayments due, the amounts of short-term borrowings of the Company in 2021 was not significant.

(j) Long-term borrowings

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bank loans	\$ 580,282	449,039
Unsecured bank loans	104,000	112,000
Less: current portion due within 1 year	<u>(111,143)</u>	<u>(66,325)</u>
Total	<b><u>\$ 573,139</u></b>	<b><u>494,714</u></b>
Range of interest rates	<b><u>1.45%~1.85%</u></b>	<b><u>1%~1.2%</u></b>

(i) In 2022 and 2021, the Company's new long-term borrowings amounted to \$383,582 thousand and \$160,000 thousand, and the repayments amounted to \$260,339 thousand and \$82,279 thousand, respectively.

(ii) For the collateral for long-term borrowings, please refer to note 8.

(k) Lease liabilities

The Company leases land and vehicles for its operation. The leases period is 3 to 20 years. The Company has preferential right to purchase part of the leased land, and some lease agreements have terms for renewal.

The Company's lease liabilities are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<b><u>\$ 36</u></b>	<b><u>144</u></b>
Non-current	<b><u>\$ -</u></b>	<b><u>36</u></b>

Expiration analysis please refer to note 6(t) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<b><u>\$ 2</u></b>	<b><u>4</u></b>
Expenses relating to short-term leases	<b><u>\$ 1,212</u></b>	<b><u>1,063</u></b>

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 1,358</u>	<u>1,212</u>

The Company repurchased the leased land from lease and exercised the preferential purchase right in March 2021, please refer to Note 6 (h).

## (l) Employee benefits

## (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of the defined benefit obligations	\$ (36,160)	(34,991)
Fair value of plan assets	<u>38,642</u>	<u>35,730</u>
Net defined benefit asset	<u>\$ 2,482</u>	<u>739</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

## 1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$38,642 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

## 2) Movement in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company in the year 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 34,991	33,793
Benefits paid	(124)	-
Current service costs and interest cost (income)	176	169
Remeasurements loss (gain):		
- Experience gain and loss	3,113	18
- demographic assumptions	-	1,011
- financial assumptions	(1,996)	-
Defined benefit obligation at December 31	<u><u>\$ 36,160</u></u>	<u><u>34,991</u></u>

## 3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company in the year 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 35,730	35,093
Contributions	12	12
Benefits paid	(124)	-
Interest income	180	175
Remeasurements loss (gain):		
- Return on plan assets excluding interest income	2,844	450
Fair value of plan assets at December 31	<u><u>\$ 38,642</u></u>	<u><u>35,730</u></u>

## 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2022</u>	<u>2021</u>
Net interest of net liabilities for defined benefit obligations (assets)	<u><u>\$ (4)</u></u>	<u><u>(7)</u></u>
Operating costs	\$ (3)	(10)
Selling expenses	(1)	(2)
Administration expenses	-	5
	<u><u>\$ (4)</u></u>	<u><u>(7)</u></u>

(Continued)

**SHIH HER TECHNOLOGIES INC.**

**Notes to the Financial Statements**

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	1.500%	0.500%
Future salary increases rate	3.500%	3.000%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$12 thousand.

The weighted average lifetime of the defined benefits plans is 10.2 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation in the year 2022 and 2021 shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
<b>December 31, 2022:</b>		
Discount rate	\$ (905)	941
Future salary increasing rate	\$ 908	(878)
<b>December 31, 2021:</b>		
Discount rate	\$ (959)	1,000
Future salary increasing rate	\$ 959	(925)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$17,956 thousand and \$16,552 thousand for the years ended December 31, 2022 and 2021, respectively.

