

BAOTEK INDUSTRIAL MATERIALS LTD.

2022 Annual Report

Notice to readers

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

Published on April 18, 2023

The annual report can be inquired from the website below :

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

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

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5. Overseas Trade Places for Listed Negotiables Securities : None**6. Company Website : <http://www.baotek.com.tw>**

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I. Letter to Shareholders

I. Achievements of business in 2022

A. State of implementation on business plan :

The Company's net revenue for 2022 was NT\$1,334,967 thousand, a 4.9% decrease compared to 2021. The sales volume was 48,556 thousand meters in 2022, a 13.8% decrease compared to the sales volume of 56,332 thousand meters in 2021. Overall gross profit performance in 2022 was comparable to that in 2021. Net income before tax for 2022 was NT\$104,961 thousand, an increase of 59.1% compared to 2021, mainly due to the impact of the depreciation of the New Taiwan dollar in 2022.

A series of international events occurred in 2022, including the uninterrupted war between Russia and Ukraine, the continuation of the coronavirus in China, stricter control of lockdown in various countries, the continued appreciation of the New Taiwan dollar, the soaring prices caused by inflation, and the high inventory in the supply chain and other factors have led to rising costs and unsatisfactory demand for end products. However, the Company is actively transforming its products and optimizing its product portfolio, and its team is working towards stabilizing sales volume, reducing costs and increasing value-added products to reduce the impact of uncontrollable factors such as exchange rates and the market.

B. Implementation of budget :

The Company did not make financial estimates pursuant to rules, thus, not applicable.

C. Financial receipts, disbursements and analysis of profitability :

Unit : NT\$1,000

	Item/Year	2021	2022
Financial income and expenditure	Operating revenue	1,403,923	1,334,967
	Net operating margin	181,308	178,000
	Profit before income tax	65,971	104,961
Profitability	Return on asset (%)	2.52	3.90
	Return on equity (%)	2.94	4.49
	Ratio of income before tax to paid-in capital (%)	3.38	5.39
	Profit margin (%)	3.77	6.31
	Earnings per share (NT\$)	0.27	0.43

D. State of Research & Development (R&D) :

The roadmap in 2022 continued that of 2021, basically subject to 5G application, Advanced Driver Assistance System (ADAS) and communication satellite signal transmission application. The Company focuses on the development and introduction of Low Dk (NE glass) series products and the mass production of interfacially compatible, high reliability processing fluid formulations for high frequency/high speed materials.

The axial change of industrial products is relatively stable, and PTFE coating is the main application along with aerospace, high-temperature filter bags and heat insulation materials.

In 2023, the Company put forward technology transfer and introduced Low CTE (T glass) fiberglass cloth products for IC substrates, mainly products with a thickness of 100um. At the same time, we continue to advance the introduction and mass production of Low Dk (NE glass) series products and enhance our manufacturing capabilities. We will not only respond to the market demand for high-end materials, but also strive to meet the needs of our customers for Low Dk and Low CTE materials when developing high-end products.

Completion in 2022 :

NE glass 1013, 1080, 1067 processing cloth trial production by transferred technology of NTB.

Trial production test of NTB T glass 2118 and NE glass 3313 by transferred technology of NTB.

II. Overview of 2023 Business Plan

The Company estimates sales of a total of 47,000 thousand meters in 2023 and operating strategy and management guidelines are stated as follows :

- Getting started by maintaining strategic cooperation with customers and producing high-end products for co-operation of high-end markets and R&D of products.
- Highlights on high-frequency and high-speed applied cloud products among electric industry.
- Increase the degree of mutual dependency by improving service quality for strategic customer bases, getting rid of cutthroat price competition mode and seeking for profitability by more supply of value-added products and higher technology to customers.
- Increase the amount of inventory by production-sales coordination policy to meet the needs of urgent orders.
- Control expense and reduce production costs by target profit and loss orientation.

III. The effect that external competition, laws and regulations as well as overall operating environment on the Company's developmental strategy in the upcoming years

According to an article published by DHL on December 12, 2022 (Article Source : The 5 Biggest Business Trends In 2023 Everyone Must Get Ready For Now), it is mentioned that enterprises must deal with the global post- pandemic issues, the Ukrainian-Russian War, economic challenges, and unprecedented rapid technological development in 2023. The article states that the following five trends will have the most significant impact on jobs and business models in 2023.

A. Accelerated digital transformation:

The continuation of innovation and development for transformative technologies such as artificial intelligence (AI), Internet of Things (IoT), virtual and augmented reality (VR/AR), cloud computing, blockchain, 5G and other ultra-fast network communications.

B. Inflation and supply chain stability:

Inflation expectations persist, economic growth slows down and industrial supply chain problems.

C. Sustainable development:

The challenge of climate catastrophe.

D. Immersive Customer Experience:

Metaverse—an umbrella term used by futurists to describe the "next level" of the Internet that allows us to interact with brands and other consumers through immersive technologies, including 3D environments and VR (virtual reality)—is the stage where technology will show its capabilities. These trends will affect both online and brick-and-mortar retail.

E. Talent Challenge:

Accelerated digital transformation leads to more automation in the workplace.

Affected by the above-mentioned external competitive environment, regulatory environment and overall business environment, enterprises need to take the following countermeasures :

- A. Understand the impact of AI and other transformative technology innovations on enterprises, review all processes, and technologies adopted in various areas of operation provides more effective sales and marketing, better customer service, more efficient supply chain, products and services that are more satisfy customer needs, and a more simplify manufacturing process.
- B. Review the company's supply and inflation risks, and take measures such as second suppliers and off-site supply chains to reduce risks.
- C. Promote environment, society and governance (ESG), setting goals and schedule.
- D. Incorporate customer experience and employee experience into product strategy.
- E. Enhance skills training for employees to work with intelligent machines, including creativity, critical thinking, interpersonal communication, leadership, and good use of “human nature” traits such as care and empathy and other training.

As stated above, we can see that changes in the international situation will continue to affect business operations and the challenges brought by new technologies in 2023, the Company's development strategy still maintains growth and profitability and actively develops new products to welcome the arrival of the new era. The Company has maintained a stable business strategy to cope with the changes in the international situation. We will continue to adopt the following measures for the future development strategy :

- In line with our product application transformation strategy, we are optimizing our product portfolio towards 5G applications, advanced driver assistance system applications for automobiles and satellite signal transmission applications for space.
- Develop new Low Dk (NE glass) series products.

- High compatibility and high reliability product strategy for high frequency/high speed material interface.
- Pursue sustainable management as our goal.
- Dedicate to the promotion of corporate governance.

In the future, we will keep improving our operating performance with the excellence spirit, achieving to the best with our customers and sharing operating achievements with shareholders.

Chairman : Yoshida Kohichi

President : Sato Eiji

Accounting Officer : Liu, Chun-Chen

II. Company Profile

2.1 Date of Incorporation : August 12, 1992

2.2 Company History :

- 1992.07.25 The company was established and has elected the chairman.
- 1992.08.12 Ministry of Economic Affairs has approved the establishment registration of the Company.
- 1993.04.09 Taoyuan County Government issued a permission letter for the establishment of the factory.
- 1993.05.24 The Company has started constructing the plant.
- 1994.01.10 The Company has started the test run.
- 1994.07.01 The Company has started the production and sales.
- 1995.05.29 Directors and supervisors were re-elected and the proposal for capital increase by cash was approved during the shareholders' meeting.
- 1995.11.20 The Company obtained the approval of increasing capital by cash, NT\$50,000,000 and making up for the public issuance in 1995 Tai Tsai Cheng (1) No. 59829 from Financial Supervisory Commission.
- 1995.12.21 The Company obtained the approval for change from Ministry of Economy; the capital after the capital increase was NT\$ 500,000,000.
- 1996.06.21 The proposal for increasing the capital of NT\$ 100,000,000 by earnings was approved during the shareholders' meeting.
- 1996.07.03 The Company obtained the approval of increasing capital by earnings, NT\$100,000,000 for in 1996 Tai Tsai Cheng (1) No. 41483 from Financial Supervisory Commission.
- 1996.10.17 The Company obtained the approval for change from Ministry of Economy; the capital after the capital increase was NT\$ 600,000,000.
- 1997.02.28 The 7th meeting of the 2nd board of directors approved the application for listing in over-the-counter market.
- 1997.04.25 Capital increase of NT\$153,360,000 by earnings and employees' bonus was approved during the shareholders' meeting.
- 1997.05.17 The Company obtained the approval of increasing capital of NT\$153,360,000 by earnings and employees' bonus in 1997 Tai Tsai Cheng (1) No. 40071 from Financial Supervisory Commission.
- 1997.07.22 The Company obtained the approval from Ministry of Economic Affairs for the change; the capital after the capital increase is NT\$ 753,360,000.
- 1997.12.27 The Company was approved to be listed in the over-the-counter market by 1997 Cheng Kuei Shang Tzu No. 17263 by Financial Supervisory Commission.
- 1998.01.20 The Company has formally entered the capital market and started the listed trading in over-the-counter market.
- 1998.05.27 Directors and supervisors were re-elected and the proposal for capital increase of NT\$100,000,000 by cash and NT\$229,640,000 by earnings were approved during the shareholders' meeting.
- 1998.06.24 The Company obtained the approval of increasing capital of NT\$229,640,000 by earnings and NT\$100,000,000 by cash in 1998 Tai Tsai Cheng (1) No. 51685 from Financial Supervisory Commission.
- 1998.10.02 The Company obtained the approval from Ministry of Economic Affairs for the change; the capital after the capital increase is NT\$1,083,000,000.
- 1999.05.28 The proposal for capital increase of NT\$274,450,000 by earnings, employees' bonus and capital reserve during shareholders' meeting.
- 1999.06.30 The Company obtained the approval of increasing capital of NT\$187,810,000 by earnings and NT\$86,640,000 by capital reserve in 1999 Tai Tsai Cheng (1) No. 59255 from Financial Supervisory Commission.
- 1999.08.13 The Company obtained the approval from Ministry of Economic Affairs for the change; the capital after capital increase is NT\$1,357,450,000.

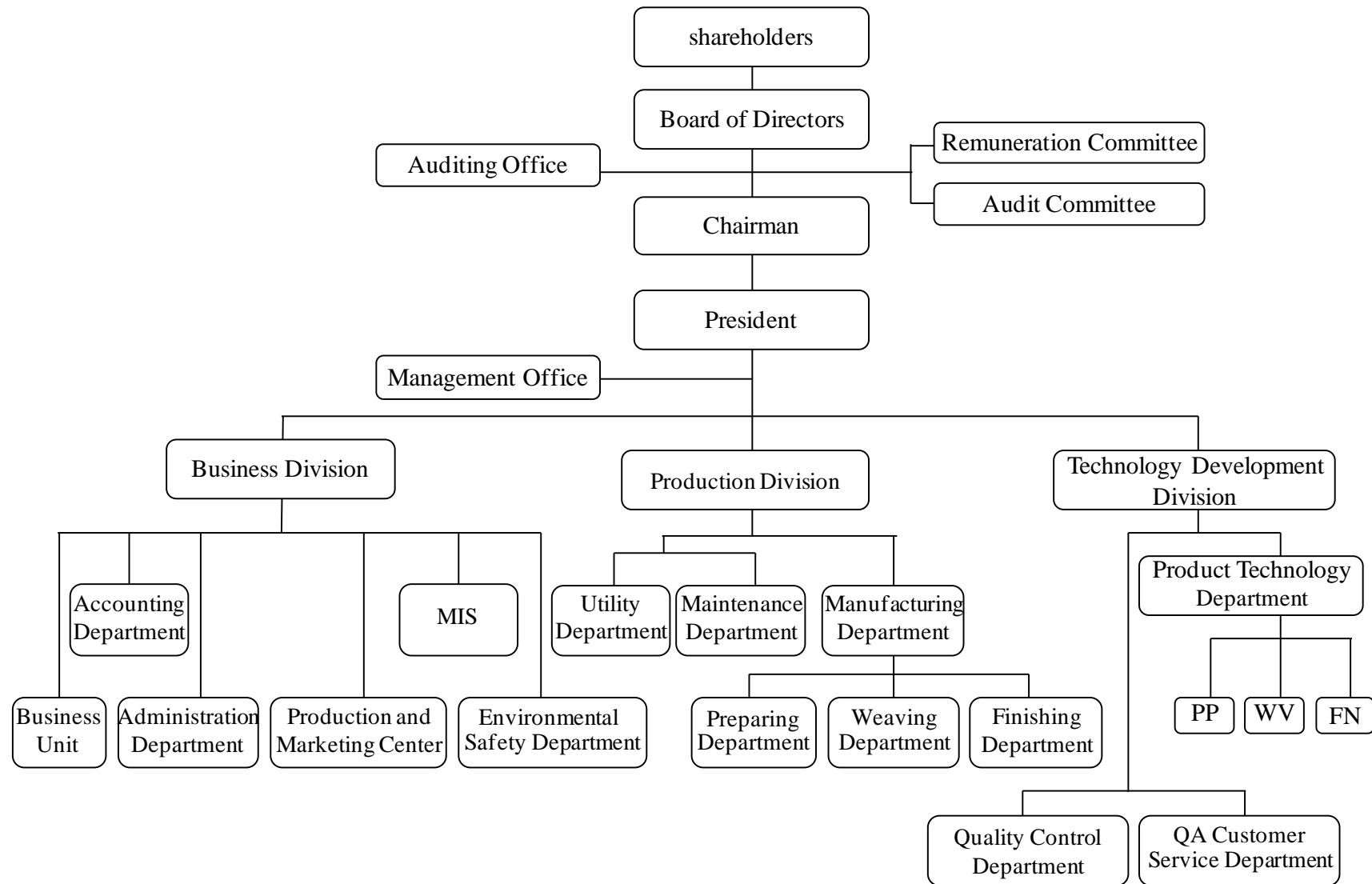
- 2000.06.13 Capital increase of NT\$ 135,745,000 by capital reserve was approved during the shareholders' meeting.
- 2000.07.10 The Company obtained the approval of increasing capital of NT\$ 135,745,000 by capital reserve in 2000 Tai Tsai Cheng (1) No. 59457 from Financial Supervisory Commission.
- 2000.08.28 The Company obtained the approval from Ministry of Economic Affairs for the change; the capital after capital increase is NT\$1,493,195,000.
- 2001.04.06 Capital increase of NT\$ 135,745,000 by earnings and capital reserve was approved during the shareholders' meeting.
- 2001.05.09 The Company obtained the approval of increasing capital of NT\$ 44,795,850 by earnings and NT\$ 104,523,650 by capital reserve in 2001 Tai Tsai Cheng (1) No. 125085 from Financial Supervisory Commission.
- 2001.07.02 The Company obtained the approval from Ministry of Economic Affairs for the change; the capital after capital increase is NT\$ 1,642,514,500.
- 2002.08.20 The board of directors has agreed to merged with Glotech Industrial Corp. by resolution.
- 2002.10.08 A temporal shareholders' meeting was held to decide on the merger.
- 2003.01.29 The Company signed an agreement with Glotech Industrial Corp. to temporarily stop the merger work and terminate the merger in accordance with legal procedure.
- 2003.05.07 The Company obtained the approval of changing the Company's address and revising the registration of Articles of Incorporation.
- 2005.05.23 Capital increase of NT\$16,425,140 by capital reserve was approved during the shareholders' meeting.
- 2005.06.23 The Company obtained the approval of increasing capital of NT\$16,425,140 by capital reserve in Chin Kuan Cheng I Tzu No. 0940125170
- 2005.08.22 The Company obtained the approval from Ministry of Economic Affairs for the change; capital after capital increase is NT\$ 1,658,939,640.
- 2007.06.13 Capital increase by private placement from the issuance of common stock was approved during the shareholders' meeting.
- 2008.02.26 The Company formed Investment Strategy Alliance with Nitto Boseki Co., Ltd. to conduct business cooperation and establish a closer and more stable investment and management relationship. Nitto Boseki Co., Ltd subscribed 29,000,000 common stock of the Company by private placement and held 14.88% stock of the Company (after capital increase).
- 2008.05.30 Subtracting 2007 net profit after tax by special surplus reserve and statutory reserve was approved during the shareholders' meeting. The remaining undistributed earnings was retained and incorporated into the distribution of future years.
- 2008.06.09 The Company obtained capital increase by private placement from Nitto Boseki Co., Ltd with NT\$ 218,950,000
- 2008.06.24 The Company obtained the approval from Ministry of Economic Affairs for the change; the capital after capital increase is NT\$ 1,958,939,640.
- 2009.10.01 The Company successfully developed and mass produced ultra-thin cloth in 106 types.
- 2010.07.30 The board of directors approved to increase 120 cloth machines for expanding the factory.
- 2011.11.30 The Company obtained the subsidy from Ministry of Economy with the science and technology project "Development Plan of Dust Bag Filter Cloth".
- 2012.10.25 The Company successfully developed Flat cloth and glass fiber cloth for 3C chassis.
- 2013.10.01 The Company officially launched Low dielectric glass fiber cloth.
- 2014.09.17 The Company successfully developed and mass produced ultra-thin cloth in 1037 types.
- 2014.12.01 The Company successfully developed fiberglass cloth for aerospace and high frequency.
- 2015.12.01 The Company successfully developed high frequency and high heat treatment agent.
- 2016.01.22 The Company successfully passed certification TS-16949.
- 2016.07.18 The Company has started the Industry-Academy Cooperation with Yung Ping Vocational High School.
- 2017.01.23 The Company obtained the Certificate of Taiwan Top Model Company from Ministry of Labor in Thailand.

- 2017.03.14 The board of directors approved the new purchase of 48 cloth machine.
- 2017.11.09 The board of directors approved the purchase of adjacent land No. 487.
- 2018.03.12 The Company successfully passed certification IATF16949:2016.
- 2018.08.10 Nitto Boseki Co., Ltd. obtained 47.65% of the Company's stock by public acquisition and became the major shareholders of the Company.
- 2018.09.27 6 seats of directors and 2 seats of supervisors were elected during the temporal shareholders' meeting; after the election, Nitto Boseki Co., Ltd. occupied over ½ of the total seats of the board of directors.
- 2018.09.27 The original chairman, Mr. Ko, Charng-Chyi resigned his position as the chairman and president. Meanwhile, on the same day, the board of directors has passed the election of director Mr. Alan Chiang as the new chairman and appointed Mr. Yoshida Kohichi as the President.
- 2019.04.21 The Company obtained Certificate of Appreciation from the Ministry of Labor in Thailand.
- 2019.04.30 The Company successfully launched the new product SP.
- 2019.06.21 NITTO BOSEKI CO., LTD. obtained over half of the seats in the board of directors of the Company and became the parent company of the Company.
- 2019.07.22 The Company ordered 48 cloth machine to replace the old ones.
- 2019.12.30 The Company successfully passed the conversion of OHSAS 18001 into ISO 45001.
- 2020.08.07 The Borad of Directors approved to expand facilities and to invest equipment for future demand of high-end products.
- 2021.01.25 The Company successfully passed ISO9001:2015 and IATF16949:2016 certification audits, and was awarded new certificates.
- 2021.01.28 The Company ordered 48 cloth machine to replace the old ones.
- 2021.04.01 Alan Chiang, chairman of board, chose to retire since he has completed scheduled tasks. Hayashi Hisanobu was elected as new chairman to continue to lead the growth of company.
- 2021.07.21 The Company obtained Certificate of Appreciation of actively participating in corporate rapid-testing activity (Gu An Project) which responses to COVID-19 by Taoyuan City Government.
- 2022.12.30 The Company successfully passed ISO45001:2018 and ISO14001:2015 certification audits, and was awarded new certificates.
- 2023.04.01 Considering the company's long-term operation and development layout and organizational adjustment within the group, the board of directors elected Mr. Yoshida Koichi, the former general manager, as the new chairman.
- 2023.04.01 For the company's operation planning, Mr. Sato Eiji was appointed as the general manager by the board of directors.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization chart :



3.1.2 Major corporate functions :

Department	Functions
Audit Office	The dept. is responsible for the Company's internal audit.
Management Office	The dept. is responsible for assisting the customers to launch and manage their internal projects and performance management.
Business Division	<p>The dept. is responsible for product sales management, development of new customers and cost management.</p> <p>The dept. is responsible for enhancing business scores and customers' satisfaction.</p> <p>The dept. is responsible matters related to finance and accounting, human resources, information, environment safety, management of general affairs and procurement.</p>
Production Division	The dept. is responsible for production and technology management and enhancement on quality liability and production efficiency. The Company is responsible for developing and managing goals and production plans and managing the inventory.
Technology Development Division	<p>The dept. is responsible for optimization of new products and production processes and development and planning of raw materials.</p> <p>The dept. sends samples to customers and promotes new products.</p> <p>The dept. conducts science and technology projects.</p>
Manufacturing Department	The dept. is responsible for production and management.
Product Technology Department	The dept. conducts dedicated projects and ensures and maintains quality.

3.2 Information on the Company's Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents, and the Chief Officers of all the Company's Divisions and Branch Units

3.2.1 Directors :

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Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the Name of Others		Experience (Education)	Current Position at the Company and Other Companies	Spouse or Second-degree Relative Holding a Position as a Manager, Director or Supervisor			Remark (Note)
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship	
Chairman Director	Japan	Nitto Boseki Co., Ltd.	NA	2022.06.17	3 years	2018.09.27	92,865,791	47.65%	92,865,791	47.65%	0	0.00%	0	0.00%	NA	NA	NA	NA	NA	NA
Chairman	Japan	Representative: Yoshida Kohichi	M 61~70	2022.06.17	3 years	2018.09.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Electrical Engineering, Engineering Dept. Shibaura Institute of Technology President of Baotek Industrial Materials Ltd.	NA	NA	NA	NA	NA
Director	Japan	Representative: Sato Eiji	M 51~60	2023.04.01	3 years	2023.04.01	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Yamagata University Faculty of Engineering Department of Chemical Engineering General manager of Nitto Macau Glass Weaving Company Ltd.	General manager of Baotek Industrial Materials Ltd.	NA	NA	NA	NA
Director	Japan	Representative: Shigeoka So	M 51~60	2022.06.17	3 years	2018.09.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Economics, Keio University Assistant Vice President of Baotek Industrial Materials Ltd.	Head of Planning and Management Department, Glass Fiber Division, Nitto Boseki Co., Ltd. Director of Nitto Techno Co., Ltd. Director of Paramount Glass MFG Co., Ltd. Director of Sanko Metal Industries, Inc. Director of ALLTE CLOTH Co., Ltd.	NA	NA	NA	NA
Director	R.O.C.	Representative: Liu, Chun-Chen	F 61~70	2022.06.17	3 years	2021.04.01	88,025	0.05%	88,025	0.05%	0	0.00%	0	0.00%	Management Institute, National Taiwan University of Science and Technology Vice President of Baotek Industrial Materials Ltd.	Vice President of Baotek Industrial Materials Ltd.	NA	NA	NA	NA
Independent Director	R.O.C.	Chang, hih-Liang	M 61~70	2022.06.17	3 years	2019.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master's degree in business graduate school, Waseda University General manager and deputy chairman of Daiwa-Cathay Capital Markets Co., Ltd.	Director of Antec, Inc. Independent director of FuYu Property Company Limited	NA	NA	NA	NA
Independent Director	R.O.C.	Yang, Yan-Shou	M 51~60	2022.06.17	3 years	2016.06.08	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master's degree in Law, Fu Jen University Attorney of HI Law Firm	Attorney of HI Law Firm	NA	NA	NA	NA
Independent Director	R.O.C.	Wang, Chia-Nan	M 71~80	2022.06.17	3 years	2019.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master degree in Business Administration, University of Illinois Independent director of Forward Electronics Co., Ltd.	Director of JPP Holding Company Limited Independent director of Forward Electronics Co., Ltd.	NA	NA	NA	NA

Note : If the chairman and President or a person with similar duties (highest managerial officer) are served by the same person, or are in spouse or first degree of kinship, relevant information regarding the reasons, rationality, necessity and countermeasures shall be explained:
Not Applicable.