(Continued)

**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

(m) Income Taxes

(i) Income tax expense

The components of income tax expense in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expense	\$ 78,593	79,893
Deferred income tax expense	2,440	2,008
Income tax expense	<u><b>\$ 81,033</b></u>	<u><b>81,901</b></u>

Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Profit excluding income tax	\$ 444,189	488,527
Income tax using the Company' s domestic tax rate	88,838	97,705
Non-deductible expenses	(3,791)	(31,342)
Others	(4,014)	15,538
	<u><b>\$ 81,033</b></u>	<u><b>81,901</b></u>

(ii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

Changes in the amount of deferred income tax assets for 2022 and 2021 were as follows:

	<u>Allowance loss</u>	<u>Others</u>	<u>Total</u>
<b>Balance at January 1, 2022</b>	\$ (628)	(2,237)	(2,865)
Recognized in profit or loss	23	(354)	(331)
<b>Balance at December 31, 2022</b>	<u><b>\$ (605)</b></u>	<u><b>(2,591)</b></u>	<u><b>(3,196)</b></u>
<b>Balance at January 1, 2021</b>	\$ (596)	(4,277)	(4,873)
Recognized in profit or loss	(32)	2,040	2,008
<b>Balance at December 31, 2021</b>	<u><b>\$ (628)</b></u>	<u><b>(2,237)</b></u>	<u><b>(2,865)</b></u>

2) Recognized deferred income tax liabilities

	<u>Unrealized foreign exchange gain</u>	<u>Others</u>	<u>Total</u>
<b>Balance at January 1, 2022</b>	\$ -	-	-
Recognized in profit or loss	2,771	-	2,771
<b>Balance at December 31, 2022</b>	<u><b>\$ 2,771</b></u>	<u><b>-</b></u>	<u><b>2,771</b></u>

The Company have not recognized any deferred tax liabilities in December 31, 2021.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

3) Unrecognized deferred income tax liabilities

Considered the overall development and investment planning of the group, the Company does not intend to repatriate the surplus of overseas subsidiaries, therefore, the Company does not recognize the deferred tax assets and deferred tax liabilities of overseas subsidiaries.

As of December 31, 2022, the company has not recognized as a deferred tax liabilities was amounted \$8,399 thousand.

(iii) The Company' s tax returns for the year through 2020 were assessed by the National Tax Bureau.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the number of authorized ordinary shares were both 100,000 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$1,000,000 thousand. As of that date, 56,775 thousand of ordinary shares amounted \$567,750 thousand were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share issue premium	\$ -	111,159
Corporate debt conversion premium	467,023	497,801
Difference arising from subsidiary' s share price and its carrying value	1,218	1,218
Stock option expired	233	233
Changes in equity of the invested company accounted for using equity method	1,112	1,112
	<b>\$ 469,586</b>	<b>611,523</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

In accordance with the resolution of Board of Directors held on March 24, 2022 and March 25, 2021, the Company has resolved to distribute the cash dividends of \$141,937 thousand and \$68,130 thousand from capital surplus to the owners of common stock in the amount of \$2.5 per share and \$1.2 per share, respectively, which have been approved and implemented at the shareholders' meeting.

(iii) Retained earnings and dividend policy

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The stock dividends shall not be more than 50% of total dividend, and the cash dividend shall be 50% to 100% of total dividend.

1) Legal reserve

Under the Companies Act, a company shall allocate 10 per cent of its net after-tax profits as statutory surplus accumulation until it is equal to the total amount of capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Regulation issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2022 and 2021, the balances of special reserve were \$110,540 thousand and \$122,830 thousand, respectively.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

3) Retained earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders' meeting on June 22, 2022 and August 12, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividend	\$ 1.00	56,775	1.00	56,775

4) Treasury shares

For the Company's integrity and shareholders' equity, the Company has complied with Securities and Exchange Act Article 28-2 to repurchase 538 thousand treasury stocks (amounted to \$31,330 thousand), which were not cancelled as of December 31, 2022.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder's rights before their transfer.

(o) Earnings per share

The calculation of basic earnings per share and diluted earning per share of the Company are calculated as follows:

(i) Basic earnings per share

	2022	2021
Profit attributable to ordinary shareholders of the Company	\$ 363,156	406,626
Weighted-average number of ordinary shares (thousnad) outstanding at the end of period	56,708	56,775
Basic earnings per share (dollar)	\$ 6.40	7.16

(ii) Diluted earnings per share

	2022	2021
Profit attributable to ordinary shareholders of the Company	\$ 363,156	406,626
Weighted-average number of ordinary shares outstanding (basic)	56,708	56,775
The impact of full stock issuance on employee	827	671
Weighted average number of ordinary shares outstanding (thousand shares)	57,535	57,446
Diluted earnings per share (dollar)	\$ 6.31	7.08

(Continued)



**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

(p) Revenue from contracts with customers

(i) The details of the revenue were as follows:

	<u>2022</u>	<u>2021</u>
Cleaning income	\$ 1,643,637	1,425,274
Sale of goods	127,247	113,560
Income from services	<u>33,403</u>	<u>32,460</u>
	<u><b>\$ 1,804,287</b></u>	<u><b>1,571,294</b></u>

(ii) Contract balance

For details on trade receivables and allowance for impairment, please refer to note 6(c).