Regarding major shareholders of the institutional shareholders, name and its shareholdings of the shareholders with top 10 stake of the Company

(1) Major shareholders of the institutional shareholders :

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Name of corporate shareholder	Major shareholders of the corporate shareholder
Nitto Boseki Co., Ltd.	The Master Trust Bank of Japan ,Ltd. (Trust Port) 13.65% 、Custody Bank of Japan, Ltd. (Trust Port) 7.49% 、Sumitomo Realty & Development Co., Ltd. 6.31% 、Japan Nippon Life Insurance Company 4.28% 、The Dai-Ichi Life Insurance Company, Limited. 3.49% 、Sumitomo Life Insurance Company 2.87% 、Air Water Inc. 2.64% 、The Toho Bank, Ltd. 2.40% 、Aioi Nissay Dowa Insurance Co., Ltd. 2.36% 、TAIYO FUND,L.P. 2.36%

(2) Major shareholders of the Company's major institutional shareholders :

April 18, 2023

Name of corporate/ juristic person	Major shareholders of the corporate/juristic person
The Master Trust Bank of Japan ,Ltd. (Trust Port)	Mitsubishi UFJ Trust and Banking Corporation 46.50% 、Japan Nippon Life Insurance Company 33.50% 、Meiji Yasuda Life Insurance Company 10.00% 、The Norinchukin Trust & Banking Co.,Ltd 10.00%
Custody Bank of Japan Ltd. (Trust Port)	Sumitomo Mitsui Trust Holdings, Inc. 33.30% 、Mizuho Financial Group, Inc.27.00% 、Resona Bank, Limited. 16.70% 、The Dai-Ichi Life Insurance Company, Limited. 8.00% 、Asahi Mutual Life Insurance Company 5.00% 、Meiji Yasuda Life Insurance Company 4.50% 、Japan Post Insurance Co., Ltd. 3.50% 、Fukoku Mutual Life Insurance Company 2.00%
Sumitomo Realty & Development Co., Ltd.	The Master Trust Bank of Japan ,Ltd. (Trust Port) 15.90% 、Custody Bank of Japan, Ltd. (Trust Port) 5.62% 、Sumitomo Mitsui Banking Corporation 2.53% 、Custody Bank of Japan, Ltd. (Trust Port 4) 2.33% 、Taisei Corporation 2.02% 、Daikin Industrial 1.77% 、Obayashi Corporation 1.71% 、Shimizu Corporation 1.58% 、Maeda Corporation1.53% 、Takenaka Corporation 1.31%
The Dai-Ichi Life Insurance Company, Limited.	The Dai-ichi Life Insurance Company, Limited 100%
Air Water Inc.	The Master Trust Bank of Japan ,Ltd. (Trust Port) 14.53% 、Custody Bank of Japan 6.42% 、Sumitomo Mitsui Trust Bank, Limited 3.47% 、Nippon Steel Corporation. 3.01% 、Sumitomo Mitsui Banking Corporation 2.73% 、Air water Business Partner 2.55% 、State Street Bank and Trust Company 505001 2.25% 、North Pacific Bank, Ltd. 2.00% 、National Mutual Insurance Federation of Agricultural Cooperatives 1.86% 、The Hokkaido Bank Ltd. 1.80%
The Toho Bank, Ltd.	The Master Trust Bank of Japan ,Ltd. (Trust Port) 7.92% 、Custody Bank of Japan, Ltd. (Trust Port) 4.79% 、TohoBank Employee Stockholding Association 3.97% 、Meiji Yasuda Life Insurance Company. 3.93% 、Fukushima Shoji Co., Ltd. 3.34% 、Japan Nippon Life Insurance Company 3.14% 、Nitto Boseki Co., Ltd. 1.87% 、Tohoku Electric Power Company, Inc. 1.84% 、Sumitomo Life Insurance Company 1.56% 、Tokio Marine & Nichido Fire Insurance Co., Ltd. 1.11%
Aioi Nissay Dowa Insurance Co., Ltd.	MS & AD Insurance Group Holdings, Inc. 100%

Professional knowledge 、 board of directors diversity policy and independency of the directors :

(1) Disclosure of Directors' Professional Qualifications and Independent Directors' Independence Information :

Criteria Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Yoshida Kohichi	Mr. Yoshida Kohichi was majoring in the Department of Electrical Engineering from Shibaura Institute of Technology Engineering Faculty. He has 36 years' experience of production, technology, and quality assurance in Nitto Boseki Co., Ltd. Served as general manager of the company.	1. Representative of the company's corporate director (Nitto Boshu Co., Ltd.) 2. The remaining meets the independence criteria listed in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
Sato Eiji	Mr. Eiji Sato was majoring in chemical engineering from the Faculty of Engineering, Yamagata University. Nitto Boseki Co Ltd. has 34-year experience of manufacturing, production, quality control, and so on. Now the general manager of the company.	1. Representative of the company's corporate director (Nitto Boshu Co., Ltd.) 2. Now the manager of the company. 3. The remaining meets the independence criteria listed in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
Shigeoka So	Mr. Shigeoka So was majoring in Economic Science Department from Keio University. He has served as the ministry of enterprise communication department in Nitto Boseki Co., Ltd. He is now the ministry of project management department in Nitto Boseki Co., Ltd, Glass Fiber Division, director of Nittobo Techno Co., Ltd, director of Paramount Glass Co., Ltd , director of Sanko Metal Industries, inc and director of ALLTE CLOTH Co., Ltd.	1. Representative of the company's corporate director (Nitto Boshu Co., Ltd.) 2. Positions held in related companies as listed below. 3. The remaining meets the independence criteria listed in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0
Liu, Chun-Chen	Ms. Liu, Chun-Chen graduated from National Taiwan University of Science and Technology Graduate Institute of Management. She has 30 years' experience of the company and she is now serving as vice president, financial supervisor and accounting supervisor of the company.	1. Representative of the company's corporate director (Nitto Boshu Co., Ltd.) 2. Now the manager of the company. 3. The remaining meets the independence criteria listed in Article 3, Paragraph 1 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".	0

<div>Criteria</div> <div>Name</div>	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chang, Chih-Liang (independent director)	<p>Mr. Chang, Chih-Liang has master's degree of Business School in Waseda University.</p> <p>He has served as general manager and director of Daiwa-Cathay Capital Markets Co., Ltd. He is now the external consultant of Daiwa-Cathay Capital and serving as director of ANTEC INC. and independent director of FuYu Property Company Limited.</p>	<p>The independent directors of the company met the qualification requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act both two years prior to and during their tenure.</p> <p>The independent directors have been granted full participation in decision-making and expressing opinions under Article 14-3 of the Securities and Exchange Act, and have executed their relevant duties independently.</p>	1
Yang, Yan-Shou (independent director)	<p>Mr. Yang, Yan-Shou has master's degree of Law Institute in Fu Jen University and attorney's certificate. He is now lawyer of Attorney of HI Law Firm and has over twenty years of practical experience of law firm.</p>		0
Wang, Chia-Nan (independent director)	<p>Mr. Wang, Chia-Nan has master's degree of Corporate Management in University of Illinois. He has served as independent director of Charoen Pokphand Enterprise(Taiwan) Co., Ltd. He is now serving as director of JPP Holding Company Limited. and independent director of Forward Electronics Co., Ltd.</p>		1

Note : Directors of the Company all have work experience which business and company business need and there is no such thing as Article 30 of the Company Law.

(2) Diversity and Independence of the Board of Directors :

1. Diversity of the board of directors :

The Company respects board of directors' diversity policy. To strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, it is believed that the diversity policy will help improve the overall performance of the company. To strengthen the functions of board of directors, members of the board of directors of the Company have diverse and complementary capabilities across industries, including basic composition (such as age, gender, nationality, etc.), industry-related experience (such as: technology industry, manufacturing, financial accounting, law and other project areas) and management, leadership decision-making and crisis management capabilities.

Our board of directors is composed of seven directors with different professional backgrounds, ranging in age from 51 to 80 years old. It includes three independent directors, two general directors, and two directors who also serve as company executives. More than half of our directors do not hold executive positions in the company. The board currently has one female director and three Japanese directors. Our directors adhere to objective criteria and operate under the principle of hiring based on merit, without regard to gender, age, culture, education background, race, or religion, in order to achieve our ideal corporate governance goals.

For information related to the education background, gender, professional qualifications, work experience, and other relevant information of each director of the Company, please refer to section 3 of Corporate Governance Report, specifically, the first subsection on director information.

2. Independence of the board of directors :

The selection of directors in the Company is based on the Company's "Articles of Association" and "Regulations Governing Election of Directors," as well as complying with regulations such as the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act. The current composition of our board of directors is made up of three independent directors (43%) and four non-independent directors (57%), two of whom hold executive positions (29%, less than one-third of all directors). All directors have no spouse or relatives within the second degree of kinship, meeting the requirements of Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act.

The board of directors of the Company emphasizes the functions of independent operation and transparency, guiding company strategy, supervising management levels, and being accountable to the company and shareholders. In all operations and arrangements related to corporate governance, the board of directors exercises its authority in accordance with laws, company bylaws, or shareholder resolutions. The three independent directors also comply with relevant laws and regulations, working together with the audit committee to effectively supervise the implementation of the company's internal control, risk management, selection (appointment) and independence of signing accountants, and proper preparation of financial statements. In addition, the Company's method for selecting directors and independent directors adopts a cumulative voting system and a candidate nomination system. Shareholders who hold a certain number of shares or more can propose a list of candidates. The qualifications of the candidate are examined and confirmed for compliance with the provisions of Article 30 of the Company Law. The relevant acceptance procedures are carried out and announced in accordance with the law, to safeguard shareholder rights and prevent the monopoly or excessive proliferation of nomination rights, thereby maintaining independence.

3.2.2 Management team of all the company's divisions and branch units :

April 18, 2023

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Spouse & Min or Current Shareholding		Current Shareholding in the Name of Others		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remark (Note)
					No. of shares	%	No. of shares	%	No. of shares	%			Title	Name	Relations	
President	Japan	Sato Eiji	M	2023.04.01	0	0.00%	0	0.00%	0	0.00%	Yamagata University Faculty of Engineering Department of Chemical Engineering	NA	NA	NA	NA	NA
Vice President	R.O.C.	Liu, Chun-Chen	F	1992.12.01	88,025	0.05%	0	0.00%	0	0.00%	Management Institute, National Taiwan University of Science and Technology	NA	NA	NA	NA	NA
Vice President	R.O.C.	Chung, Yuan-Chuan	M	2006.08.01	1,000	0.00%	0	0.00%	0	0.00%	Chemical Engineering, Provincial Taipei Institute of Technology	NA	NA	NA	NA	NA
Assistant Vice President	R.O.C.	Chiang, Chih-Hsiung	M	2011.04.01	15,753	0.01%	0	0.00%	0	0.00%	Applied Chemistry, Tamkang University	NA	NA	NA	NA	NA
Special Assistant	R.O.C.	Lin, Chih-Hua	M	2013.06.20	0	0.00%	0	0.00%	0	0.00%	Master Degree in Chemistry, National Chung Hsing University	NA	NA	NA	NA	NA

Note: If the chairman and President or a person with similar duties (highest managerial officer) are served by the same person, or are in spouse or first degree of kinship, relevant information regarding the reasons, rationality, necessity and countermeasures shall be explained: Not Applicable.

3.3 Remunerations Paid to Directors, Supervisors, President and Vice President in the Most Recent Year

3.3.1 Remuneration of directors and independent directors :

Dec. 31, 2022 ; Unit: NT\$1,000

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company				
		Base Compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)										
		The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	Cash	Stock	Cash	Stock	The Company	All consolidated entities (Note 1)					
Chairman Director	Nitto Boseki Co., Ltd.	0	0	0	0	0	0	789	789	789	789	0.94%	0.94%	3,452	3,452	108	108	0	0	0	0	4,905	5.82%	4,905	5.82%	12,151
Chairman	Representative: Hayashi Hisanobu	0	0	0	0	0	0	35	35	35	35	0.04%	0.04%													
Director	Representative: Igarashi Kazuhiko (Note 2)	0	0	0	0	0	0	14	14	14	14	0.02%	0.02%													
Director	Representative: Kajita Akimasa (Note 2)	0	0	0	0	0	0	14	14	14	14	0.02%	0.02%													
Director	Representative: Yoshida Kohichi	0	0	0	0	0	0	35	35	35	35	0.04%	0.04%													
Director	Representative: Shigeoka So	0	0	0	0	0	0	35	35	35	35	0.04%	0.04%													
Director	Representative: Kajikawa Hiroki (Note 2)	0	0	0	0	0	0	14	14	14	14	0.02%	0.02%													
Director	Representative: Liu, Chun-Chen	0	0	0	0	0	0	215	215	215	215	0.26%	0.26%													
Director	Wecktech Biotech Co., Ltd. (Note 2)	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%													
Director	Representative: Ko, Charng-Chyi (Note 2)	0	0	0	0	0	0	97	97	97	97	0.12%	0.12%													
Director	Wang, Cheng-Hsiung (Note 2)	0	0	0	0	0	0	97	97	97	97	0.12%	0.12%													
Independent Director	Chang, Chih-Liang	0	0	0	0	0	0	499	499	499	499	0.59%	0.59%	0	0	0	0	0	0	0	0	499	499	0.59%	0.59%	None
Independent Director	Yang, Yan-Shou	0	0	0	0	0	0	499	499	499	499	0.59%	0.59%	0	0	0	0	0	0	0	0	499	499	0.59%	0.59%	
Independent Director	Wang, Chia-Nan	0	0	0	0	0	0	499	499	499	499	0.59%	0.59%	0	0	0	0	0	0	0	0	499	499	0.59%	0.59%	

1. Regarding the policy, system, standard and structure for paying the remuneration to independent directors, state the the relation between factors, such as duties, risks, devotion time and the paid amount of remuneration:
The Company did not pay remuneration to directors and independent directors, but the Company did pay transporation fees and attendance fees (Transportation fees and attending fees are being referenced from the fixed remuneration, excluding changing remuneration, within the standards of competing companies).

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company		
		Base Compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)								
		The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	The Company	All consolidated entities (Note 1)	Cash	Stock	Cash	Stock		The Company	All consolidated entities (Note 1)
2. In addition to the disclosure in the preceding table, the remuneration given to the directors for providing services in the most recent year. (Such as serving as a consultant for non-employees of the parent company／all companies in the financial report／reinvestment business, etc.): None.																								

Note 1 : The company does not need to prepare a consolidated financial report.

Note 2 : Representative of Nitto Boseki Co., Ltd.: Igarashi Kazuhiko, Representative of Nitto Boseki Co., Ltd.: Kajita Akimasa, Representative of Nitto Boseki Co., Ltd.: Kajikawa Hiroki, Representative of Wecktech Biotech Co., Ltd.: Ko, Charng-Chyi, and Wang, Cheng-Hsiung were dismissed on 2022.06.17.

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Name of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities	The Company	Parent company and all investee enterprises.
Under NT\$1,000,000	(Note 1)	(Note 1)	(Note 2)	(Note 3)
NT\$1,000,000~NT\$2,000,000	NA	NA	NA	(Note 4)
NT\$2,000,000~NT\$3,500,000	NA	NA	(Note 5)	(Note 6)
NT\$3,500,000~NT\$5,000,000	NA	NA	NA	(Note 7)
NT\$5,000,000~NT\$10,000,000	NA	NA	NA	NA
NT\$10,000,000~NT\$15,000,000	NA	NA	NA	NA
NT\$15,000,000~NT\$30,000,000	NA	NA	NA	NA
NT\$30,000,000~NT\$50,000,000	NA	NA	NA	NA
NT\$50,000,000~NT\$100,000,000	NA	NA	NA	NA
Over 100,000,000	NA	NA	NA	NA
Total	14	14	14	14

Note 1 : Nitto Boseki Co., Ltd.、Hayashi Hisanobu、Igarashi Kazuhiko、Kajita Akimasa、Yoshida Kohichi、Shigeoka So、Kajikawa Hiroki、Wecktech Biotech Co., Ltd.、Ko Charng-Chyi、Liu, Chun-Chen、Wang Cheng-Hsiung、Chang, Chih-Liang、Yang, Yan-Shou、Wang, Chia-Nan

Note 2 : Nitto Boseki Co., Ltd.、Hayashi Hisanobu、Igarashi Kazuhiko、Kajita Akimasa、Yoshida Kohichi、Shigeoka So、Kajikawa Hiroki、Wecktech Biotech Co., Ltd.、Ko Charng-Chyi、Wang Cheng-Hsiung、Chang, Chih-Liang、Yang, Yan-Shou、Wang, Chia-Nan

Note 3 : Nitto Boseki Co., Ltd.、Yoshida Kohichi、Wecktech Biotech Co., Ltd.、Ko Charng-Chyi、Wang Cheng-Hsiung、Chang, Chih-Liang、Yang, Yan-Shou、Wang, Chia-Nan

Note 4 : Igarashi Kazuhiko、Kajita Akimasa、Kajikawa Hiroki

Note 5 : Liu, Chun-Chen

Note 6 : Liu, Chun-Chen、Shigeoka So

Note 7 : Hayashi Hisanobu

3.3.2 Remuneration of the supervisor :

Not Applicable (The Company adopts an Audit Committee system)

3.3.3 Remuneration of the President and Vice President :

Dec. 31, 2022; Unit: NT\$1,000

Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Companies in the Consolidated Financial Statements (Note)	The Company	All Companies in the Consolidated Financial Statements (Note)	The Company	All Companies in the Consolidated Financial Statements (Note)	The Company		All Companies in the Consolidated Financial Statements (Note)		The Company	All Companies in the Consolidated Financial Statements (Note)	
								Cash	Stock	Cash	Stock			
President	Yoshida Kohichi	5,171	5,171	211	211	0	0	0	0	0	0	5,382 6.39%	5,382 6.39%	NA
Vice President	Liu, Chun-Chen													
Vice President	Chung, Yuan-Chuan													

Note : The company does not need to prepare a consolidated financial report.

Range of Remuneration

Ranges of remuneration paid to each of the Company's President and Vice President	Name of President and Vice President	
	The Company	All consolidated entities (Note)
Under NT\$1,000,000	Yoshida Kohichi	Yoshida Kohichi
NT\$1,000,000~NT\$2,000,000	Chung, Yuan-Chuan	Chung, Yuan-Chuan
NT\$2,000,000~NT\$3,500,000	Liu, Chun-Chen	Liu, Chun-Chen
NT\$3,500,000~NT\$5,000,000	NA	NA
NT\$5,000,000~NT\$10,000,000	NA	NA
NT\$10,000,000~NT\$15,000,000	NA	NA
NT\$15,000,000~NT\$30,000,000	NA	NA
NT\$30,000,000~NT\$50,000,000	NA	NA
NT\$50,000,000~NT\$100,000,000	NA	NA
Over 100,000,000	NA	NA
Total	3	3

Note : The company does not need to prepare a consolidated financial report.

3.3.4 The highest chief officers with the top 5 remuneration shall be disclosed in accordance with “Regulations Governing Information to be Published in Annual Reports of Public Companies” : Not Applicable.

3.3.5 Employee profit distributed to managerial officers and the implementations :

The Company still had cumulative deficits in 2022 and hence, did not distribute employees' remuneration.

3.3.6 Analysis of the proportion of the total remuneration paid to directors, supervisors, Presidents and Vice Presidents, etc. of the Company paid by the Company and all companies in the consolidated financial statements to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure :

Analysis on the remunerations to the directors, supervisors, Presidents and Vice Presidents in the two most recent years.

Unit: NT\$1,000

Year Items	2021		2022	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement (Note 1)
Total remuneration to directors	3,396	3,396	2,842	2,842
Ratio of total remuneration to directors accounted for net profit after tax	6.41%	6.41%	3.37%	3.37%
Total remuneration to supervisors	-	-	-	-
Ratio of total remuneration to supervisors accounted for net profit after tax	-	-	-	-
Total remuneration to presidents and vice presidents	5,196	5,196	5,382	5,382
Ratio of total remuneration to presidents and vice presidents accounted for net profit after tax	9.81%	9.81%	6.39%	6.39%

Note 1 : The company does not need to prepare a consolidated financial report.

Note 2 : The Company has established audit committee on June 21, 2019 and hence, will not elect supervisors in accordance with the law.

Directors are paid fixed traffic fees and attendance fees of board of directors meetings without any variable compensation. In addition, if the company makes a profit in the current year, according to the provisions of the company's articles of association, it should allocate no more than 3% for director's reward. Because the Company still had cumulative deficits, hence, the Company did not distribute remuneration to directors in 2021 and 2022.

The Company's managers' remuneration is defined in accordance with the salary management method. Salary, work bonuses, allowances and bonuses are clearly defined. The salary is based on the company's salary policy, with reference to the salary level, rank, academic (experience), professional ability and scope of responsibilities. Payment for other items. Relevant bonuses are also awarded based on the Company's annual operating performance, financial status, contribution to operating goals (such as company revenue and profits) and personal performance (including learning ability, work results, work innovation, conduct and coordination ability). In addition, if the Company makes a profit in the current year, it allocates no less than 5% as employee compensation in accordance with the provisions of the Company's Articles of association.

The combination of remuneration paid by the Company shall be determined in accordance with the organization rules of the Remuneration Committee, including cash gratuity, stock option, dividends, retirement benefits or termination payments, various allowances and other measures with substantial incentives. Its category is consistent with the remuneration of directors and managers in the Standards on Matters to be Recorded in the Annual Report of Public Companies.

3.4 Implementation of Corporate Governance

3.4.1 Operations of the board of directors :

A total of 5(A) meetings were held by the Board of Directors in 2022. The attendance of directors is shown below :

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A) (Note)	Remarks
Chairman	Nitto Boseki Co., Ltd. Representative: Hayashi Hisanobu	5	0	100%	
Director	Nitto Boseki Co., Ltd. Representative: Igarashi Kazuhiko	2	0	100%	Dismissed on 2022.06.17
Director	Nitto Boseki Co., Ltd. Representative: Kajita Akimasa	2	0	100%	Dismissed on 2022.06.17
Director	Nitto Boseki Co., Ltd. Representative: Yoshida Kohichi	5	0	100%	
Director	Nitto Boseki Co., Ltd. Representative: Shigeoka So	5	0	100%	
Director	Nitto Boseki Co., Ltd. Representative: Kajikawa Hiroki	2	0	100%	Dismissed on 2022.06.17
Director	Nitto Boseki Co., Ltd. Representative: Liu, Chun-Chen	5	0	100%	
Director	Wecktech Biotech Co., Ltd. Representative: Ko, Charng-Chyi	2	0	100%	Dismissed on 2022.06.17
Director	Wang, Cheng-Hsiung	2	0	100%	Dismissed on 2022.06.17
Independent Director	Chang, Chih-Liang	5	0	100%	
Independent Director	Yang, Yan-Shou	5	0	100%	
Independent Director	Wang, Chia-Nan	5	0	100%	

Other matters to be recorded :

- During the operations of the Board of Directors, the meeting date, period, content, qualified opinion and resolution made by any independent director shall be specified :
 - Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act :
 - During the 12th meeting of the 10th board of directors on February 24, 2022, the board has approved the 2022 Appointment and Independency Valuation of Accountants, and amend the Company's "Acquisition or Disposal of Assets Procedure", and was approved by the attending independent directors with no objections.
 - Unless otherwise stated, other independent directors who expressed opposition or qualified opinions that were recorded or declared in writing as : None.
- To avoid conflict of interest among directors, the director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded :
 - During the second meeting of the 11th board of directors on August 5, 2022, the board has discussed the appointment of members of the fifth session of the salary and compensation committee of the company. Independent director Chang, Chih-Liang、Yang, Yan-Shou and Wang, Chia-Nan abstained from his own interests and did not participate in the discussion and voting. After the chairman consulted other directors present, the proposal was passed without any objection.

3. The cycle, period, range, method and content of the performance of the directors by self (or peer) evaluation:

Evaluation cycles	Once a year
Evaluation periods	From January 1, 2022 to December 31, 2022
Scope of evaluation	Board of Directors, individual directors, Functional Committees
Evaluation method	Internal self-evaluation of Board of Directors , Self-evaluation of individual directors
Evaluation items	<p>(1) Criteria for evaluating the performance of the Board of Directors:</p> <ol style="list-style-type: none"> 1.Participation in the operation of the Company. 2.Improvement of the quality of the Board of Directors' decision making. 3.Composition and structure of the Board of Directors. 4.Election and continuing education of the Directors. 5.Internal control. <p>(2) Criteria for evaluating the performance of the individual directors:</p> <ol style="list-style-type: none"> 1.Alignment of the goals and missions of the Company. 2.Awareness of the duties of a Director. 3.Participation in the operation of the Company. 4.Management of internal relationship and communication. 5.The Director's professionalism and continuing education. 6. Internal control. <p>(3) Criteria for evaluating the performance of the Functional Committees:</p> <ol style="list-style-type: none"> 1.Participation in the operation of the Company. 2.Awareness of the duties of the Functional Committee. 3.Improvement of quality of decisions made by the Functional Committee. 4.Makeup of the Functional Committee and election of its members. 5. Internal control.

(1) On May 8, 2020, the board of director of the Company has approved “Self-Evaluation or Peer Evaluation of the Board of Directors”, which stipulated that the board of directors should conduct the performance evaluation of the board of directors every year in accordance with the evaluation procedures and evaluation indicators stipulated in these regulations. The results of the performance evaluation of the board of directors shall be completed before the end of the first quarter of the following year.

(2) The Company has finished performance evaluation of the board of directors, board members, and functional committee (includes Compensation Committee and Audit Committee) on January 2023. The evaluation results and the direction of continues strengthening will be reported on the board of the directors which was held on February 23, 2023, the evaluation results are as follow:

A. Performance Assessment of the board of directors:

Self-evaluation questionnaire of performance assessment of the board of the directors includes five orientations and 45 exam topics. The score of each orientations are between 4.53~4.94 (five for full score). It shows the positive evaluation from the directors and the board of directors works well.

B. Performance Assessment of Audit Committee:

Self-evaluation questionnaire of the performance assessment of Audit Committee includes five orientations and 22 exam topics. The score of each orientations are between 4.86~5.00 (five for full score). It shows the positive evaluation from committee members and Audit Committee works well.

C. Performance Assessment of Compensation Committee:

Self-evaluation questionnaire of the performance assessment of Compensation Committee includes four orientations and 19 exam topic. The score of each orientations are between 4.86~5.00 (five for full score). It shows the positive evaluation from committee members and Compensation Committee works well.

According to the result of performance assessment, it shows positive evaluations from the board

of directors' members and all functional committees' members to the efficiency and operation of the board of directors and all functional committees and consider they work well and fully perform their functions.

4. Strengthening the functions of the board in the current and the most recent year and conducting performance assessment :

- (1) To improve the supervision of auditing and strengthening the management, the company set up an audit committee to replace the supervisory authority in 2019, to implement corporate governance and enhance the efficiency of board of directors' operations.
- (2) In addition to establishing the audit committee, the Company also established the remuneration committee to assist the board of directors to conduct examinations on internal personnel and the management system for salary and remuneration.
- (3) To implement corporate governance, to enhance the function of board of directors and to set up performance objectives to strengthen operation efficiency of board of directors, the Company create "Performance appraisal of board of directors" in 2020, and organize yearly periodical board of directors evaluation and respective directors self-evaluations, which submitted the result by end of 1st quarter of next year.
- (4) The Corporation provides continuing education courses for Directors to enhance Directors' professional competencies.

Note : The actual attendance rate (participation rate) of the board is calculated based on the number of meetings during the term of office and its actual number of attendance (participation).

3.4.2 Audit committee operation status or operation status of supervisors participating in board meetings :

1. Audit committee :

(1) Annual work focus of audit committee:

The audit committee was composed of three independent directors. The audit committee aimed to assist the board to implement the supervision on the relevant accounting, auditing, financial report procedures and the quality and integrity in terms of financial control. The main purpose of audit committee operation aimed for the supervision of the following matters :

- Qualified opinion on the financial statement of the Company.
- Appointment (Dismissal), independency and performances of CPA.
- Effective implementation of the Company's internal control.
- The Company's compliance to relevant law and regulations.
- The Company's control over existing or potential risks.

The Audit Committee has held 4(A) meetings in 2022, the matters considered mainly include :

- 2021 Financial Statements and 2022 first quarter to third quarter Financial Statements.
- To evaluate the CPAs' independence and competence for performing the financial report audit.
- Assessment of the design and operation effectiveness of the internal control system.
- The defects, irregularities, and the status of corrections in the internal control system.
- Annual audit plan for year 2023.
- Compliance with the relevant laws and regulations by this Corporation.

(2)A total of 4(A) meetings were held by the Audit Committee in 2022 ; the attendance of independent directors is given below :

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A) (Note)	Remarks
Independent Director	Chang, Chih-Liang	4	0	100%	Date of establishment of the audit committee: June 21, 2019
Independent Director	Yang, Yan-Shou	4	0	100%	
Independent Director	Wang, Chia-Nan	4	0	100%	

Other matters to be recorded :

1. If the operation of the Audit Committee falls under any of the following circumstances, the meeting date of the Audit Committee, the period, the content of the proposals, the independent directors' objections, reservations or major recommendations, the results of the audit committee's resolutions, and management of the company to audit committee's opinions.

(1) Matters specified in Article 14.5 of the Taiwan Securities and Exchange Act :

- During the 11th meeting of the 1st Audit Committee on February 24, 2022, the committee has approved "2021 Internal Control System Statement" 、 "2021 Financial Report" 、 "2022 Appointment and Independency Valuation of Accountants" 、 "amend the Company's Acquisition or Disposal of Assets Procedure" and was approved by the attending committee members with no objections.

(2) Except for the matters stated above, there were no resolutions rejected by the Audit Committee; two thirds or more directors gave their approval : None.

2. To avoid conflict of interest among independent directors, the implementations for avoiding conflict of interest and participation in the voting process : None.

3. Communication between independent directors, internal auditors and accountants :

(1) The Company's chief internal auditor attended the board of directors and audit committee meetings as non-voters and reported to the independent directors on the implementation status of the audit regularly or when necessary.

(2) Accountants report on corporate governance separately with independent directors in the Audit Committee.

(3) Accountants attend the board of directors and the audit committee, and report the company's financial statement audit or audit results and legal updates.

Note : The actual attendance rate (participation rate) of the audit committee is calculated based on the number of meetings during the term of office and its actual number of attendance (participation).

(3) Resolutions of the audit committee during 2021 and during the current year up to the date of publication of the annual report :

Date/Session	Proposal	Resolution	Matters specified in Article 14.5
2022/02/24 11 th meeting of the 1 st session	1.Internal audit report on the chief internal audit officer.	Acknowledged by all attending members; no dissenting opinion	
	2.Statement of 2021 Internal Control System.	Acknowledged by all attending members; no dissenting opinion	V
	3.2021 Business Report and Financial Report of the Company.	Acknowledged by all attending members; no dissenting opinion	V
	4.2021 Appropriation of Profit and Loss.	Acknowledged by all attending members; no dissenting opinion	
	5.2022 Appointment and Independency Valuation of Accountants.	Acknowledged by all attending members; no dissenting opinion	V
	6. Proposal to amend the “Acquisition or Disposal of Assets Procedure” of the Company.	Acknowledged by all attending members; no dissenting opinion	V
2022/05/09 12 th meeting of the 1 st session	1.2022 Q1 Financial Statement of the Company.	Acknowledged by all attending members; no dissenting opinion	
	2.Internal audit report on the chief internal audit officer.	Acknowledged by all attending members; no dissenting opinion	
2022/08/05 1 st meeting of the 2 st session	1.Election of the convener of the second Audit Committee and meeting chair.	Mr. Chang, Chih-Liang was unanimously elected as the convener of the Audit Committee and meeting chair of the meeting by all the members present.	
	2.2022 Q2 Financial Statement of the Company.	Acknowledged by all attending members; no dissenting opinion	
	3.Internal audit report on the chief internal audit officer.	Acknowledged by all attending members; no dissenting opinion	
2022/11/09 2 nd meeting of the 2 st session	1.2021 Q3 Financial Statement of the Company.	Acknowledged by all attending members; no dissenting opinion	
	2.Internal audit report on the chief internal audit officer.	Acknowledged by all attending members; no dissenting opinion	
	3.2022 Audit Plan.	Acknowledged by all attending members; no dissenting opinion	
2023/02/23 3 rd meeting of the 2 st session	1.Internal audit report on the chief internal audit officer.	Acknowledged by all attending members; no dissenting opinion	
	2.Statement of 2022 Internal Control System.	Acknowledged by all attending members; no dissenting opinion	V
	3.2022 Business Report and Financial Report of the Company.	Acknowledged by all attending members; no dissenting opinion	V
	4.2022 Appropriation of Profit and Loss.	Acknowledged by all attending members; no dissenting opinion	
	5.2023 Appointment and Independency Valuation of Accountants.	Acknowledged by all attending members; no dissenting opinion	V
Other matters to be recorded :			
1.Resolutions rejected by the Audit Committee, but two thirds or more directors gave their approval: None.			

2. Attendance of supervisors at board meetings :

The Company has established the audit committee on June 21, 2019 and hence will not elect the supervisors in accordance with the law.

3.4.3 The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such departure :

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?		V	The Corporation has established a spokesperson and stock agency to take charge of processing shareholder' suggestions, questions, and related issues.	Not yet established.
2. Shareholding Structure and Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(1) The Company has established spokesperson and proxy spokesperson to handle suggestions, doubts or disputes from shareholders.	No significant difference with the Corporate Governance Best Practice Principles.
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		(2) The Company got hold of the information of major shareholders through application for the changes to internal personnel's shareholdings and list of shareholders provided from stock agency and disclosed the list of major shareholders and final controllers in accordance with the regulations.	No significant difference with the Corporate Governance Best Practice Principles..
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(3) The management responsibility between the Company and the affiliated companies was clearly divided. The Company complied to the provisions of internal control system when conducting business operations with the affiliated companies and confirmed effective operations on risk control through internal audit.	No significant difference with the Corporate Governance Best Practice Principles.
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		(4) The Corporation has established "Management Procedures for Prevention of Inside Trading" to prevent and prohibit the Corporation's insiders from using information that has not been disclosed on the market to purchase and sell securities that may damage the interests of investors or the Corporation.	No significant difference with the Corporate Governance Best Practice Principles.
3. Composition and responsibilities of the board of directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?		V	(1) The company has not yet formulated a policy on diversity of board members, but the members of the board uphold objective standards and the principle of talents, regardless of sex, age, culture, educational background, race or religious belief, etc.	Not yet established.
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	(2) The Company has established the Remuneration Committee and Audit Committee. The Company has not yet established other functional committees.	Add other functional committee in accordance with the future operational situation and scale and depending on the demands.
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining	V		(3) On May 8th, 2020, the Board of Directors of the Company passed the "Board of Directors Performance Evaluation Method." The method specifies that the Board of Directors should conduct performance evaluations at least once a year for the board, directors, the compensation committee, and the audit committee. The results of the evaluations will be reported to the Board of	No significant difference with the Corporate Governance Best Practice Principles.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
<p>salary/compensation for individual directors and their nomination and additional office terms?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>		V	<p>Directors and used as a reference for individual director compensation and reappointment nominations.</p> <p>The 2022 annual performance appraisal of the Board of Directors has been completed by the members of the Board of Directors themselves and has been reported by the Board of Directors on February 23, 2023.</p> <p>(4) The Company regularly evaluates the independence and aptitude of the certified public accountants every year. The main evaluation items include checking whether they are shareholders, directors or managers of the Company; confirming that it is not related to the director or manager of the Company; whether you hold regular jobs and pay for the Company; whether there is an investment or financial interest-sharing relationship with the Company.</p> <p>The independent and suitability assessment of the auditor for the fiscal year 2023 has referred to the "Audit Quality Indicators (AQIs)" provided by the certified public accountant. After communication with the Audit Committee on February 23, 2023, there were no doubts, and the evaluation results were discussed and approved by the Board of Directors on the same day. There was no violation of any condition of independence and suitability, and the evaluation was deemed satisfactory.</p>	No significant difference with the Corporate Governance Best Practice Principles.
<p>4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?</p>		V	<p>The company's finance and accounting department assists in corporate governance related matters, including providing needed information when directors carry out their business, helping directors to follow the laws, handling matters related to shareholder meetings and board meetings in accordance with the law, taking the minutes of meetings.</p>	<p>According to regulations, the company will appoint a corporate governance officer before the end of June 2023.</p>
<p>5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?</p>		V	<p>The Company has established the communication channels with the stakeholders, including establishing the exclusive zone for stakeholders and contact window on the Company's website and provided exclusive contact window, phone number and email for stakeholders with different properties. If stakeholders have specific needs, they can call or email the Company at all times.</p> <p>Link to the exclusive zone for stakeholders on the Company's website: http://baotek.com.tw/index.php?action=investhome </p>	No significant difference with the Corporate Governance Best Practice Principles.
<p>6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?</p>		V	<p>The Company has entrusted professional stock agency (Agent Division, Chinatrust Commercial Bank Co., Ltd.) to handle all kinds of shareholders' meeting affairs.</p>	No significant difference with the Corporate Governance Best Practice Principles.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	V		(1) The Company has set up Company's website (website : http:// www.baotek.com.tw) to disclose information on financial business and corporate governance and announced and declared information on financial business and corporate governance on Market Observation Post System in accordance with the regulations.	No significant difference with the Corporate Governance Best Practice Principles.
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The company's website contains information in both Chinese and English, there is also dedicated unit of the Company responsible for collecting and disclosing information. The Company has established spokes person and deputy spokesperson and implement faithfully.	No significant difference with the Corporate Governance Best Practice Principles.
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V		(3)The Company shall announce and file the annual financial report within two months after the end of the fiscal year, and complete the announcement and filing of the 2022 annual financial report on February 23, 2023, and announce and file the first, second and third quarter financial reports and operation by month.	No significant difference with the Corporate Governance Best Practice Principles.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(Note)	No significant difference with the Corporate Governance Best Practice Principles.
9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement : Based on the review and appraisal results, the Company has made improvements to strengthen the structure and operation of the board of directors, enhance information transparency and implement corporate social responsibility. In the future, it is planned to continuously evaluate the feasibility of improvement for the unscored indicators, so as to enhance the effectiveness of corporate governance, and continue to implement equal treatment of shareholders and safeguard the rights and interests of shareholders.				

Note : Other significant information helpful for understanding corporate governance :

(1) Employee rights and interests and employee care :

The Company respects and treats our employees fairly, regardless of race, religion, skin color, sex, nationality, age or disability; meanwhile, all the employment conditions are complied to the laws and regulations of the local country and territory. The Company's policies are as follows:

- Ensure the harmony and interests of customers, shareholders and employees.
- Comply with relevant national laws and regulations.
- Commit to protect labor rights and interests, eliminate any form of forced labor, support the free choice of occupation, effectively prevent child labor from entering enterprises, and give employees humane and fair treatment and freedom of association.

- Continuously evaluate, improve and adjust labor conditions in combination with the overall economic development trends.
 - Establish a good communication channel to convey our labour policies to employees, suppliers and related groups.
 - In addition to the compliance to the provisions of the Labor Insurance, Health Insurance and Labor Safety Act, the Company provides institutional catering service and establishes employees' cafeteria to provide nutritional and healthy dietary care for employees.
- (2) Code of conduct or code of ethical conduct for employees :
- The Company established code of conduct for employees and ethical policies for the employees to comply with for their actions and for the Company to follow legal and ethical principles to protect its assets, rights and interstes and reputation. They are given as follows:
- Comply with relevant laws and regulations of the national government.
 - Ensure protecting the rights of employees, customers, shareholders, suppliers, and community environment.
 - Uphold business ethics, fair dealing, clean business and open information, value intellectual property and protect personal safety and trade secrets.
 - Continuously improve the implementation of the Company's ethical policies.
- In addition to establishing the code of conduct for employees and ethical policies for employees, the Company established the Regulations for Human Resource Management based on the spirit of respect and employee care to enable interested parties understanding the ethical standards and codes of conduct complied by our colleagues in the performance of their duties; meanwhile, upon the arrival of employees to the Company, they shall all signed "Consent Agreement", which made the declaration on the commitment to keep the confidentiality of the Company's business.
- (3) Relations with investors :
- The Company established the spokesperson contact website to be in charge of handling shareholders' suggestions and serving as the communication bridge between the Company and the investors.
- (4) Relations with suppliers and implementation of customers' policy :
- The Company cooperated with the suppliers and customers based on equal and mutual beneficial principles to protect the rights and interests of both parties and maintain good relationship.
- (5) Rights of stakeholders :
- Stakeholders may communicate with the company and provide suggestions to protect their rights and interests belonged to them.
- (6) Policies for risk management and assessment :
- The risk assessment of the Company is complied to Articl 13 of "Regulations Governing Establishment of Internal Control Systems by Public Companies". The so-called risk assessment refers to the process of recognizing the internal and external factors causing the objectives not achieved and assessing its impact level and possibilities. The assessment results can help the Company to design, revise and conduct necessary control procedures in-time. Regarding its contents, the following items can be referenced:
- (1)Consider the overall business environment of the Company, transaction type, current status of the organization, personnel and system and assess the impact level of each potential risks.
 - (2)Understand the objective of the investigated Company, each business divisions and departments or procedures and identify the potential risks the could involve in the achievement of the objectives (including risks of cheating".
 - (3)Determine annual audit scope (parts with higher risks), schedule and the amount of resources devoted in accordance with the risk assessment results.

(7) Organization of risk management and its operation :

1. Criteria for external audit unit to access internal control structure of the organization. The combination with risk management work during the internal audit process :

1st stage assessment plan: Analyze the risk event on the annual objectives, preliminary risk level assessment and propose audit plan.

2nd audit process: Propose audit program and execute audit program.

3rd audit report: Review the risk level and submit the audit report.

4th stage tracking and improvement: Propose the tracking plan in accordance with the risk level and re-access the risk after the review.

2. Identify risk events and conduct detail risk measurement :

Risk events: Identify the events causing the risk occurrence on each type of risks.

Types of risk events :

Financial reporting, efficiency and effects of procedures, law compliance, company strategies.

Inherent risk :

The risk level of such risk event where the current management system has not been considered.

3. Regarding major risk assessment matters of the Company, the execution matters shall all be submitted to the audit office for review and the board of directors' meeting shall be held if necessary, to conduct risk discovery, assessment and prevention. The Company has enhanced the management of enterprise risks, including risk detection, assessment, report and treatment, in accordance with the risk assessment and has taken very careful and rigorous attitude towards it. The risk control of the Company can be divided into three levels (mechanisms): the organizer or case officers are the "1st mechanism", required to take on the responsibility for preliminary risk discovery of the procedures, consideration designs and prevention for assessment and control ; the "2nd mechanism" required president or vice president to preside in departments function meeting to take charge of feasibility analysis and various risk assessments. And the "3rd mechanism" is the audit or review performed by Audit Room, Audit Committee and Board of Directors. They are shown in the following table :

Major risk assessment matters	Direct Unit for Risk Control (Business Organizer) (1 st mechanism)	Risk Review and control (2 nd mechanism)	Board of Directors and Audit Office (3 rd mechanism)
1. Interest, exchange rate and financial risks	Finance and Accounting Division	Vice President or President	Board of Directors : Making decisions for the risk assessment control and conduct and final control
2. High risk high leverage investment, loaning funds to others, derivatives trading, financial management and investment	Finance and Accounting Division	Vice President or President	
3. R&D plans	R&D Division	Vice President or President	Audit Office : Review, assess, supervise, improve, track and report the risks
4. Concentrated purchase or sales	Procurement Division, Business Division	Vice President or President	
5. Transferring the equity of directors, supervisors and major shareholders	Finance and Accounting Division, Stock Agent	Vice President or President	
6. Actions, ethics and integrity of personnel	Chief Officers and Human Resources	Vice President or President	
7. Management of board meetings	Finance and Accounting Division	Vice President or President	

4. The Company will submit the company-based risk assessment report at the end of each year and list the audit report into the proposals for board meeting, which served as a reference to the policy, work and plans in the new year. Concluding the aforementioned matters, the Company's method is very rigorous. There is no occurrence of risks. The Company has good control and management.