(q) Employee and board of directors' compensation

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$40,000 thousand and \$43,000 thousand and directors' and supervisors' remuneration amounting to \$8,000 thousand and \$10,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(r) Other revenue

	<u>2022</u>	<u>2021</u>
Rental income	\$ 2,079	2,079
Other	<u>2,317</u>	<u>963</u>
	<u><b>\$ 4,396</b></u>	<u><b>3,042</b></u>

(Continued)

**SHIH HER TECHNOLOGIES INC.**

**Notes to the Financial Statements**

(s) Other gains and losses

	<b>2022</b>	<b>2021</b>
Foreign currency exchange gain (loss), net	\$ 15,080	(1,617)
Gain (loss) on disposals of investments	(2,760)	6,023
Impairment loss	(3,792)	(826)
Gain on disposal of non-current assets held to be sold	-	71,984
Others	(46)	(3,649)
	<b>\$ 8,482</b>	<b>71,915</b>

(t) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Company are centralized in the Semiconductor industry and panel industry customer. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. As of December 31, 2022 and 2021, 56% and 59% of trade receivables were from the top 5 customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

The financial assets, trade receivables and other receivables of the Company as measured at amortized cost as of the reporting date are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 6(c).

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

The analysis of the maturity date of financial debt contracts were as follow:

- 1) Based on the earliest date on which the company may be required to repay, it is compiled based on the undiscounted cash flow of financial liabilities, which includes interest but does not include the effect of the netting agreement.
- 2) The maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date.
- 3) Derivatives for net delivery are prepared based on undiscounted contract net cash inflows and outflows; derivatives for gross delivery are prepared on the basis of total undiscounted cash inflows and outflows.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowing	\$ 40,000	40,108	40,108	-	-
Long-term borrowing	684,282	704,678	117,892	581,563	5,223
Notes and trade payable (including related party)	90,061	90,061	90,061	-	-
Lease liabilities	36	36	36	-	-
	<b>\$ 814,379</b>	<b>834,883</b>	<b>248,097</b>	<b>581,563</b>	<b>5,223</b>
<b>December 31, 2021</b>					
Non-derivative financial liabilities:					
Bank loan	\$ 561,039	578,830	70,999	474,810	33,021
Notes and trade payable (including related party)	90,166	90,166	90,166	-	-
Lease liabilities	180	181	145	36	-
	<b>\$ 651,385</b>	<b>669,177</b>	<b>161,310</b>	<b>474,846</b>	<b>33,021</b>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Some of the Company's operating activities are not measured in one of the Company's functional currencies, resulting in foreign currency exchange rate risk. In order to avoid the decrease in the value of foreign currency assets and the fluctuation of future cash flow due to exchange rate changes, the Company uses derivatives to avoid exchange rate risks.

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

The Company's significant exposure to foreign currency risk was as follows:

(in thousands)	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
<u>Monetary items</u>						
USD	\$ 7,417	30.71	227,770	1,344	27.68	37,191
CNY	3,904	4.408	17,209	11,249	4.344	48,868
<u>Non-Monetary items</u>						
Long-term investment under equity method						
SGD	2,080	22.88	47,581	2,221	20.46	45,534
Financial liabilities						
<u>Monetary items</u>						
USD	157	30.71	4,807	182	27.68	5,045

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A weakening (strengthening) of 1% of the NTD against the foreign currency at December 31, 2022 and 2021, would have decreased or increased the net profit before tax by \$2,402 thousand and \$810 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021 foreign exchange gains (losses) (including realized and unrealized portions), please referred to note 6(s) in detail.

#### 2) Interest rate risk

The interest rates of interest-bearing financial instruments of the Company on the reporting date are summarized as follows:

	Carrying amount	
	December 31, 2022	December 31, 2021
Fixed-rate instruments:		
Financial assets	\$ 183,118	54,521
Financial liabilities	(40,000)	-
	<b><u>\$ 143,118</u></b>	<b><u>54,521</u></b>
Variable-rate instruments:		
Financial assets	\$ 227,818	189,750
Financial liabilities	(684,282)	(561,039)
	<b><u>\$ (456,464)</u></b>	<b><u>(371,289)</u></b>

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit(loss) before tax would have decreased or increased by \$1,141 thousand and \$928 thousand for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Company's financial assets at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis.

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments that was not quoted prices in the active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2022			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 3,053	3,053	-	-	3,053
Mandatorily measured at fair value through profit or loss	27,163	27,163	-	-	27,163
	<b>\$ 30,216</b>	<b>30,216</b>	<b>-</b>	<b>-</b>	<b>30,216</b>

(Continued)



## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

2) Valuation techniques for financial instruments measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

c) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgement and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgement.

The financial instruments held by the Company are classified as follows:

- Financial instruments with active markets: including financial assets which listed (counter) company stocks with active market transactions, their fair value series are determined with reference to market quotes.
- Financial instruments without active markets: Fair value is based on valuation techniques or reference counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on market information available on the date of the balance sheet.

(Continued)

**SHIH HER TECHNOLOGIES INC.**

**Notes to the Financial Statements**

d) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	<b>Financial assets at fair value through profit or loss-unquoted equity instruments</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 13,870	6,917
Recognized in profit or loss	-	(17)
Aquisition/ Disposal/ Redemption	(13,870)	6,970
Effect of movements in exchange rate	-	-
Balance on December 31	<b><u>\$ -</u></b>	<b><u>13,870</u></b>

The aforementioned total gains and losses were recognized in “other gains and losses” .

e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’ s financial instruments that use Level 3 inputs to measure fair value use third-party pricing information. Therefore, it is not intended to disclose quantitative information on significant unobservable inputs of fair value.

(u) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Note 6(t) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(ii) Risk management structure

The Company’ s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Company’ s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)



## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

The Board of Directors monitors the management to ensure compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(v) Capital management

The Company uses the debt ratio as the benchmark for its capital management to ensure that it has the necessary financial resources to meet the needs of working capital, capital expenditure and debt repayment in the next twelve months. The debt ratios as of December 31, 2022 and 2021 were 26% and 25%, respectively. The method used for the Company's capital management remained the same as of December 31, 2022.

(w) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities, which did not affect the current cash flow, for the years ended December 31, 2022 and 2021, were as follows:

(i) Acquisition of Right-of-use assets by lease, please refer to note 6(h).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-Cash flows</b>	<b>December 31, 2022</b>
Short-term borrowings	\$ -	40,000	-	40,000
Long-term borrowings	561,039	123,243	-	684,282
Lease liabilities	180	(144)	-	36
Total liabilities from financing activities	<b>\$ 561,219</b>	<b>163,099</b>	<b>-</b>	<b>724,318</b>
	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-Cash flows</b>	<b>December 31, 2021</b>
Long-term borrowings	\$ 483,318	77,721	-	561,039
Lease liabilities	137,294	(145)	(136,969)	180
Total liabilities from financing activities	<b>\$ 620,612</b>	<b>77,576</b>	<b>(136,969)</b>	<b>561,219</b>

(Continued)

**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

**(7) Related-party transactions:**

(a) Name and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
CHANG YORK TECHNOLOGIES INC. (CHANG YORK)	Subsidiary
YUAN GUANG TECHNOLOGIES INC. (YUAN GUANG)	"
Shih Ping Technologies (Shen Zhen) Co. Ltd. (Shen Zhen Shih Ping)	"
Dongguan Shih Ping Optoelectronics Technology, Ltd. (Dongguan Shih Ping)	"
Shih Ju Technologes (Hefei) Ltd. (Hefei Shih Ju)	"
Chengdu Shih Zheng Technology Ltd. (Chengdu Shih Zheng)	"
Minerva Works Pte Ltd. (Minerva)	An associate
Nanjing Hung Jie Optoelectronics Technology, Ltd. (Nanjing Hung Jie)	"

(b) Significant transactions with related parties

(i) Sales

	<u>Sales</u>		<u>Trade receivables and other receivables—related party</u>	
			<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 33,091	30,393	11,479	19,174
Associate	10,046	7,715	1,184	969
	<b><u>\$ 43,137</u></b>	<b><u>38,108</u></b>	<b><u>12,663</u></b>	<b><u>20,143</u></b>

(ii) Processing fee

	<u>Processing fee</u>		<u>Trade payables —related party</u>	
			<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 3,121	4,783	2,264	2,367

The above trading terms and conditions are not materially different from those offered by other vendors.