(8) The situation of the Company buying liability insurance for directors and managerial officers :
To protect shareholders' rights and reduce the Company's business risks, the Company has bought liability insurance for directors, member of functional committee and managerial officers. The insurance amount in 2022 is USD2,000,000. The Company submitted the insurance content to the 2nd meeting of 11th board of directors on Aug. 5, 2022.

(9) Advanced studies conducted by directors :

The directors have relevant professional knowledge. The Company irregularly provides directors with relevant information and host seminars depending on the practical business demands. The advanced studies during the two most recent years are as follows :

Title	Name	Date of Studies	Organizer	Name of the Course	Hours of Studies
Director	Liu, Chun-Chen	2021.10.18	Taipei Exchange	Propaganda on the Equity of Internal Personnel in Companies listed in Over-the-counter markets or emerging stock market	3 hours
		2022.10.11	Taipei Exchange	TheRelease of the Reference Guidelines for the Exercise of Duties by Independent Directors and Audit Committees & Director and Supervisor Guidance meeting	3 hours
Independent Director	Chang, Chih-Liang	2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6 hours
		2022.03.10	QIC、Georgeson、TWSE	Independent Directors and Board Oversight from an International Perspective	1 hour
		2022.07.07	TWSE、Taipei Exchange	Industry Theme Promotion Meeting for Sustainable Development Roadmap	2 hours
		2022.08.25	Taipei Exchange	Propaganda on the Equity of Internal Personnel in Companies listed in Over-the-counter markets or emerging stock market	3 hours
Independent Director	Yang, Yan-Shou	2021.08.31-2021.09.01	Taipei Exchange	2021 Sustainable upgrade online forum	4 hours
		2021.10.18	Taipei Exchange	Propaganda on the Equity of Internal Personnel in Companies listed in Over-the-counter markets or emerging stock market	3 hours
		2022.07.20	TWSE、Taipei Exchange	Industry Theme Promotion Meeting for Sustainable Development Roadmap	2 hours
Independent Director	Wang, Chia-Nan	2021.08.27	Taiwan Investor Relations Institute	Commercial Case Adjudication Act	3 hours
		2021.08.31-2021.09.01	Taipei Exchange	20212021 Sustainable upgrade online forum	4 hours
		2021.09.01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3 hours
		2022.03.10	QIC、Georgeson、TWSE	Independent Directors and Board Oversight from an International Perspective	1 hour
		2022.08.25	Taiwan Investor Relations Institute	Facing the Challenges of Sustainable Business Operation	3 hours
		2022.10.11	Taipei Exchange	TheRelease of the Reference Guidelines for the Exercise of Duties by Independent Directors and Audit Committees & Director and Supervisor Guidance meeting	3 hours

3.4.4 Composition and Operation Status of the Remuneration Committee

(1) Information on Remuneration Committee Members :

April 18, 2022

Capacity	Qualifications		Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name	Professional qualifications and experience		
Independent Director (Conveyor)	Chang, Chih-Liang	Mr. Chang, Chih-Liang has master's degree of Business School in Waseda University. He has served as general manager and director of Daiwa-Cathay Capital Markets Co., Ltd. He is now the external consultant of Daiwa-Cathay Capital and serving as director of ANTEC INC. and independent director of FuYu Property Company Limited.	The members of the remuneration committee of the company are composed of independent directors. The independent directors of the company met the qualification requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and Article 14-2 of the Securities and Exchange Act both two years prior to and during their tenure. The independent directors have been granted full participation in decision-making and expressing opinions under Article 14-3 of the Securities and Exchange Act, and have executed their relevant duties independently. None of the independent directors has any of the conditions stipulated in Article 30 of the Company Law.	1
Independent Director	Yang, Yan-Shou	Mr. Yang, Yan-Shou has master's degree of Law Institute in Fu Jen University and attorney's certificate. He is now lawyer of Attorney of HI Law Firm and has over twenty years of practical experience of law firm.		0
Independent Director	Wang, Chia-Nan	Mr. Wang, Chia-Nan has master's degree of Corporate Management in University of Illinois. He has served as independent director of Charoen Pokphand Enterprise(Taiwan) Co., Ltd. He is now serving as director of JPP Holding Company Limited. and independent director of FORWARD ELECTRONICS CO., LTD.		1

(2) Duties of the remuneration committee :

In accordance with the "Remuneration Committee Chapter", the remuneration committee shall handle the following duties with the care of a good administrator and in good faith and submit the suggestions to the board of directors' meeting for discussion.

1. Periodically reviewing this Charter and making recommendations for amendments.
2. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managerial officers of this Corporation, and disclose the contents of the performance assessment standards in the annual report.
3. Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards. The annual report shall disclose the results of the individual performance assessments of the directors, supervisors and managerial officers and the connection between and reasonableness of the contents and amounts of their individual compensation and performance assessment results, and making a report at a shareholders' meeting.

(3) The results of the individual performance assessments of the directors and managerial officers, and the connection between and reasonableness of the contents and amounts of their individual compensation and performance assessment results :

1. Performance assessment result :

- The Directors of the Company assess individual director's performance pursuant to the " Remuneration Committee Charter " and the " Self-Evaluation or Peer Evaluation of the Board of Directors ", and take the result as the reference base to prescribe remuneration respectively. Aggregated from 2022 performance assessment results, Directors have made a clear understanding of the Company target and duty, responsibility of a director, participating in operations and interacting with operational team well, indicating good condition of overall operation by the Board of Directors.
- The Managers of the Company assess individual manager's annual performance pursuant to the departmental KPI achievements and Annual Individual Performance Scale, and take the result as the reference base to prescribe remuneration respectively. 2022 Managers' Performance Assessment Rating showed first-class to outstanding, representing good performance.

2. Amounts of individual remuneration and performance assessment result, as well as reasonableness :

- The remuneration for the Directors of the Company has no changeable remuneration except for monthly fixed travelling expenses. Directors' remuneration is in accordance with the Articles of Incorporation.
- The remuneration for the Managers of the Company is prescribed in terms of the salary policy, the salary level of the position comparing to that in peer industry, scope of duty prescribed for the position and contribution to the Company's operational target.
- The remuneration item and amount for the Director and Manager of the Company as well as performance assessing result showed reasonable.

(4) Information on the operation status of the remuneration committee :

1. The Company's remuneration committee has a total of 3 members.
2. The term of the current members is from Aug. 5, 2022 to June 16, 2025

The remuneration committee has held 2(A) meetings in 2022 and the qualification and attendance of the members are given as follows :

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Remarks
Member (Converor)	Chang, Chih-Liang	2	0	100%	
Member	Yang, Yan-Shou	2	0	100%	
Member	Wang, Chia-Nan	2	0	100%	

Other matters to be recorded:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee : None.
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion : None.

Note : The in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number attended in person during the period of each such person's actual time on the committee.

(5)Resolution of the reumuneration committee during 2022 and during the current year up the date of publication of the annual report :

Date/Session	Proposal	Resolution	How the Company handled the opinions fro the remuneration committee
2022/05/09 6 th meeting of the 4 rd session	1. Suggestions on the 2022 Dragon Boat Festival and Mid-Autumn Festival bonus of managers and all employees. 2.The results of performance assessments of directors and managerial officers, and the connection between and reasonableness of the contents and amounts of their compensation and performance assessment results.	Acknowledged by all attending members; no dissenting opinion. Acknowledged by all attending members; no dissenting opinion.	The proposal was submitted to board meeting for discussion and approved by the attending directors.
2022/11/09 1 st meeting of the 5 th session	1. Suggestions on the distribution of 2022 bonus to managerial officers and employees. 2. Suggestions on the adjustments to the 2023 salaries for managerial officers and employees.	Acknowledged by all attending members; no dissenting opinion. Acknowledged by all attending members; no dissenting opinion.	The proposal was submitted to board meeting for discussion and approved by the attending directors.

3.4.5 Information on members and operation status of the nominating committee :

The company does not have a nomination committee.

3.4.6 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons :

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		V	The Company has not established a governance structure to promote sustainable development.	Waiting for studying and setting up
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		V	<p>The Company upholds the values on respect, trust, ethical management, customers' success, teamwork, revolution and innovation. While seeking for corporate sustainable management and profits, the Company also focused on the topics of environment, society and corporate governance and incorporated them into the management directions and business activities.</p> <p>1. Environment :</p> <p>(1)The Company obtained ISO14001 environmental management system certification in 2004, and has since regularly renewed the certification.</p> <p>(2)Based on ISO14064, inventory greenhouse gas emissions and examine the impact on company operations. Develop carbon reduction measures according to the results of carbon inventory to effectively reduce greenhouse gas emissions.</p> <p>(3)Regularly conduct environmental monitoring to reduce the impact of hazardous factors on health in the environment.</p> <p>2. Society :</p> <p>(1) Occupational Safety :</p> <ul style="list-style-type: none"> • The Company obtained OHSAS 18001 Occupational Health and Safety Management System certification in 2011 and transitioned to ISO 45001 in 2019. We will continue to obtain certifications regularly in the future. • Regularly conduct fire drills and occupational safety education and training each year to cultivate employees'abilities in emergency response and self-safety management. 	No significant difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>(2) Product Safety :</p> <p>The Company's products comply with all relevant government regulations and meet the EU RoHS directive without any hazardous substances. In order to ensure the quality of our customer service, we conduct an annual customer satisfaction survey to strengthen our cooperative relationships with customers.</p> <p>3. Corporate Governance :</p> <p>(1) Socioeconomic and Legal Compliance : Implement internal control mechanisms to ensure that all personnel and operations of the Company comply with relevant laws and regulations.</p> <p>(2) Strengthen the functions of directors : <ul style="list-style-type: none"> • Encourage directors to enrich their knowledge and provide information on continuing education courses for directors every year. • Provide directors with directors and officers liability insurance to protect them in the event of litigation or claims. </p> <p>(3) Stakeholder Communication : <ul style="list-style-type: none"> • Establish communication channels with stakeholders and set up an investor mailbox. The spokesperson is responsible for processing and responding to it. • The Company analyzes important stakeholders and their concerns on important issues every year to avoid misunderstandings caused by differences in positions between the Company and stakeholders. </p>	
<p>3. Environment Issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p>	V		<p>To protect the natural environment, reduce the risk of harmful substances, and pursue sustainable environmental management, the company follows the framework of the ISO14001 system, obtained the ISO14001 environmental management system certification in 2004, and continues to pass third-party verification.</p> <p>ISO14001: Shortly after its official launch in September 2015 in 2015, the company applied for revision work and successfully obtained the certificate through external verification in December 2016. The company's latest ISO14001:2015 certificate has been certified by SGS, and the validity period is from December 29, 2022 to December 29, 2025.</p>	No significant difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		The company has devoted in the improvement on the source and enhancement on the utilization rate of all kinds of resources while promoting energy-saving and lower carbon consumption to achieve reduction in raw materials and wastes to reduce the impact on the environment and optimizing energy efficiency.	No significant difference.
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		Climate change had become an important issue valued by investors and enterprises. The Company understood that climate change could result in natural disasters directly affected our business activities as well as resulting in the increase on the price of raw materials and even the supply interruption. Hence, starting from the beginning of factory construction, the Company has actively paid attention to all kinds of issues related to energy-saving, lower carbon consumption, reduction in greenhouse gas or other waste management. The Company proposed to list inspection on greenhouse gases into the regular inspection items to monitor the effect of energy-saving, carbon consumption and reduction on greenhouse gases.	No significant difference.
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		To reduce the impact of operations on the environment, the company actively promotes energy conservation and carbon reduction, and effectively uses limited resources to reduce damage to the environment. Please refer to the page 63 of this annual report for the statistics of greenhouse gas emissions, water consumption and total weight of waste in the last two years. Greenhouse Gas Reduction Policy: Encourage employees to develop the habit of turning off lights and power; turn off unused lighting and air conditioning to maintain only basic needs to reduce electricity usage and carbon dioxide emissions. Water Using Reduction Policy: Implement saving water in daily life. It will maximize the benefits of available water resources. Other Waste Disposal Management Policy: Carefully select waste removal, treatment and reuse manufacturers to reduce and recycle waste to reduce environmental risks.	No significant difference.
4.Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and	V		The Company follows the Labor Standards Act, the Employment Service Act, the Gender and Work Equality Act and other relevant laws and regulations, recognizes and follows the standards	No significant difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
regulations and international human rights conventions?			of international human rights conventions, and formulates various policies and management methods. Through the company's internal working rules and regulations, it ensures the safety of the working environment and protects employees. Legitimate rights and interests, and make sure that every employee is treated fairly and with respect.	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		<p>The Company has established the Regulations Governing Human Resources, covering management affairs for human resources, such as selection, appointment, attendance, promotion, transfer, resignation, evaluation, etc.</p> <p>The policy for paying remuneration of the Company is to pay remuneration based on job rank, one's capabilities, performances, contributions to the Company.</p> <p>The Company also applied all kinds of employee welfare measures through Employee Welfare Committee, such as birthday gift certificates, three festival gifts, marriage and childbirth gifts, funeral and hospital subsidies, etc. In addition, regular health checks are also carried out.</p>	No significant difference.
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		<p>The Company follows the Occupational Safety and Health Law, provides employees with a safe and healthy working environment, and conducts work environment monitoring twice a year to ensure that employees' hazard exposure is below the standard value. The Company obtained the OHSAS18001 occupational safety and health management system certification in 2011, and passed the OHSAS 18001 conversion to ISO 45001 in 2019, and is regularly inspected and reviewed by the certification body every year. The company's ISO45001:2018 latest certificate has been certified by SGS, and the validity period is from December 30, 2022 to December 30, 2025.</p> <p>Regarding body health, the Company regularly hosts employee health examination and makes the employees understand themselves more and have the knowledge and methods for health management through diversified health seminars, health promotion activities and health education information.</p> <p>In 2022, the Company had one occupational accident and the number of employees was 1 (accounting for 0.3% of the total number of employees at the end of 2022). We will continue to strengthen the protection management of employees to create a zero-disaster environment in the future.</p>	No significant difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(4) Has the Company established effective career development training programs for employees?	V		The Company encourages employees to improve themselves. According to different positions and career capabilities, the company organizes internal training from time to time or dispatches foreign personnel to participate in education and training, including new personnel training, professional function training, supervisor ability training and general training, etc., to help colleagues through a variety of methods. Continuous learning and growth to practice career development goals. The total number of career training hours in 2022 was 1,019 hours, and the total number of people was 468.	No significant difference.
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		Regarding the marketing and labelling of products and services, the Company has complied to relevant regulations and international principles and took on responsible attitude when executing any actions to prohibit any actions damaging customers' trust, rights or interests. Regarding customers' privacy, the Company has complied to confidentiality agreement and Personal Data Protection Act and established customers' service unit and exclusive zone for stakeholders to protect consumers' rights and interests and provide complaint channels.	No significant difference.
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		The company has a "supplier management program" and the suppliers of the Company are asked to comply with environmental and social responsibilities and to sign the letter of commitment which the Company will review periodically in the future. The Company's supplier evaluation and evaluation projects are divided into technical support, product quality, delivery management, price management and cooperation degree processing, etc., and conduct supplier evaluation every year. And we will record the evaluation results in the "Supplier Evaluation Record Form".	No significant difference.
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	The Company doesn't prepare sustainability reports. It will be prepared according to operational needs in the future.	No significant difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
6 If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company’s operations : The Company has previously formulated the "Code of Practice for Corporate Social Responsibility" as approved by the board of directors. To corporate with international development trends and practice the goal of sustainable development, the boad of directors has approved the revision of the Company's "Code of Practice for Corporate Social Responsibility" as "Code of Practice for Sustainable Development" in accordance with the "Code of Practice for Sustainable Development of OTC Listed Companies" on February 2022 and cooperate with the amendment of some provisions.				
7. Other important information to facilitate better understanding of the company’s promotion of sustainable development : (1) Engineering safety, Environmental friendly and Health and Safety issues : The Company valued engineering safety, environmental friendly and health and safety issues. To correctly, rapidly and effectively control the disaster and protect employees’ safety when major abnormal incidents occurred, in addition to educational trainings on newcomers, the Company also conducts fire prevention drills every year. In 2022, the Company organized 2 fire prevention drills to enhance emergency response awareness of all employees by evacuating, usage of fire-fighting equipment and inhouse fire-fighting emergency classes. (2) Industry-College Cooperation : The Company created high-quality employment opportunities and actively participated in the diversified employment programs promoted by the government. The Company cooperated with the Ministry of Education to promote “College Students Having Internship in Enterprises. By published date of annual report, 11 students in total have joined the Internship with the Company. (3) The Company provided employment opportunities to the disabilities to help them eliminate barriers to the workplace and to employee them stably. By published date of annual report, the Company has recruited 3 disabilities in total.				

Implementation of Climate-Related Information : N/A

3.4.7 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons :

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>1. Setting business integrity policies and programs</p> <p>(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	V		<p>(1) The Company has established “Corporate Management Best-Practice Principles”, which was approved by the board of directors and upheld management concepts of clean, transparent and responsible, developed policies based on ethical management, created good corporate governance and risk control mechanism to create business environment with sustainable development.</p> <p>(2) The Company has developed relevant procedures in “Corporate Management Best-Practice Principles”, including the prohibition on offering bribery and receiving bribery, the prohibition on the provision of illegal political donations, prohibition on the provisions of improper charity donation or sponsorship, prohibition on irrational gifts, hospitality or other improper interests, prohibition on intruding intellectual property, prohibition on conducting unfair competition and prevent products or services damaging the stakeholders.</p> <p>(3) In accordance with the Company’s “Corporate Management Best-Practice Principles”, the Company’s directors, managerial officers, employees, mandatories and persons having substantial control over the Company shall exercise the care of a good administrator, urge the prevention against unethical actions, review its implementation outcomes and improve continuously at all times and ensure the implementation of the ethical management policy. The penalty and complaint system for the violation against ethical management provisions along with the violation status and handlings will be disclosed on the Company’s website.</p>	No significant difference with Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
<p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p> <p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical</p>	V		<p>(1) Before entering business relationship, the Company will consider the legality of the transactions with the business counterparties and ask the suppliers to sign “Statement of Integrity Principles for Suppliers”, establish articles on ethical behaviors. If the trading respondent was involved with unethical behaviors, the Company may terminate or cancel the articles of the contract at all times.</p> <p>(2) The Company’s management office is responsible to develop the ethical management policy and prevention programs and audit and supervise its compliance.</p>	No significant difference with Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
conduct and monitor their implementation? (3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		(3) The Company has established “Corporate Management Best-Practice Principles” where avoidance of conflict of interests were stipulated. In addition, it also stipulated that directors, managerial officers, employees, mandatories and persons having substantial control over the Company may not use its position or power in the Company to obtain improper intestests for itself, spouse, parents, children or others.	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(4) To ensure the implementations of ethical management, the Company has established effective accounting system and internal control system. The internal audit unit will assist in auditing the compliances. The audit unit proposed the annual audit plan in accordance ith “Regulations Governing Establishment of Internal Control Systems by Public Companies” and conducted regular and irregular audit to ensure the sound efficiency of the compliance with internal control system.	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		(5) The Company has established code of conduct for employees. In addition to enhancing the promotion on employees, the Company also asked them to faithfully comply relevant regulations.	
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	V		(1) The Company has established complaint and whistle-blowing channels. The whistle-blowr may report cases through relevant channgel and appropriate dedicated personnel from the responsible unit will be appointed in accordance with the properties and subject of the complaint. The complaint channels are as follows: 1. Complaint channel for illegal damages and sexual harassment: Exclusive line 131; e-mail: hr@baotek.com.tw 2. E-mail of the chief human resource officer: hsiu@baotek.com.tw 3. Help Me, exclusive assistance line for Employee Care: 331 4. Compliant email for cheating and violation against code of ethical conduct: Jefflin@baotek.com.tw (the e-mails will be automatically forward to 1 st level chief officers of the audit office or the human resource office). Exclusive line for external complaint: 03-4754728 ext 131 5. Exclusive line for whistleblowing: 03-4754728 ext 108 6.Complaint on information security and confidentiality protection: kevan@baotek.com.tw	No significant difference with Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies
(2) Has the company established standard	V		(2) To ensure the complaint cases can be	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner? (3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	V		appropriately handled, the personnel of the responsible unit and investigation information shall be kept with strict confidentiality. All kinds of relevant information may not be disclosed. If there is violation against it, persons in violation will be punished severely. (3) The Company upholds fair and integrity principle to firmly keep the confidentiality of the investigation process and the identity of the whistle-blower to protect relevant personnel from improper treatment or revenge.	
4. Strengthening Information Disclosure (1) Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		(1) The Company has disclosed the “Corporate Management Best-Practice Principles” in the Company’s website and Mark Observation Post System and the situations of corporate management and adopted measures in the annual report.	No significant difference with Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation : The Company established the “Corporate Management Best-Practice Principles” in accordance with the “Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” issued by the competent authorities, which was approved by the board of directors and disclosed on the Company’s website and the Market Observation Post System. The Company applied the management concepts of honest and integrity, fair and transparency, self-regulated and responsible to create good corporate governance and risk control system and seek for sustainable development of the Company. There is no discrepancy between the operation and the stipulated principles.				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles) : (1) The Company has stipulated “Rules of Procedure for Board of Directors Meetings” to state the directors avoiding conflict of interest system. If a director or a juristic person that the director represents is an interested party in relation to an 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 interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item. (2) The Company has stipulated the “Code of Conduct for Employees” to clearly state that all employees may not directly or indirectly borrow properties, receive gifts or give gifts (or make implications) from/to the corresponding vendors, firms or customers. (3) The Company has stipulated the “Code of Ethical Conduct” to regulate the ethical standards that the directors and managerial officers shall complied so that the stakeholders of the Company can understand the ethical standards of the Company more.				

3.4.8 Inquiry methods for the Company's corporate governance best-practice principles or related bylaws :

The Company's corporate governance principles and relevant regulations were disclosed on the Company's website (website: <http://www.baotek.com.tw>).