(Continued)

**SHIH HER TECHNOLOGIES INC.**

**Notes to the Financial Statements**

(iii) Loans to Related Parties

The loans (including interest receivable) and the interest revenue to related parties were as follows:

	Interest Revenue		Other receivables -related party	
			December 31,	December 31,
	2022	2021	2022	2021
Hefei Shih Ju	\$ -	160	-	-
Shen Zhen Shih Ping	-	516	-	-
	<u>\$ -</u>	<u>676</u>	<u>-</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 31,012	30,678
Post-employment benefits	635	621
	<u>\$ 31,647</u>	<u>31,299</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31,	December 31,
		2022	2021
Land	Bank loan	\$ 550,538	347,400
Building	Bank loan	445,680	480,341
		<u>\$ 996,218</u>	<u>827,741</u>

**(9) Commitments and contingencies:**

(a) The company's unrecognized contractual commitments on the acquisition of real estate, plant and equipment that are material and unrecognized are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<u>\$ 348,183</u>	<u>132,039</u>

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

## SHIH HER TECHNOLOGIES INC.

### Notes to the Financial Statements

#### (12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit						
Salary	367,725	172,380	540,105	339,477	170,780	510,257
Labor and health insurance	31,627	13,855	45,482	28,743	13,103	41,846
Pension	11,108	6,844	17,952	10,084	6,461	16,545
Remuneration of directors	-	8,183	8,183	-	10,162	10,162
Others	17,115	5,854	22,969	16,023	5,721	21,744
Depreciation	81,055	16,133	97,188	73,534	16,102	89,636
Amortization	28,149	1,541	29,690	20,938	1,094	22,032

The number of the Company' s employees and employee benefit expenses for the year ended December 31, 2022 and 2021 were as follows:

	2022	2021
The number of employee	<u>713</u>	<u>692</u>
The number of directors who are not adjuncted	<u>6</u>	<u>6</u>
Average of employee benefit expenses	<u>\$ 886</u>	<u>861</u>
Average of employee salary expenses	<u>\$ 764</u>	<u>744</u>
Adjustment of employee salary expenses	<u>2.69%</u>	<u>9.41%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company compensation policies (including directors, supervisors, managers and employees) are as follows:

**Director Remuneration Policy:** Director' s remuneration includes the director' s salaries, traveling expenses and director' s remuneration. The distribution and payment of director' s remuneration are conducted in accordance with the Company' s articles of association.

**Manager Remuneration Policy:** Manager' s remuneration is provided based on factors such as the Company' s business strategy, profit status, performance, and job contribution, with reference to the salary market level, to be proposed by the remuneration committee during the board meeting for approval.

**Employee Remuneration Policy:** Employee remuneration includes basic salary of fixed items, allowances, bonuses, dividends of variable items, etc. The actual salary will be determined based on factors such as salary market conditions, the Company's operating conditions, seniority, rank, work performance, overall contribution to the Company, and special achievements. Also, it will be adjusted in a timely manner according to market salary dynamics, changes in the overall economy and industrial prosperity, and government regulations.

(Continued)

**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions during the year ended December 31, 2022 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 2)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 1)	Maximum financing limit for the lender (Note 1)	Note
													Item	Value			
1	Shih Tian (Xiamen)	Shih Ju (Hefei)	Other receivables-related parties	Yes	(RMB5,0 thousand)	-	-	1.75%	2	-	Operating capital	-	-	-	21,532	86,128	
1	Shih Tian (Xiamen)	Shih Ping (Shenzhen)	Other receivables-related parties	Yes	(RMB5,5 thousand)	-	-	1.75%	2	-	Operating capital	-	-	-	21,532	86,128	

Note 1: The total amount of leading to others shall not exceed 10% of the net value, and the total amount shall not exceed 40% of the company's net worth.