3.4.9 Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance :

1. Advanced studies participated by chief accounting officers and audit officers:

Title	Name	Organizer	Date of Studies	Name of the Course	Hours of Studies
Chief Accounting Officer	Liu, Chun-Chen	Accounting Research and Development Foundation	2022/04/22	Professional training courses on the practical supervision of "financial statement review" and related laws, as well as common deficiencies in corporate practice.	6
		Accounting Research and Development Foundation	2022/08/15	Policy development and internal control management practices related to "ESG sustainability" and "financial report self-preparation"	6
Chief Audit Officer	Lin, Chih-Hua	Accounting Research and Development Foundation	2022/06/30	Latest professional training course on policy development and internal control management practices related to "ESG sustainability" and "financial report self-preparation"	6
		The Institute of Internal Auditors-Chinese Taiwan	2022/10/13	Analyzing corporate performance and risk prevention through financial statement analysis	6

3.4.10 The implementation of internal control system :

1. Statement of Internal Control System :

BAOTEK INDUSTRIAL MATERIALS LTD.

Statement of Internal Control System

Date: February 23, 2023

The internal control system from January 1 to December 31, 2022, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reason assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. control activities, iv. information and communication, and v. monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the finding of such evaluation, the Company believes that, on December 31, 2022 it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This statement was approved by the board of directors in the meetings held on February 23, 2023, with 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

BAOTEK INDUSTRIAL MATERIALS LTD.

Chairman : Hayashi Hisanobu

President : Yoshida Kohichi

Note 1: Regarding the design and implementations of the internal control system of public companies, if there are major faults during the year, explanation paragraph shall be added after Paragraph 4 in the Statement of Internal Control System. In addition, list and explain the major faults discovered after self-evaluation and the improvement actions and situation adopted by the Company before the date of balance sheet.

Note 2: The statement is declared on the "last day of the accounting year".

2. If the CPA was engaged to conduct a Special Audit of Internal Control System, provide its audit report : None

3.4.11 For the most recent year or during the current year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company and its internal personnel or any sanctions imposed upon its internal personnel for violation of internal control system provisions by the Company where the sanction results could have a major impact on the shareholders' equity or securities price, principal deficiencies, and the state of any efforts to make improvements : None

3.4.12 Important resolutions of the shareholders' meeting and the board meeting during the most recent year or during the current year up to the date of publication of the annual report :

1. Important resolutions during 2022 general shareholders' meeting (June 17, 2022) and implementations thereof :

Content of the Proposals	Implementation after approved during general shareholders' meeting
(1) Adopted 2021 Business Report and Financial Statements. (2) Adopted 2021 Appropriation of Profit and Loss. (3) Approved the amendment to "Acquisition or Disposal of Assets Procedure". (4) To elect the Company's 11th term of Directors (including independent directors). (5) Approved the release on the prohibition of directors working concurrently in competing companies.	(1) Approved 2021 Business Report and Financial Statements. (2) Approved 2021 year-end profit and loss wait for compensation NT\$116,825,703. Hence, there is no earnings for distribution. (3) Implement and comply to the matters after the amendment to "Acquisition or Disposal of Assets Procedure". (4) List of Directors Elected : Nitto Boseki Co., Ltd.Representative:Hayashi, Hisanobu Nitto Boseki Co., Ltd.Representative: Yoshida Kohichi Nitto Boseki Co., Ltd.Representative: Shigeoka So Nitto Boseki Co., Ltd.Representative: Liu, Chun-Chen List of Independent Directors Elected : Chang, Chih-Liang 、 Yang, Yan-Shou 、 Wang, Chia-Nan Obtain the registration for changes from Ministry of Economic Affairs on 2022.06.28. (5) Approved the release on the prohibition of directors working concurrently in competing companies for directors Hayashi, Hisanobu 、 Shigeoka So 、 Chang, Chih-Liang 、 Yang, Yan-Shou 、 Wang, Chia-Nan in accordance with the Company Act.

2. Important resolutions of the board of directors' meeting during 2022and up to the publication date of the annual report :

Date/Session	Important Resolution
2022/02/24 12 th meeting of the 10 th	1. Approved 2021 Statement of Internal Control System. 2. Approved 2021 Business Report and Financial Statement. 3. Approved 2021 Appropriation of the Profit and Loss. 4. Approved 2022 Appointment and Independncy Evaluation of the Accountants. 5. Approved the amendment to "Corporate Management Best-Practice Principles". 6. Approved the amendment to "Acquisition or Disposal of Assets Procedure". 7. Approved to elect the Company's 11th term of Directors. 8. Approved the convening of the company's 2022 shareholders' meeting. 9. Approved nomination period, number of places to be elected and place for accepting candidates for directors (including independent directors) 10. Approved nomination of candidates for the 11 th session of directors (including independent directors) of the Company 11. Approved the release on the prohibition of directors working concurrently in competing companies in accordance with Article 209 of the Company Act.

Date/Session	Important Resolution
	12. Approved the extension on the due loans from the bank.
2022/05/09 13 th meeting of the 10 th	1. Approved 2022 Q1 Financial Statement. 2. Approved 2022 Dragon Boat Festival and Mid-Autumn Festival bonus of managers and all employees. 3. Approved relevance and reasonableness of performance evaluation of directors and managers results and the content and amount of remuneration. 4. Approved the release on the prohibition of directors working concurrently in competing companies in accordance with Article 209 of the Company Act.
2022/06/17 1 st meeting of the 11 th	1. Elect the chairman. 2. Approved the company's re-employment of important cadres.
2022/08/05 2 nd meeting of the 11 th	1. Approved 2022 Q2 Financial Statement. 2. Approved the appointment of the members for 5th Remuneration Committee.
2022/11/09 3 rd meeting of the 11 th	1. Approved 2023 Audit Plan. 2. Approved 2022 Q3 Financial Statement. 3. Approved 2022 year-end bonus distribution of managers and all employees. 4. Approved 2023 adjustment to the salary of managers and all employees. 5. Approved the amendment to "Procedures for Handling Material Inside Information".
2023/02/23 4 th meeting of the 11 th	1. Approved 2022 Statement of Internal Control System. 2. Approved 2022 Business Report and Financial Statement. 3. Approved 2022 Appropriation of the Profit and Loss. 4. Approved 2023 Appointment and Independency Evaluation of the Accountants. 5. Approved the amendment to "Rules of Procedure for Board of Directors Meetings". 6. Approved the release on the prohibition of directors working concurrently in competing companies in accordance with Article 209 of the Company Act. 7. Approved the convening of the company's 2023 shareholders' meeting. 8. Approved the extension on the due loans from the bank. 9. Approved the resignation of the chairperson of the company and the by-election of a new chairperson. 10. Approved the general manager of the company's change case.

3.4.13 Where, during the most recent year or during the current year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a resolution approved by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof : NA

3.4.14 A summary of resignations and dismissals, during the most recent year or during the current year up to the date of publication of the annual report, of the Company's chairman, president, principal accounting officer, principal financial officer, chief internal auditor, chief corporate governance officer and principal research and development office :

April 18, 2023

Job Title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
Chairman	Hayashi isanobu	2021.04.01	2023.04.01	Consider the company's long-term operation and development layout and group organization adjustment.
General manager	Yoshida Kohichi	2018.09.27	2023.04.01	Group organization adjustment and Cooperate with the company's operation plan.

3.5 Information on CPA Professional Fees

Unit : NT\$1,000

Name of accounting firm	Names of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks
PwC Taiwan	Chiang, Tsai-Yen	2022.01.01~ 2022.12.31	1,660	580	2,240	
	Liu, Chien-Yu					

Note : Non-audit public service includes for-profit enterprise income tax verification visa, transfer pricing report and other miscellaneous fees, and so on.

3.5.2 If the audit fee is reduced compared with the previous year after the change of the accounting firm and the change of audit fee, the amount of audit fees and reason(s) before and after the change shall therefore be disclosed : None

3.5.3 If the audit fee is reduced by over 10% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) shall therefore be disclosed : None

3.6 Information on Replacement of Certified Public Accountants :

The company has not changed its accountants in the last two years and thereafter.

3.7 Information on Service of the Company's Chairman, Presidents, and Financial or Accounting Managers at the Accountant Firm or its Affiliates in the Most Recent Year : None

3.8 Any Transfer of Equity Interests and Pledge of or Change in Equity Interests by Directors, Supervisors, Managenial Officers, or Shareholders with A Stake of More Than 10 Percent during the Most Recent Year and during the Current Year up to the Date of Publication of the Annual Report :

3.8.1 Changes of directors, managers or major shareholders in the Company :

Job Title	Name	2022		Current year to April 18, 2023	
		Shareholding increase (or decrease)	Pledged shareholding Increase (or decrease)	Shareholding Increase (or decrease)	Pledged shareholding Increase (or decrease)
Chairman/Director Shareholders holding greater than a 10 percent stake	Nitto Boseki Co., Ltd.	0	0	0	0
Chairman	Representative: Hayashi Hisanobu (Note 2) (Note 3)	0	0	0	0
Chairman / President	Representative: Yoshida Kohichi (Note 2) (Note 4)	0	0	0	0
Director / President	Representative:Sato Eiji (Note 3) (Note 4)	—	—	0	0
Director	Representative: Shigeoka So	0	0	0	0
Director	Representative: Liu, Chun-Chen	0	0	0	0
Director	Representative: Igarashi Kazuhiko (Note 1)	0	0	—	—
Director	Representative: Kajita Akimasa (Note 1)	0	0	—	—
Director	Representative: Kajikawa Hiroki (Note 1)	0	0	—	—
Director	Wecktech Biotech Co., Ltd.(Note 1)	0	0	—	—
Director	Representative: Ko, Charng-Chyi (Note 1)	(12,000)	0	—	—
Director	Wang, Cheng-Hsiung (Note 1)	0	0	—	—
Independent Director	Chang, Chih-Liang	0	0	0	0
Independent Director	Yang, Yan-Shou	0	0	0	0
Independent Director	Wang, Chia-Nan	0	0	0	0
Vice President Chief of the Finance and Accounting Division	Liu, Chun-Chen	0	0	0	0
Vice President	Chung, Yuan-Chuan	12,000	0	(11,000)	0
Assistant Vice President	Shigeoka So	0	0	—	—
Assistant Vice President	Chiang, Chih-Hsiung	0	0	0	0

Note 1 : Nitto Boseki Co., Ltd. Representative: Igarashi Kazuhiko 、 Nitto Boseki Co., Ltd. Representative: Kajita Akimasa 、 Nitto Boseki Co., Ltd. Representative: Kajikawa Hiroki 、 Wecktech Biotech Co., Ltd. Representative: Ko, Charng-Chyi 、 Wang, Cheng-Hsiung dismissed on 2021.06.17.

Note 2 : Former chairman Hayashi Hisanobu resigned as chairman from 2023.04.01. On the same day, Yoshida Kohichi was elected as new chairman to continue to lead the growth of company.

Note 3 : Director Nitto Boseki Co Ltd, re-assigned Sato Eiji as representative on April 1, 2023 and the former one, Hayashi Hisanobu, released the duty at the same time.

Note 4 : Approved by the board of directors, appointed Sato Eiji as president from 2023.04.01 (The former president Yoshida Kohichi served until 2023.03.31)

Note 5 : Shigeoka So resigned as assistant vice president from 2022.03.01.

3.8.2 Information on the counterparty of the equity transfer who are interested parties :
None

3.8.3 Information on the counterparty of the equity pledge who are interested parties : None

3.9 Information on the Relationship between any of the Top Ten Shareholders, such as Related Party, Spouse, or Kinship within the Second Degree :

April 18, 2023

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Nitto Boseki Co., Ltd. Representative: Tsuji Yuichi	92,865,791	47.65%	0	0.00%	0	0.00%	NA	NA	NA
	0	0.00%	0	0.00%	0	0.00%	NA	NA	NA
Hou, Chian-Hsing	3,087,150	1.58%	0	0.00%	0	0.00%	NA	NA	NA
Hou, Ke-Ching	2,425,000	1.24%	0	0.00%	0	0.00%	NA	NA	NA
Unicorn Electronics Components Co., Ltd. Representative: Kao, Chi-Neng	2,005,000	1.03%	0	0.00%	0	0.00%	NA	NA	NA
	0	0.00%	0	0.00%	0	0.00%	NA	NA	NA
Shao Jian-Hua	1,950,000	1.00%	0	0.00%	0	0.00%	NA	NA	NA
Greatland Electronics Taiwan Ltd. Representative: Gung, Rung Tsung	1,707,000	0.88%	0	0.00%	0	0.00%	NA	NA	NA
	688,000	0.38%	0	0.00%	0	0.00%	NA	NA	NA
Xu, Yi-sheng	1,659,000	0.85%	0	0.00%	0	0.00%	NA	NA	NA
Wang, Cheng-Hsiung	1,283,408	0.66%	1,050,039	0.54%	0	0.00%	Wang, Tsan-Shiung	Brother	NA
Li, Jen-Hwa	1,152,000	0.59%	0	0.00%	0	0.00%	NA	NA	NA
Wang, Tsan-Shiung	1,086,575	0.56%	0	0.00%	0	0.00%	Wang, Cheng-Hsiung	Brother	NA

3.10 The Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, its Directors and Supervisors, Managerial Officer, and Any Companies Controlled either Directly or Indirectly by the Company : None

IV. Capital Overview

4.1 Capital and Shares :

4.1.1 Source of capital stock :

Month/ Year	Issued price (NT\$)	Authorized capital		Paid-in Capital		Remarks		
		Shares (1,000 shares)	Amount (NT\$1,000)	Shares (1,000 shares)	Amount (NT\$1,000)	Source of Capital	Capital paid in by assets other than cash	Other
Aug. 1992	10	45,000	450,000	45,000	450,000	Establishment	NA	(Note)
Dec. 1995	10	65,000	650,000	50,000	500,000	Cash Increase Investment	NA	(Note)
Oct. 1996	10	65,000	650,000	60,000	600,000	Earnings to Capital Increase	NA	(Note)
Jul. 1997	10	105,000	1,050,000	75,336	753,360	Employee bonus and Earnings to Capital Increase	NA	(Note)
Oct. 1998	10	118,200	1,182,000	108,300	1,083,000	Earnings to Capital Increase and Cash Increase Investment	NA	(Note)
Aug. 1999	10	188,000	1,880,000	135,745	1,357,450	Earnings to Capital Increase and Capital Reserve to Capital Increase	NA	(Note)
Aug. 2000	10	188,000	1,880,000	149,319	1,493,195	Capital Reserve to Capital Increase	NA	(Note)
Jul. 2001	10	188,000	1,880,000	164,251	1,642,515	Earnings to Capital Increase and Capital Reserve to Capital Increase	NA	(Note)
Jul. 2005	10	188,000	1,880,000	165,894	1,658,940	Capital Reserve to Capital Increase	NA	(Note)
Jun. 2008	10	250,000	2,500,000	194,894	1,948,940	Private placement of securities	NA	(Note)

Note: The certified document No. from the Securities and Futures Bureau, Ministry of Finance for capital increase in each year are given as follows:

Nov. 20, 1995 Letter (1995) Tai Tsai Cheng (1) No. 59829

Jul. 3, 1996 Letter (1996) Tai Tsai Cheng (1) No. 41483

May 17, 1997 Letter (1997) Tai Tsai Cheng (1) No. 40071

June 24, 1998 Letter (1998) Tai Tsai Cheng (1) No. 51685

Jun. 30, 1999 (88) Tai Tsai Cheng No. 59255

Jul 10, 2000 (89) Tai Tsai Cheng No. 59457

May 9, 2001 (90) Tai Tsai Cheng No. 125085

June 23, 2005 Letter Chin Kuan Cheng I Tzu No. 0940125170

April 18, 2023 ; Unit: shares

Type of Stock	Authorized Capital			Remarks
	Outstanding shares	Unissued Shares	Total	
Common Stock	194,893,964	55,106,036	250,000,000	Over-the-counter Stock

4.1.2 Shareholder structure :

April 18, 2023

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	3	22	7,342	21	7,388
No. of shares held	0	1,550,000	5,568,961	92,460,611	95,314,392	194,893,964
Shareholding ratio	0.00%	0.80%	2.86%	47.44%	48.90%	100.00%

4.1.3 Diffusion of ownership :

1. Common stock :

April 18, 2023

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1~ 999	3,049	326,049	0.17%
1,000~ 5,000	2,918	6,096,082	3.13%
5,001~ 10,000	540	4,359,837	2.24%
10,001~ 15,000	188	2,369,393	1.22%
15,001~ 20,000	143	2,630,874	1.35%
20,001~ 30,000	125	3,179,395	1.63%
30,001~ 40,000	62	2,208,761	1.13%
40,001~ 50,000	53	2,460,419	1.26%
50,001~ 100,000	144	10,659,193	5.47%
100,001~ 200,000	63	8,905,717	4.57%
200,001~ 400,000	47	13,219,837	6.78%
400,001~ 600,000	26	12,443,823	6.38%
600,001~ 800,000	7	4,802,000	2.46%
800,001~ 1,000,000	9	7,809,621	4.01%
Over 1,000,001	14	113,422,963	58.20%
Total	7,388	194,893,964	100.00%

2. Special shares : None

4.1.4 List of major shareholders :

April 19, 2023

Name of Major Shareholders	Shares	Shareholding (shares)	Shareholding (%)
Nitto Boseki Co., Ltd.		92,865,791	47.65%
Hou, Chian-Hsing		3,087,150	1.58%
Hou, Ke-Ching		2,425,000	1.24%
Unicorn Electronics Components Co., Ltd.		2,005,000	1.03%
Shao, Jian-Hua		1,950,000	1.00%
Greatland Electronics Taiwan Ltd.		1,707,000	0.88%
Xu, Yi-sheng		1,659,000	0.85%
Wang, Cheng-Hsiung		1,283,408	0.66%
Li, Jen-Hwa		1,152,000	0.59%
Wang, Tsan-Shiung		1,086,575	0.56%

4.1.5 Market price per share, net worth per share, earnings per share, dividends per share and relevant information for the past two years :

Unit: NT\$; shares

Year			2021	2022	Current year to April 18, 2023 (Note 2)
Item					
Market price per share	Highest		50.80	37.60	57.00
	Lowest		28.60	22.00	25.20
	Average		41.89	30.19	47.81
Net worth per share	Before distribution		9.40	9.87	—
	After distribution		9.40	(Note 1)	—
Earnings per share	Weighted average shares		194,893,964	194,893,964	194,893,964
	Earnings per share	Before adjustment	0.27	0.43	—
		After adjustment	0.27	(Note 1)	—
Dividends per share	Cash dividends		0	(Note 1)	—
	Stock dividends	Dividends from retained earnings	0	(Note 1)	—
		Dividends from capital reserve	0	(Note 1)	—
	Accumulated undistributed dividends		0	(Note 1)	—
Return on investment analysis	Price/earnings ratio		155.15	70.21	—
	Price/dividend ratio		—	—	—
	Cash dividend yield		—	—	—

Note 1: The proposal will be settled after approval by resolution during shareholders meeting.

Note 2: For net value per share, earnings per share, the information certified by the accountants during the most recent season during the current year up to the date of publication of the annual report shall be listed; for the remaining column, the information during the current year up to the date of publication of the annual report shall be listed. Information of Q1 2023 has not yet reviewed by accountants.

Note 3: P/E Ratio = current year average closing price per share / earnings per share.

Price-dividend Ratio = current year average closing price per share / cash dividend per share.

Cash Dividend Yield = cash dividend per share / current year average closing price per share.

4.1.6 Dividend policy and implementation status :

1. Dividend policy stipulated in the Articles of Incorporation :

If there is a surplus in the final accounts of the Company of the year, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as statutory surplus reserve, but this is no longer necessary when the statutory surplus reserve has reached the total paid-in capital of the Company. The remaining amount shall be added to the undistributed surplus of the previous year after making or turning over the special surplus reserve according to actual needs or the regulations of the competent authority. The BOD shall prepare the Surplus distribution case to present in the shareholders' meeting for resolution of distribution by issuing new shares.

The company authorizes the board of directors to attend with more than two-thirds of the directors in accordance with Article 240 of the Company Act, and attended the resolution of more than half of the directors. Dividends and bonus or all or part of the statutory surplus reserve and capital reserve required by Article 241 of the Company Act shall be paid in cash and shall be reported to the shareholders' meeting.

The company is currently at a growth stage, the surplus allocation should take into account the future funding needs of the Company and meeting shareholders' needs for cash inflows. If the company distributes its surplus after the annual final accounts, the annual cash dividends paid shall not be less than 20% of the total cash and stock dividends issued in the current year. The shareholders' dividends shall be allocated from the cumulative distributable surplus, and shall not be lower than 10 percent of the annual distributable surplus. However, when the Company has more surplus or sufficient funds, it can increase the cash dividend payment ratio.

2. The proposed distribution for dividends during the shareholders' meeting : None

4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting : NA.

4.1.8 Remuneration of employees, directors and supervisors :

1. The amount or range for the remunerations to employees, directors and supervisors stipulated on the Articles of Incorporation :

In accordance with the Articles of Incorporation: If the company makes a profit in the year, no less than 5% should be allocated for employees' compensation and no more than 3% for directors' reward. However, when the company still has accumulated losses, it should reserve the compensation amount in advance.

The current year's profit status referred to in the preceding paragraph refers to the current year's pre-tax benefits after deducting the distribution of employees' compensation and directors' compensation.

2. The allocation of employees', directors' and supervisors' remuneration of this period, the calculation basis for the employee's remuneration by stock and the accounting handlings if there is discrepancy between the allocation amount and distributed amount :

The allocation for the employees' and directors' remuneration shall be determined in accordance with the provisions in Articles of Incorporation, which is no less than 5% should be allocated for employees' compensation and no more than 3% for directors' reward. If there is discrepancy between the actual distribution amount and the allocated amount, then the Company shall handle it in accordance with the accounting estimation changes and recognized the differences as the losses in the next year.

3. The remuneration distribution approved by the board of directors :

(1) Remuneration for employees and that for directors/supervisors distributed in cash or stock :

Although the Company earned profits in 2022, it still had to compensate the losses from the previous years. There are no earnings left to distribute employees' remuneration and directors' remuneration.

(2) Employees' remuneration by stock and ratio of this accounted for the net profit after tax in the individual or financial statement during the period and the ratio of the total employees' remuneration : Not applicable

4. The actual distribution of employees', directors' and supervisors' remuneration for the preceding year (including distributed stocks, amount and stock price) and the differences between this and the recognized employees', directors and supervisors' remuneration, reasons and treatments thereof shall be specified if there is discrepancy :

In 2021, the Company did not distribute employees' remuneration and directors' remuneration. Hence, there is no discrepancy.