Note 2: Nature of financing activities is as follows:

- (1) Represents entities with business transaction with the Company.
- (2) Represents where an inter-company or inter-firm short-term financing facility is necessary.

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Yuanta 2-10 Year Investment Grade Corporate Bond Fund-USD(A)	None	Current financial assets at fair value through profit of loss	10	3,053	-	3,053	
"	Yuanta CHINSAN CLN	"	"	200	20,135	- %	20,135	
"	Yuanta GSD CLN	"	"	70	7,028	- %	7,028	
CHANG YORK	Yuanta DE-LI Money Market Fund	"	"	121	2,011	- %	2,011	
"	Yuanta 2-10 Year Investment Grade Corporate Bond Fund-USD(A)	"	"	7	2,137	- %	2,137	
"	UPAMC James Bond Money Market Fund	"	"	118	2,003	- %	2,003	
Shih Ju (Hefei)	ICBC "Tianlibao" No.2 Net value Financial Investment Product for Corporate	"	"	10,000	44,080	- %	44,080	
"	ICBC "Premium Selection 14 days Chi-Ying Fixed Income Open-end Financial Investment Product for Corporate"	"	"	976	4,408	- %	4,408	
YUAN GUANG	Allianz Global Investors Taiwan Money Market Fund	"	"	160	2,040	- %	2,040	
"	UPAMC James Bond Money Market Fund	"	"	118	2,004	- %	2,004	
"	Yuanta DE-LI Money Market Fund	"	"	121	2,007	- %	2,007	
"	Yuanta DE-BAO Money Market Fund	"	"	164	2,006	- %	2,006	

(Continued)

## SHIH HER TECHNOLOGIES INC.

## Notes to the Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Company	The factory	2022/6/8	229,394	173,555	Tech-Top Engineering CO., LTD	Non-related parties	-	-	-	-	According to market conditions	The company's operations and capacity expansion	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: Please refer to note 6(b).
- (b) Information on investees (excluding investments in mainland China):

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Company	Skill high	Samoa	General investment	1,742,059	1,812,247	57,300	100.00%	1,793,776	653	653	Note 1
"	Chang York	Taiwan	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	49,313	49,313	5,000	100.00%	70,578	18,059	18,059	
"	Yuan Guang	Taiwan	Metal and Chemical Manufacturing	17,310	17,310	1,500	100.00%	22,981	5,568	5,568	
"	Mineva	Singapore	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	11,538	11,538	405	36.80%	47,581	(8,293)	(2,897)	
Skill high	Shih Fu	Samoa	General investment	1,007,605	1,007,605	35,500	100.00%	1,169,632	13,356	13,356	
"	Shih Hang	Samoa	General investment	431,744	501,931	14,100	100.00%	413,515	5,495	5,495	Note 1
"	Shih Pu	Samoa	General investment	293,243	293,243	9,100	100.00%	218,354	(4,816)	(4,816)	

Note 1: Skill High and Shih Hang reduced their capitals in cash during March 2022. Thereafter, Shih Hang returned the shares to Skill High, who then returned the shares to the Company, resulting in a change in the original investment amounts in both companies. The related procedures were still in progress as of the reporting date.

(Continued)

**SHIH HER TECHNOLOGIES INC.**  
**Notes to the Financial Statements**

(c) Information on investment in mainland China:

1) Information on re-investment in business related information in mainland China:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Shih Ping (Shen Zhen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	1,529 (RMB352,150 thousand)	(1) (3)	1,526,346	-	70,187	1,456,159	16,768	100.00%	16,768	1,554,345	-
Shih Ju (Hefei)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	3 (RMB89,310 thousand)	(3)	-	-	-	-	58,208	100.00%	58,208	377,202	-
Dongguan Shih Ping	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	5 (RMB120,000 thousand)	(2)	-	-	-	-	(17,156)	100.00%	(17,156)	501,882	-
Shih Tien (Xiamen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	2 (RMB58,360 thousand)	(1)	290,085	-	-	290,085	(5,108)	100.00%	(5,108)	215,319	-
Chengdu Shih Zheng	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	6 (RMB143,072 thousand)	(2)	-	-	-	-	(53,453)	100.00%	(53,453)	556,575	-
Nanjing Hung Jie	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	2 (RMB47,450 thousand)	(3)	-	-	-	-	34,032	35.71%	12,156	85,217	-

Note 1: Through the third region investments set up a company to reinvest in the mainland.