4.1.9 Stock buyback : None

4.2 Corporate Bonds : None.

4.3 Preferred Shares : None.

4.4 Issuance of Global Depositary Receipts (GDR) : None.

4.5 Employee Stock Warrants : None.

4.6 New Restricted Employee Shares : None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisition : None.

4.8 The Status of Implementation of Capital Allocation Plans :

4.8.1 Those who did not complete the previous issuance or private placement of securities :
Not applicable.

4.8.2 The completed capital allocations with its project effect not significant :
Not applicable.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business content :

1. The major contents of the Company's business :
R&D, manufacturing and sales of electronic and industrial glass fiber.
C901020 Glass and glass made products manufacturing
CC01080 Electronic Parts and Components Manufacturing
F401010 International Trade
ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
2. Business breakdown : Glass fiber cloth 100%.
3. current products of the company :
Electronic glass fiber cloth — for C.C.L. 7628/1506/2116/3313/1080
/106/1067/1078/1035/1037/1027
Industrial glass fiber cloth:
(1) for aerospace 7781 、7581
(2) PTFE use 7628 、1674 、106 、1080 、2116
4. Projects planned for development :
Development of Special Materials 、T glass 2118 、NE glass 3313

5.1.2 Status of the Industry (Overview on the trend analysis for the overall economy and the affiliated industry of the Company is given below) :

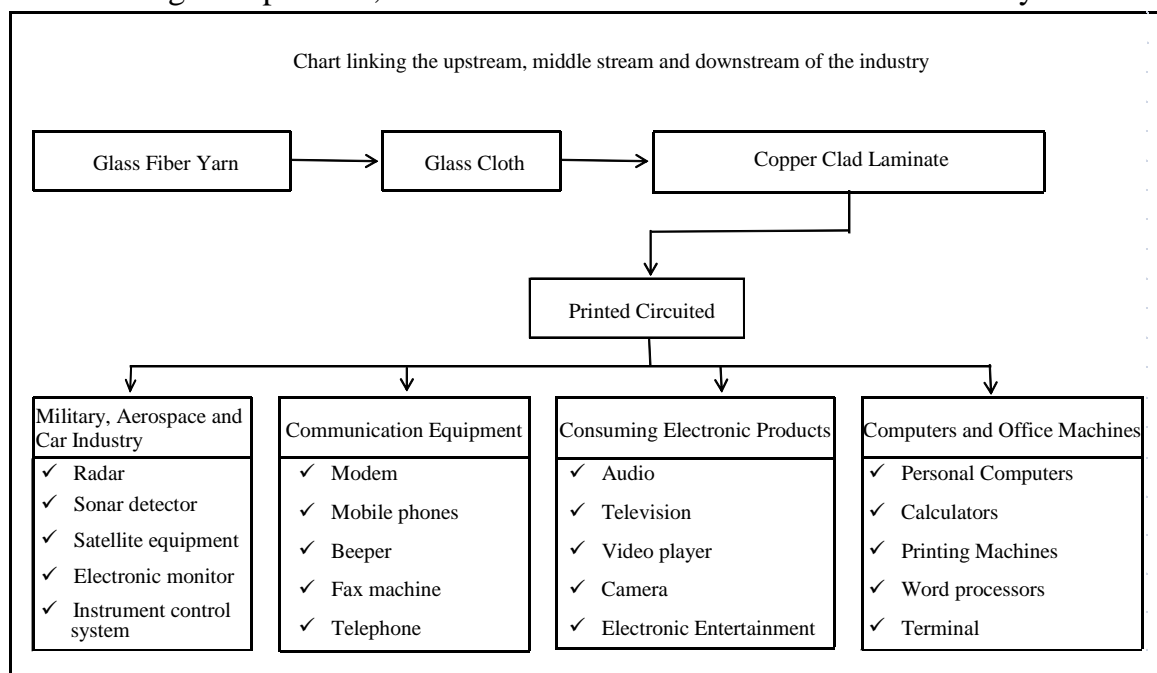
1. Current status and development of the industry :

In 2023, the PCB market faces significant environmental challenges. The consumer electronics, PC/NB, and mobile phone markets have yet to recover, and industry players are hoping for improved conditions in the second half of the year, which may drive the annual PCB output to grow compared to the previous year. During the first half of the year, when the economy remained sluggish, the automotive PCB market demonstrated the clearest growth momentum among the PCB industry, having suffered from material shortages for the past two years. Accordingly, related industry players are most optimistic about the automotive PCB market.

According to the Taiwan Printed Circuit Board Association (TPCA), due to a poor overall economic outlook and conservative predictions for end-product demand, the sale of PCBs may remain low during the first half of the year following inventory depletion. The overall sales may recover gradually in the second half of the year, and the fluctuation of global end-products will slow down in 2023, resulting in a small decline.

For the electronics supply chain, if the economic and consumer demand improves in the second half of the year, the global PCB output is estimated to achieve a small growth of 3%, reaching a total output of 90.8 billion USD. However, if one-third of the global economy enters a recession, the overall PCB output may face a contraction crisis, with a potential decline of 4% in global PCB output (approximately 84.7 billion USD).

2. Chart linking the upstream, middle stream and downstream of the industry :



3. Various product development trend and competitions :

Electronic products are moving towards the characteristics of light, thin and high performance, driving the demand for high-level printed circuit boards and enhancing the demand for high-level C.C.L. For the copper substrate manufacturers in Taiwan, the increasment in the production ratio of high-level C.C.L. helps improving the gross profit margin of the Company's products and casts off the price competition threat of commodities.

Glass fabric is the raw materials of the upper stream of PCB. Affected by the rapid and linked changes to prosperity of electronic industries, upstream, middle stream and lower stream are closely tied together. The final products will gradually move towards high precision and high performance to separate the competition type.

The application of glass fiber products is the eco-friendly thermoplastic applications, gradually replacing thermosetting applications. The required quality of glass fibers is relatively high, which is beneficial to cast off the direct impact of glass fibers with poor quality in regions with low prices. In the future, there will be a trend for C.C.L. to improve the production of high Tg, low Dk&Df, and low CTE copper foil substrates to meet the requirements of printed circuit board factories for low bending, low dielectric constant, and high heat dissipation when producing high-end products.

5.1.3 Technology and R&D overview :

1.Expenditure devoted in R&D during the most recent year and during the current year up to the date of publication of the annual report :

Unit: NT\$1,000

Year	2022	2023 up to April 18, 2023
Amount	12,479	3,295

2.Successfully developed technologies and products :

NE Processing Cloth 2013, 1080, 1067

5.1.4 Long-term and short-term business development plan :

1. Short-term business development plan :

- (1) Cooperate with the customers in developing customized products and conducting product differentiation to increase market shares.
- (2) Develop all series customers to expand business volume, balance the increase/decrease of product applications.
- (3) Continue to develop high-profit engineering cloth, enhance the proportion of products sold and reduce prosperity risks, make marketing separation in order to obtain more profits.
- (4) Develop plans to enhance energy application efficiency in order to reduce energy costs and increase competitive capabilities.
- (5) Reduce inventories in order to reduce cumulative fund pressure.
- (6) Continue to improve processing process and increase efficiency in order to enhance quality and competitiveness.
- (7) Stabilize the supply of raw materials and product quality to strengthen the competitiveness.
- (8) Deepen the capabilities to provide technical support to customers by providing product planning, R&D, manufacturing services and comprehensive after-sales services.
- (9) Set up overseas Consignment Service to meet customer demand in time.

2. Long-term business development plan :

- (1) Develop new high-profit products and make marketing separations in order to obtain more profits.
- (2) Continue developing special fabric customers and conduct strategy alliances, fix product supply conditions, increase reliability and enhance product combination with high gross profits.
- (3) Conduct strategic cooperation with long-term potential customers, fix the raw materials suppliers, ensure quality and increase dependency.
- (4) Strengthen the cloud, high-frequency and high-speed application of products to avoid price cutting competition and enhance profitability.
- (5) Conduct market separation for different product domains and propose different market strategies.
- (6) Develop new products, increase product diversification and enhance high-profit product combination to create profits and strengthen competitiveness.
- (7) Continue to develop new markets and new customers in order to expand market shares and enhance competitiveness.
- (8) Strengthen technologies and further develop advanced cloth technologies; enhance the added-value of high-tech products to cast off the limited price cutting competition.
- (9) Strengthen product and customer group structure to enhance profits and reduce competition pressure.
- (10) Strengthen horizontal and vertical integration, integrate corporate group resources and form strategy alliance with customers to provide more convenient and complete services to customers.

5.2 Market and Sales Overview

5.2.1 Market Analysis :

1. Sales (Provision) areas of major commodities (services) :

The products of the Company are mainly electronic glass fiber cloth. The major sales markets covered Taiwan, China, Japan and America. In 2022, the proportion of export sales accounted for 83%, and the proportion of domestic sales accounted for 17%.

Area \ Year	2021	2022
Taiwan	20%	17%
China	36%	33%
Japan	18%	25%
America	14%	16%
Others	12%	9%
Total	100%	100%

2. Productivity and market shares :

10,000 meters/month

Firm	Monthly productivity/ Taiwan	Market shares/Taiwan	Remark
Company N	2,000	42%	Mainly for self-use/ few for external sales
Company T	1,000	21%	—
Company F	900	20%	—
Company B	500	10%	—
Company A	350	7%	—

Source of data: organized by the Company internally

3. Future supply and demand situation and growth of the market :

While the printed circuit boards are moving towards advanced stage, the demands for high-level C.C.L. continue rising, resulting the gradually increasing proportion of products in high-level C.C.L., such as high Tg substrate, middle Tg substrate and heat-induction materials. The newborn of high-level application products, such as cloud and high-speed communication products, even accelerates the development demands of low Dk board materials. For glass fiber cloth, in addition to the continuous supply of commodity cloth, the Company will continue to enhance high fiber spread cloth, CAF-endurance cloth and flat cloth and make them as the mainstream of the Company's products.

4. Competitive niche, favorable and unfavorable factors of developing vision and countermeasures :

(1) Favorable factors of competitive niche :

- Diversify products, adopt market separation on special coupling agents and high fiber spread cloth to create added values.
- Glass fiber cloth is the basic material for printed circuit boards; currently, there is no replacement; the life cycle of the products is long.
- Stabilized yarn source and enhance production technologies; small production scale has high mobility.
- R&D on new application field, disperse proportion of products and reduce prosperity risks.

(2) Unfavorable factors :

- The Company's production scale is still lower than competing companies; it is hard to make a breakthrough on market shares.
- Three-shift production in 24 hours; acquisition of manpower is not easy.

(3) Countermeasures :

- Continue to produce advanced products, maintain strategic cooperation with customers, jointly manage advanced markets and develop new products.
- Continue to enhance the management strategies and directions for cloud, high-frequency, high-speed application end in electronic industries.
- Enhance the development of industrial material technologies and provide the application of aerospace, eco-friendly and green energy in European and American markets.
- Enhance service quality for customer groups, increase mutual dependency, actively cast-off price cutting competition with high-value, high-profit and high-technology products in order to enhance profits.
- Enhance the availability to reduce costs, actively control the expenses; increase the market shares of high-level cloth with the advantages of quality and costs.
- Conduct academic-industrial cooperation with the nearby vocational schools to create channels for human resources.

5.2.2 Important uses and production process of main products :

1. Important uses of the main products :

Electronic glass fiber cloth is the main material to manufacture C.C.L.. The main application of thick fiber cloth (7628) is in information and consuming electronic products. 7628/2116 glass fiber is still the mainstream on the market accounted around 50%~60% under the current situation with major application of printed circuit boards in information products while 1080/106 glass fiber used in thin board accounted around 20%~30% with most applications in high-tech products, such as base stations, mobile phones, military and other high-tech product.

2. Production process :

Glass fiber yarn → warping → sizing → parallel warping → healding → weaving → desizing → pasting coupling agent → final product of glass fiber cloth.

5.2.3 Supply conditions of the major raw materials :

1. Glass yarn : Mainly supplied from Japan, Japanese company in Taiwan and Taiwan domestically.
2. Coupling agent : Mainly import from Japan and US.

5.2.4 List of names of major purchase vendors and sales customers :

Customers' name and the amount and proportion of purchases (sales) of goods that accounted for more than 10% of the total (purchased) goods in any year in the most recent fiscal year :

Information on Major Suppliers for the Most Recent 2 Years

Unit: NT\$1,000; %

Item	2021				2022				2023 up to Q1			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases up to the preceding quarter of the current fiscal year (%)	Relationship with the issuer
1	Company A	634,151	84.77	Interested party	Company A	602,075	85.50	Interested party	Company A	146,117	84.46	Interested party
	Others	113,922	15.23		Others	102,068	14.50		Others	26,891	15.54	
	Net purchases	748,073	100.00		Net purchases	704,143	100.00		Net purchases	173,008	100.00	

Explanations for the increase/decrease :

Major purchase vendors of the Company during the two most recent years did not change much. This is because the Company maintained a long-term good cooperation relationship with the supplier.

Information on Major Customers for the Most Recent 2 Fiscal Years

Unit: NT\$1,000; %

Item	2021				2022				2023 up to Q1			
	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of net sales up to the preceding quarter of the current fiscal year (%)	Relationship with the issuer
1	Company G	251,905	17.94	Interested party	Company G	335,647	25.14	Interested party	Company G	70,027	24.98	Interested party
2	Company B	203,774	14.52	NA	Company B	173,248	12.98	NA	Company F	52,584	18.76	NA
3	Company A	196,601	14.00	NA	Company F	158,257	11.85	NA	Company B	30,784	10.98	NA
4	Company F	144,886	10.32	NA	Company A	130,531	9.78	NA	Company C	28,487	10.16	NA
	Others	606,757	43.22		Others	537,284	40.25		Others	98,403	35.12	
	Net sales	1,403,923	100.00		Net sales	1,334,967	100.00		Net sales	280,285	100.00	

Explanations for the increase/decrease :

Major sales customers of the Company during the two most recent years did not change much. This is because the Company maintained a long-term good cooperation relationship with the customers.

5.2.5 Production Volume and Value in the Most Recent 2 Fiscal Years :

Unit: 1,000 meters; NT\$1,000

Year Output Main products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Glass Fabrics	62,000	61,138	1,272,720	55,000	52,829	1,289,141

5.2.6 Sales Volume and Value in the Most Recent 2 Fiscal Years :

Unit: 1,000 meters; NT\$1,000

Year Sales Main products	2021				2022			
	Local		Export		Local		Export	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Glass Fabrics	11,885	287,121	44,448	1,116,802	8,164	223,180	40,392	1,111,787

5.3 Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication

Date :

Year		2021	2022	2023 up to April 18, 2023
Number of employees	Technicians	233	222	224
	Administrative and management personnel	90	87	87
	Total	323	309	311
Average age		41.57	41.92	41.70
Average years of service		7.70	8.37	8.33
Education distribution percentage	Ph. D.	0%	0%	0%
	Master's degree	2.48%	2.27%	2.57%
	College	31.89%	33.33%	34.08%
	Senior high school	44.27%	42.72%	43.41%
	Below senior high school	21.36%	21.68%	19.94%

5.4 Environmental Protection Expenditure :

In addition to the acquisition of ISO14001 and ISO45001 system certificate, the Company upholds the aim to protect employees' safety and health and promote health, continues to improve and eliminate damages or reduce the health and safety risks on employees, suppliers, contractors and stakeholders due to the production process, facilities and activities and creates mutual-supplementary situation for economy, eco-friendly and occupational health and safety along with the environment protection and occupational health and safety promotion valued by the government.

The Company has made a lot of efforts in environment protection. The Company has implemented prohibition measures on our products regarding the environment hazardous materials and complied with the regulations developed for EU products, which is to limit hazardous substances (RoHS), such as lead, cadmium, mercury, hexavalent chromium, brominated flame retardants-PBBs and PBDEs and other hazardous substances. The Company hopes to inhibit the damages to the environment and society during the life cycle of our products so that our products can comply to RoHS regulations and the Company can continue to move forward with the objectives in RoHS regulations.

In addition to strengthening the promotion and communication on environment, health and safety policy to all colleagues, relevant external groups (such as suppliers, contractors, customers, eco-friendly group, government agencies and nearby community residents), the Company provides a safer and more comfortable work environment supplemented with complete management system and relevant welfare measures to faithfully protect the well-being of colleagues and create good vision together.

5.4.1 Environment, Health and Safety Policy :

1. Observes the laws and the regulations :

Comply with the relevant requirements in domestic and foreign environment, health and safety regulations.

2. Prevent the disease and the pollution :

Provide a healthy and safe working environment, regularly implement environmental measurements and employee health checks, and do a good job in hazard risk management.

3. Reducing the impacts from environment :

Adopted appropriate production and pollution prevention technologies to effectively use energy resources or reduce the environment impact aroused during product activities and service process. BAOTEK will seek for sustainable development in the development as one of the members in the global village. The Company regularly entrusts qualified firms to maintain the waste water treatment tank to ensure normal functions with the waste water treatment tank. Regarding the water quality after passing through the waste water treatment tank, the Company sent the samples to SGS every half a year. The inspection results all came back within standards. The 2022 inspection results for air pollution and waste water emission are summarized in the following two tables :

Item/Value	SO _x		NO _x		TSP	
	Standard value mg/Nm ³	Detection value mg/Nm ³	Standard value mg/Nm ³	Detection value mg/Nm ³	Standard value mg/Nm ³	Detection value mg/Nm ³
P001	300	177	250	153	100	19

Item	ph	COD(mg/l)	SS(mg/l)	
Emission Standard	6~9	Below 100	Below 30	°C
1 st half of 2022	7.7	23.9	10.1	26.4
2 nd half of 2022	7.3	25.6	9.2	21.5

4. Execute the education and the training :

Strengthen employees' environmental safety and health education and training, improve environmental work safety awareness and awareness, and implement full participation.

5. Maintain the continuing improvements :

Improve environmental safety and health management performance through regular assessment and management review and fulfill the social responsibility of a good enterprise.

6. The emission of greenhouse gases, Water consumption, and Total waste weight by the Company during the two most recent years :

Item		2021	2022
Greenhouse gas emission (All factories)	Category 1	9,747 (Metric tons CO ₂ e/year)	9,152 (Metric tons CO ₂ e/year)
	Category 2	22,606 (Metric tons CO ₂ e/year)	20,114 (Metric tons CO ₂ e/year)
Total waste weight	Hazardous waste	None	None
	Non-Hazardous waste	812.08 Metric tons	822.44 Metric tons
Water consumption		153,066 Metric tons	162,935 Metric tons

7. The certificate for the establishment of pollution facilities or the certificate for pollution emission applied by the Company and the devotion of pollution prevention and eco-friendly expenditures during the two most recent years in accordance with the regulations :

Application Item	Certificate No.	Effective date
Emission of waste (polluted) water	Tao Hsien Huan Pai Hsu Tzu No. H0831-07	2022.03.21~2025.11.29
Operating glass fiber processing procedure MO2 with fixed pollution source	Fu Huan Kung Tsao Cheng Tzu No. H6244-02	2023.01.30~2028.01.29
Operating boiler steam production procedure M01 with fixed pollution source	Fu Huan Kung Tsao Cheng Tzu No. H1600-04	2019.10.07~2024.10.06

The amount of money devoted in pollution prevention and environmental friendly during the two most recent year is as follows:

Unit: NT\$1,000

Year	2021		2022	
Type	Number of cases	Investment amount	Number of cases	Investment amount
Air pollution	30	667	36	1,987
Waste water	47	2,326	36	2,389
Wastes	31	9,033	28	9,349
Total	108	12,026	100	13,725

- 5.4.2 Total loss due to environment pollution during the most recent year and during the current year up to the date of publication of the annual report : None

- 5.4.3 Responding policy and countermeasures for environment protection and occupational health and safety management :

1. Occupational health and safety management :

The Company has obtained ISO45001 occupational health and safety management system certificate. The Company has to make a better management, control and implementations on occupational safety in order to achieve the purpose of law compliance and system spirits. The Company will focus on the following:

- Predict the damages, prevent the occurrence of accidents in order to reduce operating costs and avoid the risks and losses resulted from the damages.
- Promote labors' dignity, respect employees' health and safety and enhance employees' life quality and corporate image.
- Respond to the engineering safety policy valued by the government.
- Follow the international trend to seek enterprise sustainable management.
- Environment protection and occupational health and safety management system.

2. Work environment and protection measures for employees' personal safety :

The company valued eco-friendly and employees' health and safety management very much, has obtained the environment management system ISO14001 and ISO45001.

Certificate name	Certification date	Validity period	Certification number
ISO14001 : 2015	2022/12/05~2022/12/06	2022/12/29~2025/12/29	TW19/10387
ISO45001 : 2018	2022/12/05~2022/12/06	2022/12/30~2025/12/30	TW19/10388

In addition, the Company regularly implemented employees' health examination, established all kinds of safety measures, such as fire prevention facilities, emergency evacuation routes and reporting systems, developed regulations for labor health and safety management to provide safe work environment. Major objectives and management programs of the Company are as follows:

No.	Goal/Target	Plan	Explanations for current status	Implementations
1	Energy saving for over 3%	Improvement plan for energy saving	1. Implemented regular maintenance on the equipment to ensure the energy-using efficiency. 2. Conducted educational promotion on energy-saving in all factories and established recycling bins at fixed points in the factories. 3. Controlled the lights in the factories and turned off the unnecessary lights to save the electricity.	Continue on the mobile management and improvement
2	Zero engineering safety accidents	Improvement plan for zero engineering safety accidents	1. Achieved 100% on the improvement of the notice for environmental safety anomalies. 2. Achieved 100% on the implementation and management of (special) examination. 3. Achieved 100% on the management of contractors.	Continue on the mobile management and improvement
3	Enhance engineering safety/health awareness to reach 100%	Improvement plan to enhance health and safety awareness	1. Implemented relevant educational trainings on occupational health and safety. Implement employee safety advocacy weekly. 2. Conducted seminars on health and safety and relevant promotions with posters and fliers. 3. Enhanced the on-site health and safety audit management system.	Continue to conduct and audit promotion

3. Waste water treatment plant :

For the treatment of waste water, the Company adopts Japanese KUBOTA immersion thin-film biological treatment reaction system (MBR) Features :

- (1)High MLSS concentration operation, endurance of changes to high pollution burden, stable quality and good performance for treated water.
- (2)Excellent in the removal efficiency of suspended solids.
- (3)After producing sludge each month, it reduced 70% weights after drying is completed each day when compared to the traditional methods. In addition, the storage and treatment volume are also reduced.
- (4)Save land and land construction costs.
- (5)Packaged design with easy installations, operations and maintenance.

After the waste water passed through the immersion thin-film biological treatment reaction system, its features makes the Company stably comply to the emission standard in accordance with the environmental protection law and reduce the production of waste sludge.

4. Cleaning regulations for business wastes :

(1)Hazardous business wastes :

This is determined based on the “Standards for Recognizing hazardous business wastes” announced by Environmental Protection Administration, Executive Yuan. The Company entrusted qualified cleaning firms to conduct cleaning and recycling treatment and declare online.

(2)General business waste :

The Company also entrusted qualified cleaning firms to clean and recycle wastes within the business and declare online.

5. Detecting the onsite operating environment :

The Company implemented the sample measurement on the operation environment exposed to the employees. Test items include carbon dioxide, noise, organic solvents, dust, comprehensive temperature and heat index and lighting, etc. The measurement report on the operation environment will serve as the basis for safety and health management.

6. Planning and implementing fire prevention facilities :

The Company outsources professional qualified organizations to monthly inspect the fire-fighting facilities of all departments and workplaces, and the department of Environmental Safety and Health would repair and replace the damaged fire-fighting facilities.

The Company implemented fire prevention self-defense team drill every half a year in accordance with the law and entrusted professional qualified fire prevention safety inspection institute to implement the annual maintenance, declaration and repair for the fire prevention equipment.

7. Promoting the restricted use of hazardous materials (ROHS) :

The products sold to EU may not consist of the six hazardous materials, including lead, mercury, cadmium, hexavalent chromium, and polybrominated diphenyl ether (PBDE) and polybrominated biphenyl (PBB). In addition to continuous promotion on green production and procurement, the Company has cooperated with the customers to provide products complied with the regulation of no hazardous materials.

5.4.4 Expected capital expenditure on environment protection for the next three years :

Around NT\$15,000 thousand each year.

5.4.5 In accordance with the industrial properties of the Company, the products did not consist of heavy metals, such as lead, cadmium, mercury, hexavalent chromium and brominated flame retardants (PBB、PBDE). Hence, the Company is not affected by the Restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) from EU.

5.5 Labor Relations :

5.5.1 Welfare measures for employees :

- 1.The Company has hosted various emergency assistance, marriage and funeral subsidies and cultural and recreational activities in accordance with employee welfare policy.
- 2.The Company festival cash for dragon boat, mid-autumn,lunar new year, Labor day and employee's birthday.
- 3.The Company hosts labor insurance system in accordance with Labor Standards Act and hosts regular health examination to enhance employees' welfare.
- 4.Regarding special vacations, the working personnel of the Company may enjoy special vacations in accordance with Article 38 of Labor Standards Act after serving over half a year at the Company.
5. Whole-year health insurance and group insurance.
6. The staff canteen provides meals for free.

5.5.2 Implementations of advanced studies and educational trainings on employees :

1. Pre-occupation training for newcomers :

This includes introduction to company's organization and environment, introduction to operation system and system operations, explanations of duties and tasks, professional knowledge training and inheritance.

2. The Company has established "Regulations Governing Educational Trainings" for the colleagues to comply with. The Company provides subsidies for educational trainings each year for colleagues to freely select internal or external training courses related to their work. Colleagues can also combine their personal skill development with their interests to exert the greatest learning outcomes. The content shall be described as follows :

(1) Internal training: Concentrated the trainings in the Company's training classroom or other location.

(2) External training: Appointed to be trained in domestic/foreign professional training institute.

3. The statistics on the advanced studies and educational trainings for employees in 2022 and the expenditure thereof are given as follows :

(1) Total person-time and total expenses :

Item	Number of courses	Total person-time	Total hours	Total expenses
1. Trainings for newcomers	5	40	120	183,825
2. Professional occupational trainings	22	50	484	
3. Talent trainings for the chief officers	6	8	45	
4. General education trainings	13	370	370	
Total	46	468	1,019	

(2) Internal and external trainings :

Educational trainings	Internal trainings	External trainings
Number of people trained	521	58
Expenditure	0	183,825
Name of the courses (Organizer)	<ul style="list-style-type: none"> ♦ Environment and Health Safety Educational Training (Environment Safety Division) ♦ Listening Safety Educational Training (Environment Safety Division) ♦ Fire drill safety seminar (Environment Safety Division) ♦ Educational trainings for newcomers (Administration Division) ♦ Original Yarn (Preparation) ♦ Cleaning of DOE individual machine pulp tanks and pipelines (Preparation) ♦ Parallel Warping Machine Preparation) ♦ Handling customer complaints and hard problems (Preparation) ♦ Tensioner locks for whole pulp (Preparation) ♦ Customer-related complaints (Quality Control Department) 	<ul style="list-style-type: none"> ♦ MSA Measurement System Analysis ♦ Supervision on the verification of financial statements and related laws, physical inspection and common deficiencies of enterprises ♦ Class B Boiler Operator Training/High-Pressure Gas Container Operator Training ♦ ESG Sustainability + Self-compiled Financial Reports ♦ ESG Risk Impact and Response Measures ♦ Fixed Cranes with a Capacity of less than Three Tons & Use of Fixed Cranes ♦ Crane Operators (including Chartering) ♦ High-Pressure Gas Container Operators ♦ First Aid Personnel ♦ Forklift Operators with a Capacity of 1 Ton or More

Educational trainings	Internal trainings	External trainings
	<ul style="list-style-type: none"> ♦ Handling of appearance inspection standards for processed cloth/greige cloth (Inspection Department) ♦ In-depth analysis of 5S on-site management (Inspection Department) ♦ Quality Control Knowledge (Quality Control Department) ♦ Export Container Inspection (Materials and Resources) ♦ Import Container Unloading Inspection (Materials and Resources) ♦ Operation of Cushioning Airbags (Materials and Resources) ♦ Various Container Loading Methods (Materials and Resources) ♦ Preparation for FN Startup Operation Inspection (Post-processing) ♦ AOI Operation Standard Education and Training (Post-processing) ♦ KH Tension Setting for Eech Section (Post-processing) ♦ Basic Operation / Cleaning of SS/SP(Post-processing) ♦ Related Operational Specifications for Cleaning Operations (weaving) ♦ Related Operational Specifications for Patching and Laying Operations (weaving) ♦ On Board Educational Training (weaving) 	<ul style="list-style-type: none"> ♦ Occupational Safety and Health Manager ♦ Using EXCEL statistical methods to analyze and identify process quality and improvement redults ♦ Occupational safety and health supervisor for business (class A) ♦ Analyzing business performance and risk prevention through financial statements ♦ Forklift operator ♦ ISO 9001 Measurement Instrument Calibration and Management Practice ♦ Occupational Safety and Health for Hazardous Operations Supervisors ♦ Personnel Engaged in Crane Lifting Operations ♦ Advanced Product Quality Planning (APQP) ♦ Response to Corporate Governance Trend and Internal Audit ♦ Analyzing Corporate Performance and Risk Prevention from Financial Statements

5.5.3 Pension system :

In order to stabilize the life of employees after retirement, the company formulates labor retirement programs to specify employee retirement conditions, retirement pension payment standards, application and payment and other related matters. The Company establishes a labor retirement reserve supervision committee and 2% of total monthly salary and expenses will be deposited in the specified account (Bank of Taiwan-Labor retirement reserves specified account) to protect the rights and interests of employees. From July 1, 2005 onwards, the Company adopted the new retirement pension law of government, 6% of the total labor salary income will be allocated to the employee's personal retirement pension account monthly. Those who have voluntarily increase their pensions will remit voluntary ratio of salary income to the individual retirement account of the Bureau of Labor Insurance on behalf of employees.

5.5.4 Agreement between worker and employer :

The Company regularly holds "Meeting with the worker and employer". Hence, the Company has maintained good relationship between worker and employer. There are no disputes between worker and employer.

5.5.5 Various measures to protect the rights and interest of employees :

1. Securities for access control

(1)Strict access control monitoring system was set up day and night.

(2)The Company has signed contracts with the security companies for day and night protection to protect the safety of the dormitory.

2. Maintenance and inspection of various equipment

(1)The Company entrusted professional companies to conduct buildings public safety inspection every two years in accordance with Regulations for Inspecting and Reporting Buildings Public Security.

(2)According to “Fire Services Act”, the Company outsources qualified fire-prevention company to proceed annual fire-fighting inspection and reporting.

(3)The Company conducted maintenance and inspection on various equipment, such as high- and low-voltage electrical equipment, lifts, air conditioners, water dispensers, automobiles, locomotives and fire prevention appliances with the cycle of every day, every month, every three months, every half a year or every year in accordance with Labor Safety and Health Work Rules.

3. Disaster prevention measures and response

(1)The Company has established “Disaster and Emergency Response Manual”, “Cautions for Safety Protection and Teams”, “Labor Safety and Health Work Rules”, “Regulations Governing Occupational Health and Safety”, “Prevention against Occupational Disaster and Automatic Inspection Plan for Occupational Health and Safety” for disaster prevention, rescue cautions and procedures for reporting occupational events. The Company clearly stipulated the responsibilities and tasks of personnel prior to and after the major emergencies, such as natural disasters and twice safety protection drills each year.

(2)The Company asked the competent authority for fire prevention to host fire prevention seminars for the Company.

(3)To protect the safety and health of employees, the Company established the environment safety promotion business and type A chief officer for Occupational health and safety business, class A and class B occupational safety engineer and administrator for Occupational health and safety.

5.5.6 Code of conduct for employees :

The Company has stipulated the rights and obligations of worker and employer in “Work Regulations” in accordance with the “Labor Standard Act” as well as in “Code of Conduct for Employees”.

5.5.7 Disputes between worker and employer :

Losses suffered due to labor disputes during the most recent year and during the current year up to the date of publication of the annual report: None.

The Company has maintained a good relationship between worker and employer, and communicated with rational to maintain and promote peaceful relationship. It is expected that the Company will not have losses from disputes between worker and employer.

5.6 Information Security Management :

5.6.1 Datacom security risk management framework, datacom security policy, specific management plan and resources invested in datacom security management:

1. Datacom Security Risk Management Framework:

The Company's information security management is planned and implemented by the information department, establishing information security policies, publicizing information security information, enhancing employees' information security

awareness, evaluating and improving the company's information security systems and effective technologies and products or program, and so on. Every year, the audit office conducts information security audits on the internal control system—computer processing cycle, and evaluates the effectiveness of the internal control of the company's information operations.

2. Datacom Security Policy:

To implement the safety management of information communication, the company has established an internal control system - electronic computer processing cycle, as the basis for all colleagues to follow, and expects to achieve the following policy objectives:

- (1) Maintain the continuous operation of various information systems and ensure the confidentiality and integrity of data.
- (2) Ensure data access is regulated in accordance with departmental functions and to prevent unauthorized use of data.
- (3) Prevent viruses, hackers, and so on from improper intentions and illegal use.
- (4) Abide by intellectual property rights and handle personal information prudently in accordance with the Personal Data Protection Law
- (5) Strengthen employees' awareness of safety precautions and related responsibilities.

3. Specific Management Plan and Resources Invested in Satacom Security Management :

- (1) Introduce next-generation firewall devices and user endpoint data protection and control mechanisms.
- (2) Follow the 3-2-1 backup principle.
- (3) Replace or update systems and equipment that do not meet information security requirements.
- (4) Regularly hold information security publicity and education

5.6.2 In the most recent year and up to the date of publication of the annual report, if the loss, possible impact and countermeasures of a major information security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained :

The Company has not experienced any major cyber attacks or events, and also hasn't happened any possible material adverse impact on the Company's business and operations, nor has it been involved in any related legal cases, supervision, or investigation in 2022 and up to the date of publication of the annual report. The Company will continue to execute the information security management policy to protect the important systems and data security of the company.

5.7 Important Contracts :

Nature of contract	Parties	Beginning and end dates of contract	Major content	Restrictive clauses
Engineer Contract	Taiwan Kumagai Co., Ltd.	2021.02.17～ 2022.02.28	Factory Exoansion Project	None

VI. Financial Information

6.1 Condensed Consolidated Balance Sheet and Comprehensive Income Statements of the Last Five Years - International Financial Reporting Standards.

6.1.1 Concise consolidated balance sheet and comprehensive income statement :

Concise consolidated balance sheet

Unit: NT\$1,000

Year Item		Financial data of the last five years (Note 1)					2023 up to March 31, 2023 Individual financial data (Note 2)
		2018	2019	2020	2021	2022	
Current assets		999,979	981,547	910,315	829,295	927,452	950,347
Property, Plant, and Equipment		937,039	963,536	1,048,127	1,235,946	1,222,588	1,214,242
Right-of-use Assets		0	4,246	6,743	4,600	13,504	13,217
Intangible assets		0	0	0	0	0	0
Other assets		19,700	31,642	95,486	82,010	18,034	18,759
Total assets		1,956,718	1,980,971	2,060,671	2,151,851	2,181,578	2,196,565
Current liabilities	Before distribution	377,560	298,564	276,655	308,658	250,783	264,114
	After distribution	377,560	298,564	276,655	308,658	(Note 3)	—
Non-current liabilities		27,831	10,396	13,088	11,079	12,243	11,601
Total liabilities	Before distribution	405,391	308,960	289,743	319,737	263,026	275,715
	After distribution	405,391	308,960	289,743	319,737	(Note 3)	—
Equity attributable to owners of the parent company		1,551,327	1,672,011	1,770,928	1,832,114	1,918,552	1,920,850
Share capital		1,948,940	1,948,940	1,948,940	1,948,940	1,948,940	1,948,940
Capital surplus		0	0	0	0	0	0
Retained earnings	Before distribution	(338,032)	(224,669)	(133,807)	(116,826)	(30,388)	(28,090)
	After distribution	(338,032)	(224,669)	(133,807)	(116,826)	(Note 3)	—
Other equity		(59,581)	(52,260)	(44,205)	0	0	0
Treasury shares		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	1,551,327	1,672,011	1,770,928	1,832,114	1,918,552	1,920,850
	After distribution	1,551,327	1,672,011	1,770,928	1,832,114	(Note 3)	—

Note 1 : 2018~2019 is consolidated financial data, 2020~2022 is individual financial data.

The financial information during 2018~2022 was certified by the accountants.

Note 2 : The financial data from Q1 2023 up to the date of publication of the annual report has not yet reviewed by the accountants.

Note 3 : 2022 Financial statements were not approved during the shareholders' meeting yet.
Hence, the amount after distribution was not listed here.

Concise consolidated comprehensive income statement

Unit: NT\$1,000

Item \ Year	Financial data of the last five years (Note 1)					2023 up to March 31, 2023 Individual financial data (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	1,625,912	1,479,692	1,450,112	1,403,923	1,334,967	280,285
Net operating margin	251,646	201,978	182,165	181,308	178,000	27,496
Operating profit	150,724	105,529	87,114	71,120	66,505	4,522
Non-operating Income and Expenses	18,134	(4,537)	(12,436)	(5,149)	38,456	2,866
Profit before income tax	168,858	100,992	74,678	65,971	104,961	1,656
Net income for the period from continuing operations	168,003	113,810	95,733	52,946	84,269	2,298
Loss from discontinued operations	0	0	0	0	0	0
Profit for the year	168,003	113,810	95,733	52,946	84,269	2,298
Other comprehensive (net) income	(11,190)	6,874	3,184	8,240	2,169	0
Total comprehensive income	156,813	120,684	98,917	61,186	86,438	2,298
Net income attributable to owners of parent	168,003	113,810	95,733	52,946	84,269	2,298
Net income (loss) attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of parent	156,813	120,684	98,917	61,186	86,438	2,298
Total comprehensive income, attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	0.86	0.58	0.49	0.27	0.43	0.01

Note 1 : 2018~2019 is consolidated financial data, 2020~2022 is individual financial data.

The financial information during 2018~2022 was certified by the accountants.

Note 2 : The financial data from Q1 2023 up to the date of publication of the annual report has not yet reviewed by the accountants.

6.1.2 Concise individual balance sheet and comprehensive income statement :

Concise individual balance sheet

Unit: NT\$1,000

Year		Financial data of the last five years (Note 1)				
		2018	2019	2020	2021	2022
Items						
Current assets		999,979	981,547			
Property, Plant, and Equipment		937,039	963,536			
Right-of-use assets		0	4,246			
Intangible assets		0	0			
Other assets		19,700	31,642			
Total assets		1,956,718	1,980,971			
Current liabilities	Before distribution	377,560	298,564			
	After distribution	377,560	298,564			
Non-current liabilities		27,831	10,396			
Total liabilities	Before distribution	405,391	308,960			
	After distribution	405,391	308,960			
Equity attributable to owners of the parent company		1,551,327	1,672,011			
Share capital		1,948,940	1,948,940			
Capital surplus		0	0			
Retained earnings	Before distribution	(338,032)	(224,669)			
	After distribution	(338,032)	(224,669)			
Other equity		(59,581)	(52,260)			
Treasury shares		0	0			
Non-controlling interests		0	0			
Total equity	Before distribution	1,551,327	1,672,011			
	After distribution	1,551,327	1,672,011			

(Note 2) (Note 2) (Note 2)

Note 1 : The financial information during 2018~2019 was certified by the accountants.

Note 2 : No individual financial report has been prepared in 2020~2022.

Concise individual comprehensive income statement

Unit: NT\$1,000

Item \ Year	Financial data of the last five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	1,625,912	1,479,692	(Note 2)	(Note 2)	(Note 2)
Net operating margin	251,646	201,978			
Operating profit	150,769	105,529			
Non-operating Income and Expenses	18,089	(4,537)			
Profit before income tax	168,858	100,992			
Net income for the period from continuing operations	168,003	113,810			
Loss from discontinued operations	0	0			
Profit for the year	168,003	113,810			
Other comprehensive (net) income	(11,190)	6,874			
Total comprehensive income	156,813	120,684			
Net income attributable to owners of parent	168,003	113,810	(Note 2)	(Note 2)	(Note 2)
Net income (loss) attributable to non-controlling interests	0	0			
Total comprehensive income attributable to owners of parent	156,813	120,684			
Total comprehensive income, attributable to non-controlling interests	0	0			
Earnings per share	0.86	0.58			

Note 1 : The financial information during 2018~2019 was certified by the accountants.

Note 2 : No individual financial report has been prepared in 2020~2022.

6.1.3 CPA's names and auditing opinions of the last five years :

Year	Name of the Accounting Firm	Name of the CPAs	Audit opinions
2018	PwC Taiwan	Tsang, Kwok-Wa Li, Tien-Yi	Unqualified opinion
2019	PwC Taiwan	Chiang, Tsai-Yen Tsang, Kwok-Wa	Unqualified opinion
2020	PwC Taiwan	Chiang, Tsai-Yen Liu, Chien-Yu	Unqualified opinion
2021	PwC Taiwan	Chiang, Tsai-Yen Liu, Chien-Yu	Unqualified opinion
2022	PwC Taiwan	Chiang, Tsai-Yen Liu, Chien-Yu	Unqualified opinion

6.2 Financial Analysis of the Last Five Years -International Financial Reporting Standards.

6.2.1 Consolidated financial analysis :

Item \ Year		Financial Information for the Most Recent 5 Years					2023 up to March 31, 2023 Individual Financial Analysis
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	20.72	15.60	14.06	14.86	12.06	15.33
	Ratio of long-term capital to property, plant and equipment	168.53	174.61	170.21	149.13	157.93	151.19
Solvency (%)	Current ratio	264.85	328.76	329.04	268.68	369.82	270.83
	Quick ratio	156.08	204.88	221.93	155.35	209.35	151.23
	Times interest earned	51.65	138.74	628.51	1179.05	652.93	650.38
Operating performance	Accounts receivable turnover (times)	3.47	3.12	3.19	3.41	3.51	3.40
	Average collection days	105.18	116.98	114.41	107.03	103.98	107.34
	Inventory turnover (times)	3.60	3.37	3.83	3.74	3.06	3.16
	Accounts payable turnover (times)	6.53	6.87	7.30	6.61	6.31	5.61
	Average days in sales	101.39	108.30	95.29	97.59	119.28	115.51
	Property, plant and equipment turnover (times)	1.72	1.56	1.44	1.23	1.09	1.09
	Total asset turnover (times)	0.80	0.75	0.72	0.67	0.62	0.16
Profitability	Return on total assets (%)	8.37	5.81	4.74	2.52	3.90	4.37
	Return on equity (%)	11.40	7.06	5.56	2.94	4.49	5.14
	Ratio of income before tax to paid-in capital (%)	8.66	5.18	3.83	3.38	5.39	6.00
	Net profit margin (%)	10.33	7.69	6.60	3.77	6.31	7.00
	Earnings per share (NT\$)	0.86	0.58	0.49	0.27	0.43	0.12
Cash Flow	Cash flow ratio (%)	45.46	63.10	94.79	68.58	70.47	7.34
	Cash flow adequacy ratio (%)	132.00	152.79	141.60	113.52	107.10	103.95
	Cash reinvestment ratio (%)	4.68	4.94	6.79	5.32	4.23	0.58
Leveraging	Operating leverage	1.54	1.90	2.21	2.57	2.75	2.34
	Financial leverage	1.02	1.01	1.00	1.00	1.00	1.00
<p>Explanation for the financial ratio changes reached 20% in the past two years: (Those with changes less than 20% may be exempted for analysis) :</p> <p>Current ratio : Mainly due to the decrease in accounts payable in the current period.</p> <p>Quick ratio : Mainly due to the decrease in accounts payable in the current period</p> <p>Times interest earned : Mainly due to the increase in pre-tax benefits .</p> <p>Average days in sales : Mainly due to the increase in average inventory in the current period.</p> <p>Return on total assets : Mainly due to the increase in profit in the current period</p> <p>Return on equity : Mainly due to the increase in profit in the current period.</p> <p>Ratio of income before tax to paid-in capital : Mainly due to the increase in profit in the current period.</p> <p>Net profit margin : Mainly due to the increase in profit in the current period.</p> <p>Earnings per share : Mainly due to the increase in profit in the current period.</p> <p>Cash reinvestment ratio : This is mainly due to the reduction of net cash flow from the business activities during this period, compared to the last period.</p>							

Note 1 : 2018~2019 is consolidated financial data, 2020~2022 is individual financial data.

All of the financial statements from 2018 to 2022 were verified by accountants.

Note 2 : The financial data from Q1 2023 up to the date of publication of the annual report has not yet reviewed by the accountants.