Note 2: Reinvestment in a mainland through a mainland company.

Note 3: The Group originally established a third-party company to invest in Mainland China companies, and in December 2021, the restructuring was adjusted to reinvest in Mainland China companies through a Mainland China company.

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,746,244	1,746,244	Note 1

Note 1: The company obtained the approval document issued by the Industrial Development Bureau, Ministry of Economic Affairs for compliance with the operation headquarters in May 2019. Therefore, it is not subject to the limited stipulated by the Ministry of Economic Affairs' "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" .

(Continued)

**SHIH HER TECHNOLOGIES INC.****Notes to the Financial Statements**

## 3) Significant transactions:

For the major direct or indirect transaction of the invested companies in mainland China in 2022 (written off at the time of preparation of the consolidated report), please refer to

(a) “information related to major transactions” in detail.

## (d) Major shareholders:

(Unit: share)

<b>Shareholder' s Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
GUANJUN LIN Holdings Co. LTD.		8,558,190	15.07%

**(14) Segment information:**

Please refer to the Company' s consolidated financial statements for the year ended December 31, 2022, for details.



**SHIH HER TECHNOLOGIES INC.**  
**Statement of cash and cash equivalents**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Petty cash and cash on hand		\$ 583
Check deposits and Demand deposits		179,462
Foreign currency deposit	USD \$1,298 thousand @30.71	39,875
	SGD \$37 thousand @22.88	848
	CNY \$1,677 thousand@4.408	7,391
	Other foreign currency	300
Time deposits	Within one year, Range of interest rates are 0.85% - 4.95%	183,118
		<b><u>\$ 411,577</u></b>

**Statement of trade receivables**

<b>Customer Name</b>	<b>Description</b>	<b>Amount</b>
A Company	Operating revenues	\$ 70,099
B Company	"	46,750
C Company	"	39,528
E Company	"	15,334
Others (note)	"	132,957
	"	304,668
Less: Loss allowance		(19,582)
Total		<b><u>\$ 285,086</u></b>

Note : The total of those who have not reached 5% of the balance of this account.

## SHIH HER TECHNOLOGIES INC.

## Statement of inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Net realizable value</u>
Finished goods	\$ 89,204	121,327
Raw materials	16,718	16,387
Less: Allowance for inventory valuation	(357)	-
	<u>\$ 105,565</u>	<u>137,714</u>

## Statement of other current assets

<u>Item</u>	<u>Amount</u>
Payment in advance	\$ 6,136
Custom deposits	2,434
Prepaid insurance	1,488
Others (individual amount not exceeding 5%)	5,652
	<u>\$ 15,710</u>

## SHIH HER TECHNOLOGIES INC.

## Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Opening balance		Increase in 2022		Decrease in 2022 (Note 1)		Other changes (Note 2)		Ending balance			Market price or Equity	Provide guarantee or pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	ratio	Amount		
Minerva Works Pte Ltd.	404,800	\$ 45,434	-	-	-	-	-	2,147	404,800	36.80%	47,581	47,581	N
Skill High Management Limited	59,800,000	1,837,814	-	-	(2,500,000)	(70,187)	-	26,149	57,300,000	100.00%	1,793,776	1,793,776	N
Chang York Technologies INC.	5,000,000	67,601	-	-	-	(15,082)	-	18,059	5,000,000	100.00%	70,578	70,578	N
Yuan Guang Technologies INC.	1,500,000	18,415	-	-	-	(1,002)	-	5,568	1,500,000	100.00%	22,981	22,981	N
		<u>\$ 1,969,264</u>		<u>-</u>		<u>(86,271)</u>		<u>51,923</u>			<u>1,934,916</u>	<u>1,934,916</u>	

Note 1: The decrease was due to capital reduction in cash and the surplus earnings distribution.

Note 2: Other changes include the gain on investments accounted for using equity method and accumulated exchange difference due to translation of foreign financial statements.

**SHIH HER TECHNOLOGIES INC.**

**Statement of changes in property, plant and equipment**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(g) to this parent company only financial statement for details.

**Statement of changes in right-of-use assets**

Please refer to note 6(h) to this parent company only financial statement for details.

**Statement of other non-current assets**

**For the year ended December 31, 2022**

<b>Item</b>	<b>Amount</b>
Prepaid equipment	\$ 166,842
Long-term prepaid expenses	10,828
Others (individual amount not exceeding 5%)	<u>6,825</u>
	<u><b>\$ 184,495</b></u>

## SHIH HER TECHNOLOGIES INC.

## Statement of short-term borrowings

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of interest rate</u>	<u>Credit line</u>	<u>Guarantee or pledged</u>
Operating capital	\$ 40,000	Within one year	1.52%~1.69%	690,000	None

## Statement of trade payables

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
Vendor A	Generated from operation	\$ 13,399
Vendor B	"	7,031
Vendor C	"	6,230
Vendor D	"	5,430
Vendor E	"	5,000
Vendor F	"	4,670
Others (Note)	"	48,301
Total		<u>\$ 90,061</u>

Note : The total of those who have not reached 5% of the balance of this account.

## SHIH HER TECHNOLOGIES INC.

## Statement of other current liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Employee Bonus Payable		\$ 40,000
Payables on equipment		32,107
Remuneration Due to Directors and Supervisors		8,000
Others (individual amount not exceeding 5%)		<u>122,280</u>
Total		<u><u>\$ 202,387</u></u>

## Statement of operating revenue

For the year ended December 31, 2022

<u>Item</u>	<u>Amount</u>
Cleaning income	\$ 1,643,637
Sale of goods	127,247
Income from services	<u>33,403</u>
	<u><u>\$ 1,804,287</u></u>

**SHIH HER TECHNOLOGIES INC.**  
**Statement of long-term loan**  
**December 31, 2022**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Financial institution</u>	<u>Description</u>	<u>Loan amount</u>	<u>Term of contract</u>	<u>Interest rate</u>	<u>Mortgage or guarantee</u>	<u>note</u>
Hua Nan Bank	Secured loan	\$ 111,088	2012.01.13~2027.04.12	1.48%	Please refer to note 8	
E. SUN Bank	//	46,111	2016.08.15~2026.11.24	1.55%	//	
Yuanta Bank	//	283,083	2022.03.22~2027.03.22	1.45%	//	
CTBC Bank	//	140,000	2021.03.24~2027.08.16	1.85%	//	
Hua Nan Bank	Unsecured loan	100,000	2021.01.28~2028.06.07	1.695%	-	
E. SUN Bank	//	4,000	2018.06.22~2023.06.21	1.58%	-	
Less: current portion due with in 1 year		<u>(111,143)</u>				
Total		<u><b>\$ 573,139</b></u>				

**SHIH HER TECHNOLOGIES INC.**

**Statement of operating costs**

**For the year ended December 31, 2022**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 10,128
Add: Purchase	126,321
Less: Raw materials, end of year	<u>(16,718)</u>
Subtotal	119,731
Direct labor	246,554
Manufacturing expenses	<u>625,369</u>
Manufacturing cost	<u>991,654</u>
Add: Finished goods, beginning of year	69,070
Purchase	84,977
Less: Finished goods, end of year	(89,204)
Add: Other cost of goods sold	<u>43,264</u>
Cost of goods sold	<u>108,107</u>
Other adjustment cost	<u>224</u>
Total operating costs	<b><u><u>\$ 1,099,985</u></u></b>



## SHIH HER TECHNOLOGIES INC.

## Statement of operating expense

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	\$ 75,941	73,805	22,634
Remuneration for directors	-	8,183	-
Service expense	-	15,923	11
Insurance expense	7,721	5,651	1,760
Traveling expense	12,436	706	60
Deprecation expense	8,662	5,939	1,532
Others (note)	20,529	22,421	7,935
Total	<b>\$ 125,289</b>	<b>132,628</b>	<b>33,932</b>

Note: The total of those who have not reached 5% of the balance of this account.

**Shih-Her Technologies Inc.**

**Chairman: CHEN, HSUEH-SHEN**