Note 3 : The formula of financial ratio is given below:

1. Financial structure

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

- (2) Ratio of long-term funds to property, plant, and equipment (total equity + non-current liabilities) / net worth of property, plant and equipment.
2. Debt paying ability
- (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets – inventory– prepaid items) / current liabilities.
 - (3) Times interest earned ratio = net income before tax and interest expense / interest expense.
3. Operating capacity
- (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
 - (2) Days sales in account receivable = 365 / account receivable turnover.
 - (3) Inventory turnover = cost of goods sold / average inventory.
 - (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs / average balance of account payable (including accounts payable and notes payable resulted from business operation).
 - (5) Average days in sales = 365 / inventory turnover
 - (6) Property, plant and equipment turnover = net sales / average net worth of property, plant and equipment.
 - (7) Total assets turnover = net sales / average total assets.
4. Profitability
- (1) Ratio or return on total assets = [net income + interest expense × (1 tax rate)] / average total assets.
 - (2) Return on equity = net income / average net equity.
 - (3) Profit margin = net income / net sales.
 - (4) Earnings per share = (net income preferred stock dividend) / weighted average stock shares issued (Note 4)
5. Cash flow
- (1) Cash flow ratio = net cash flow from operating activity / current liabilities
 - (2) Cash flow adequacy ratio = (net cash flow from operating activities within five year / (capital expenditure + inventory increase + cash dividend) within five year
 - (3) Cash reinvestment ratio = (net cash flow from operating activity cash dividend) / (total fixed assets + long term investment + other non-current assets + working capital). (Note 5)
6. Leverage
- (1) Operation balance = (net operating income operating variable cost and expense) / operating income. (Note 6)
 - (2) Financial balance = operating income / (operating income interest expense).
- Note 4 : The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:
1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
 2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
 3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half-year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
 4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.
- Note 5 : Cash flow analysis should pay special attention to the following:
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 outflow of capital flows.
 3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
 4. Cash dividends include cash dividends for common stock and special shares.
 5. Net plant property and equipment means the total amount of property, plant and equipment before deducting accumulated depreciation.
- Note 6 : The issuer shall distinguish between the operating costs and operating expenses being fixed or variable. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

6.2.2 Individual financial analysis :

Items Analyzed		Year	Individual financial data of the last five years (Note 1)			
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt to assets ratio	20.72	15.60	(Note 2)	(Note 2)	(Note 2)
	Ratio of long-term capital to property, plant and equipment	168.53	174.61			
Solvency (%)	Current ratio	264.85	328.76			
	Quick ratio	156.08	204.88			
	Times interest earned	51.65	138.74			
Operating performance	Accounts receivable turnover (times)	3.47	3.12			
	Average collection days	105.18	116.98			
	Inventory turnover (times)	3.60	3.37			
	Accounts payable turnover (times)	6.53	6.87			
	Average days in sales	101.39	108.30			
	Property, plant and equipment turnover (times)	1.72	1.56			
	Total asset turnover (times)	0.80	0.75			
Profitability	Return on total assets (%)	8.37	5.81			
	Return on equity (%)	11.40	7.06			
	Ratio of income before tax to paid-in capital (%)	8.66	5.18			
	Net profit margin (%)	10.33	7.69			
	Earnings per share (NT\$)	0.86	0.58			
Cash Flow	Cash flow ratio (%)	45.46	63.10			
	Cash flow adequacy ratio (%)	132.00	102.64			
	Cash reinvestment ratio (%)	4.68	4.94			
Leveraging	Operating leverage	1.54	1.90			
	Financial leverage	1.02	1.01			
Explanation for the financial ratio changes reached 20% in the past two years. (Those with changes less than 20% may be exempted for analysis): NA						

Note 1: All of the financial statements from 2018 to 2019 were verified by accountants.

Note 2: No individual financial report has been prepared in 2020~2022.

Note 3: The formula of financial ratio is given below:

1. Financial structure

- (1) Debt to assets ratio = total liabilities / total assets.
- (2) Ratio of long-term funds to property, plant, and equipment (total equity + non-current liabilities) / net worth of property, plant and equipment.

2. Debt paying ability

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets – inventory– prepaid items) / current liabilities.
- (3) Times interest earned ratio = net income before tax and interest expense / interest expense.

3. Operating capacity

- (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation).
- (2) Days sales in account receivable = 365 / account receivable turnover.
- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs / average balance of account payable (including accounts payable and notes payable resulted from business operation).
- (5) Average days in sales = 365 / inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net worth of property, plant and equipment.
- (7) Total assets turnover = net sales / average total assets.

4. Profitability

- (1) Ratio or return on total assets = [net income + interest expense \times (1 tax rate)] / average total assets.
- (2) Return on equity = net income / average net equity.
- (3) Profit margin = net income / net sales.
- (4) Earnings per share = (net income preferred stock dividend) / weighted average stock shares issued (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activity / current liabilities
- (2) Cash flow adequacy ratio = (net cash flow from operating activities within five year / (capital expenditure + inventory increase + cash dividend) within five year
- (3) Cash reinvestment ratio = (net cash flow from operating activity cash dividend) / (total fixed assets + long term investment + other non-current assets + working capital). (Note 5)

6. Leverage

- (1) Operation balance = (net operating income operating variable cost and expense) / operating income. (Note 6)
- (2) Financial balance = operating income / (operating income interest expense).

Note 4 : The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half-year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5 : Cash flow analysis should pay special attention to the following:

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 outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Net plant property and equipment means the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6 : The issuer shall distinguish between the operating costs and operating expenses being fixed or variable. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

6.3 Audit Committee's Review Report of the Most Recent Year's Financial Statements :

Audit Committee's Review Report

The Board of Directors made the Company's 2022 Stand-alone financial statements which were certified by the accountants who are Chiang, Tsai-Yen and Liu, Chien-Yu of PricewaterhouseCoopers, Taiwan (PwC). The business report and Statements of Deficit Compensation are approved by the Audit Committee, and it is considered that there is no disagreement, and in accordance with Article 14.4 of the Securities and Exchange Act and Article 219 of the Company Act made a report, please review it.

To
2023 Annual Shareholders' Meeting of
BAOTEK INDUSTRIAL MATERIALS LTD.

Chairman of the Audit Committee : Chang, Chih-Liang
February 23, 2023

6.4 Financial Report of the Most Recent Year :

Please refer to Page 89~153 of the annual report.

6.5 Individual Financial Statements of the Most Recent Year Audited by CPA : None

6.6 If the Company or its Affiliates have Experienced Financial Difficulties in the Most Recent Year and up to the Date of Publication of the Annual Report, how the Said Difficulties Affect the Company's Financial Situation shall be Explained :

Not applicable

VII. A Review of Financial Conditions, Operating Results, and Risk Management

7.1 Financial Position :

7.1.1 Financial status of the last two years :

Unit: NT\$1,000

Item \ Year	2021	2022	Differences	
			Increased/Decreased amount	%
Current assets	829,295	927,452	98,157	11.84%
Property, plant and equipment	1,235,946	1,222,588	(13,358)	-1.08%
Right-of-use assets	4,600	13,504	8,904	193.57%
Other assets	82,010	18,034	(63,976)	-78.01%
Total assets	2,151,851	2,181,578	29,727	1.38%
Current liabilities	308,658	250,783	(57,875)	-18.75%
Non-current liabilities	11,079	12,243	1,164	10.51%
Total liabilities	319,737	263,026	(56,711)	-17.74%
Share capital	1,948,940	1,948,940	0	0.00%
Retained earnings	(116,826)	(30,388)	86,438	73.99%
Other equity interest	0	0	0	0.00%
Total equity	1,832,114	1,918,552	86,438	4.72%

7.1.2 Analysis and explanations for items with changes over 20% :

1. Right-of-use assets :

Mainly due to the increase of warehouse lease.

2. Other assets :

Mainly due to the decrease of Deferred income tax assets and Other non-current assets.

3. Retained earnings :

Mainly due to the increase in profit in the current period.

7.1.3 The impact of major changes to the financial status during the two most recent years and the future countermeasures :

From the comprehensive analysis on the aforementioned matter, the changes on the financial status during the two most recent years is normal business activities.

7.2 Financial Performance :

7.2.1 Analysis on the financial performances :

Unit: NT\$1,000

Item \ Year	2021	2022	Differences	
			Increased/ Decreased amount	%
Total operating revenue	1,403,923	1,334,967	(68,956)	-4.91%
Operating costs	(1,222,615)	(1,156,967)	(65,648)	-5.37%
Net operating margin	181,308	178,000	(3,308)	-1.82%
Operating expenses	(110,188)	(111,495)	1,307	1.19%
Operating profit	71,120	66,505	(4,615)	-6.49%
Other income	11,456	7,801	(3,655)	-31.90%
Other profit and loss	(16,549)	30,816	47,365	286.21%
Financial costs	(56)	(161)	105	187.50%
Profit before income tax	65,971	104,961	38,990	59.10%
Income tax expense	(13,025)	(20,692)	7,667	58.86%
Profit for the year	52,946	84,269	31,323	59.16%

7.2.2 Items of major changes and explanations :

1. Other profit and loss :

Mainly due to the increase in foreign currency Exchange benefits.

2. Financial costs :

Mainly due to the increase in interest expenses.

3. Income tax expense :

Mainly due to the increase in deferred tax.

4. Profit before income tax and profit for the year :

Mainly due to the increase in profit in the current period.

7.2.3 The potential impact of the expected sales amount in the future year and its basis on the Company's future financial business and the countermeasures :

The estimated sales volume of glass cloth in 2023 is 47,000 thousand meters. The global economic situation in 2023 will still be affected by the continuous impact of the Russian-Ukrainian war, inflation, and tightening monetary policies in various countries. Since the second half of last year, the global economic slowdown has gradually spread in the industry, resulting in high inventory levels across various industries and negatively affecting demand growth momentum. This has brought about adverse effects on both the manufacturing and service sectors. In response to the global economic slowdown, various countries have successively launched various monetary policies and fiscal stimulus measures to mitigate its impact. The Company has adopted a prudent sales strategy to cope with the situation.

Looking ahead to this year (2023), the global economy is predicted to gradually recover in the second half of the year, with expected growth in global business activity. The global supply chain will also continue to be restructured, injecting new momentum into Taiwan's economic growth. The Company adjusts its sales mix to enhance gross profit in response to market demand and has established appropriate financial strategies to meet operational needs. The Company's capital demand plan for this year is based on the cash flow analysis of the next year's projected cash flow.

7.3 Cash Flow :

7.3.1 Liquidity analysis of the recent years :

Unit: NT\$1,000

Item \ Year	2021	2022	Differences	
			Increased/Decreased amount	%
Operating activities	211,684	176,719	(34,965)	-16.52%
Investing activities	(244,298)	(90,001)	(154,297)	-63.16%
Financing activities	(6,376)	(7,231)	855	13.41%

1. Analysis on the changes in cash flow in the current year :

- (1) Net inward cash flow from operating activities was NT\$176,719 thousand. This is mainly due to the profit from this year's operation.
- (2) Net outward cash flow from investing activities NT\$90,001 thousand. This is mainly due to the expansion of plant and purchase of equipment.
- (3) Net outward cash flow from financing activities NT\$7,231 thousand. This is mainly lease principal repayment.

2. Remedies for expected insufficiency in cash : Not applicable.

3. Liquidity analysis: The Company's operation is stable, which is still sufficient to supply the demands of cash for investing and financing activities.

7.3.2 Cash flow in the future year :

Unit: NT\$1,000

Remaining cash in the beginning (1)	Annual net cash flow from operating activities (2)	Annual cash outflow (3)	Remaining (Insufficient) cash (1)+(2)-(3)	Remedies for insufficiency in cash	
				Investment plan	Financial plan
140,920	1,400,059	1,341,943	199,036	None	None

1. Analysis on the changes in cash flow during 2023 :

(1) Annual net cash flow from operating activities :

This is mainly due to the anticipated operating net cash inflows generated from sales activities.

(2) Annual cash outflow :

This is mainly due to the expected increase in capital expenditure in the coming year.

2. Remedies for expected insufficiency in cash : Not applicable.

3. Liquidity analysis : The Company's operation is stable, which is still sufficient to supply the demands of cash for investing and financing activities.

7.4 Major Capital Expenditure during the Most Recent Year :

Unit: NT\$1,000

Plan	Actual or expected funding source	Estimated budget	Actual use of funds		
			2020	2021	2022
Facilities expansion and equipment investment	The Company capital or loan from bank	430,000	2,688	204,843	66,527

Expected profits :

Expand facilities and purchase equipment to enhance long-term competitive advantage to respond to future demand of high-end products manufacturing.

7.5 Re-Investment Policy, the Main Reasons to the Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year :

7.5.1 Re-Investment Policy and the Main Reasons to the Profits or Losses, Improvement Plans : None.

7.5.2 Investment Plans for the Coming Year : None.

7.6 Risk Management :

7.6.1 Impact of changes in interest rate, exchange rate and inflation rate on the company's consolidated profit or loss and future countermeasures :

Unit: NT\$1,000 ; %

Item	2021	2022
Net interest income (expense)	(1)	96
Net exchange (loss) gain	(16,766)	53,692
Net interest income (expense) / Net operating income ratio	-0.00%	0.01%
Net interest income (expense) / Profit before income tax ratio	-0.00%	0.09%
Net exchange (loss) gain / Net operating income ratio	-1.19%	4.02%
Net exchange (loss) gain / Profit before income tax ratio	-25.41%	51.15%

(1) Changes in interest rate :

The Company took on the burden of some long-term floated interest liabilities, which could result in fluctuations in future cash flow of liabilities due to changes in interest on the market. However, the Company estimated that this will not cause risks in cash flow from major interest change. Equity financial commodity investments and derivatives trading conducted by the Company are not belonged to interest-type product. Hence, there is no risks in cash flow from interest change. The 2022 net income and expenditure of the Company was NT\$95 thousand, which accounted for 0.01% and 0.09% of net operating income and net profit before tax. If the changes in interest on the market resulted in changes to the effective interests, the expenditure of the Company will increase around NT\$2 thousand for every 1% increase on the interest of the market if we take the example of the short-term borrowings from the bank at the end of 2022. The overall current assets are greater than the borrowings from the bank. In addition, the Company has operated stable, which will not cause risks in cash flow from major interest change.

(2) Changes in exchange rate :

Some parts of the purchase and sales of the Company were calculated by US dollars. Regarding the position of holding more assets in foreign currency than the liabilities in foreign currency, its fair value will be changed along with the fluctuation in the exchange rate on the market. However, the accountable in foreign currency of the Company are all due within a year. Hence, it is estimated that there are no major resulted market risks. The changes to the fair value of the derivatives with exchange rate risks at the end of 2022 was listed as losses in financial assets with flow of NT\$1,233 thousand. The annual foreign currency exchange loss is NT\$53,692 thousand, which accounted for 4.02% and 51.15% of the net operating income and net profit before tax, which are still within the controllable range for the Company's business. In the future, the Company will actively adopt necessary countermeasures according to the fluctuations in exchange rate.

(3) Inflation and deflation :

The inflation and deflation rates in Taiwan in the recent years are around 1%~2%. Some of the raw materials of the Company were imported from abroad. If we took example of procurement amount for domestic raw materials around NT\$700,000 thousand in 2022 for calculation, where the inflation and deflation rate increased 0.5%, then annual expenses of the Company will increase around NT\$3,521 thousand, which is accounted for 0.26% of the annual net operating value. However, it is expected that this will not cause major impact on the business and relevant profit and loss of the Company.

7.6.2 Engaging high-risk and high-leverage investment, lending funds to others, policy of endorsement guarantee and derivative product transactions, main reason for profit/loss and future actions :

- (1) The Company does not engage in high-risk or high-leverage investments, fund loans to others, and endorsement guarantees for others.
- (2) Regarding assets and liabilities denominated in foreign currencies, the principle of natural hedging is adopted. The net position after the balance of assets and liabilities is operated through forward foreign exchange, completely for the purpose of hedging. In the future, we will continue to pay close attention to changes in currency exchange rates and carry out hedging operations appropriately.

7.6.3 Future R&D plans and estimated R&D expense to be invested :

The Company's R&D expenditure in 2022 is NT\$12,479,000. In the future, with the goal of technological upgrading, it will optimize the customer's product mix and continue to develop high-margin products to increase its competitiveness.

In 2023, the Company expects to invest approximately NT\$12,713,000 in research and development expenditure, but will make timely planning and adjustments based on global market conditions and the Company's actual operating conditions.

The main research and development plans of the Company in the future are summarized as follows :

Projects in the most recent year	Current progress	Major factors influencing the success of the R&D in the future
Development of Special Material Fabrics	Technology transfer	Processing equipment capabilities and material acquisition capabilities

7.6.4 The impact of changes of key policies and laws home and abroad on the financial business and the corresponding actions : None.

7.6.5 The impact of technological changes (including information security risks) and industry changes on the company's financial business and countermeasures:

In response to the market demands of new-generation technologies such as 5G, high-speed transmission, AI (artificial intelligence), VR (virtual reality), and AR (augmented reality) in the future, the company has not only updated advanced equipment and upgraded technologies to meet the needs of customers in high-frequency, high-speed and high-reliability product demand, on the other hand, it also cooperates with the Group's strategy to target technology upgrades, optimizes customer product portfolios, and continues to develop high-margin products to increase competitiveness.

The Company's information security management is planned and implemented by the information department, establishing information security policies, publicizing information security information, enhancing employees' information security awareness, evaluating and improving the company's information security systems and effective technologies and products or program, and so on. Every year, the audit office conducts information security audits on the internal control system—computer processing cycle, and evaluates the effectiveness of the internal control of the company's information operations.

In 2022 and up to the date of publication of the annual report, the Company has not experienced any major cyber attacks or events, and also hasn't happened any possible material adverse impact on the Company's business and operationst.

7.6.6 The impact of changes of corporate image on the crisis management and the corresponding actions : None.

7.6.7 Expected benefits and possible risks of merger, and the corresponding actions : None.

7.6.8 Expected benefits and possible risks of plant expansion and the corresponding actions :

Expand facilities and purchase equipment to enhance long-term competitive advantage to respond to future demand of high-end products manufacturing. The Company would evaluate and select company with good credit to outsource relative constructions with insurance to eliminate possible risk.

7.6.9 Risk assumed by concentrated purchases/sales and the corresponding actions : None.

7.6.10 Impact and risk of major stock option transfer or change among the directors or the shareholders with more than 10% shareholding and the corresponding actions : None.

7.6.11 Impact and risk of changes of management right on the Company and the corresponding actions :

Nitto Boseki Co., Ltd. acquired publicly 47.65% equity of the Company on Aug. 10, 2018 and became the major shareholders of the Company since that day. The Company obtained over half of the total number of seats in the board of directors on June 21, 2019 and then became the parent company of the Company. The changes in management rights did not make an impact on the Company's business.

7.6.12 For the contentious or non-contentious events, it shall list the directors, President, substantial person in charge, and shareholders with more than 10% shareholding, as well as the major contentious and non-contentious events or administrative litigation event related to the affiliates currently or in the past according to the judgment. For those that the result might show substantial influence on the shareholder's equity or price of securities, it shall disclose its fact, target amount, start date of litigation, major involved parties and handling situation until the date of using the annual report : None.

7.6.13 Other risks and the corresponding actions: Assessment on information security:

1. Information security risks and countermeasures :

To maintain network and computer security, the Company established information security protection system to protect production, operation and accounting functions, etc. The Company ensured its appropriateness and effectiveness through the inspection and assessment each year. However, the Company cannot guarantee to be influenced by the new risks and attacks in the everchanging network security. There are no major risks and impact on the Company resulted from the changes in technologies during the most recent year and during the current year up to the date of publication of the annual report.

7.7 Other Important Matters : None.

VIII. Special Disclosure

8.1 Information Related to the Company's Affiliates :

8.1.1 Consolidated Business Report of affiliates : Not applicable

8.1.2 Consolidated Financial Report of affiliates : Not applicable

8.1.3 Reports on Affiliation : Please refer to Page 154~158 of the annual report.

8.2 Private Placement Securities during the Most Recent Years and during the Current Year up to the Date of Publication of the Annual Report : None.

8.3 Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Years and during the Current Year up to the Date of Publication of the Annual Report : None.

8.4 Other Matters that Require Addition Description : None.

8.5 If Any of the Situation Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might Material Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred during the Most Recent Years and during the Current Year up to the Date of Publication of the Annual Report : None.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of BAOTEK INDUSTRIAL MATERIALS LTD.

Opinion

We have audited the accompanying balance sheets of BAOTEK INDUSTRIAL MATERIALS LTD. as at December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BAOTEK INDUSTRIAL MATERIAL LTD. as at 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” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of BAOTEK INDUSTRIAL MATERIAL LTD. in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional 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, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

Cut-off of warehouse sales revenue

Description

Refer to Note 4(22) for details of revenue recognition. The Company recognises sales revenue when goods are drop-shipped from factories directly and when customers accept the goods. The supporting documents of revenue recognition include reports or other information provided by warehouse custodians and inventory movement records of warehouses.

As there are hubs located in different countries with numerous custodians, the frequency and contents of statements provided by custodians vary, and as customers are in various locations around the world, the process of revenue recognition involves numerous manual procedures. Additionally, there are numerous daily revenue transactions from hubs and the transaction amounts prior to and after the balance sheet date are significant to the financial statements. Thus, we consider the revenue cut-off as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Obtained an understanding of the Company's operations and industry, and assessed the reasonableness of the policy and procedures to recognise revenue.
2. Assessed and checked the appropriateness of cut-off of sales revenue around the balance sheet date, and verified the statements provided by the warehouse custodians.
3. Confirmed the inventory quantities with warehouse custodians and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies and accounting records and tested the reconciling items made by the Company in order to confirm whether the significant differences have been adjusted.
4. Confirmed the inventory quantities by performing physical inventory count observation and agreed the results to accounting records.

Valuation of inventory

Description

Refer to Note 4(11) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of inventories. As of December 31, 2022, inventory and allowance for inventory valuation losses amounted to NT\$404,987 thousand and NT\$8,333 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of electronic glass fabrics. As the Company's inventories belong to a rapidly changing industry and are easily affected by the market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Thus, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Ascertained whether the policies on allowance for inventory valuation losses were reasonable and consistently applied in all the periods.
2. Validated the accuracy of inventory aging report, sampled and confirmed the consistency of quantities and amounts indicated in the inventory listing, and verified the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realisable value, and examined the reasonableness of provision for allowance for inventory valuation losses.

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

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

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

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

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

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

Chiang, Tsai-yen

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2023

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 140,920	7	\$ 61,433	3
1110	Financial assets at fair value through profit or loss - current	6(2)	1,233	-	1,246	-
1150	Notes receivable, net		20	-	-	-
1170	Accounts receivable, net	6(4)	288,775	13	299,613	14
1180	Accounts receivable - related parties	6(4) and 7	79,467	4	93,647	4
1200	Other receivables		5,971	-	12,215	1
1210	Other receivables due from related parties	7	791	-	752	-
1220	Current tax assets		13	-	-	-
130X	Inventories	6(5)	396,654	18	337,869	16
1410	Prepayments		5,772	-	11,914	1
1470	Other current assets		7,836	1	10,606	-
11XX	Total current assets		927,452	43	829,295	39
Non-current assets						
1600	Property, plant and equipment	6(6), 7 and 8	1,222,588	56	1,235,946	57
1755	Right-of-use assets	6(7)	13,504	-	4,600	-
1840	Deferred income tax assets	6(20)	16,102	1	37,336	2
1900	Other non-current assets		1,932	-	44,674	2
15XX	Total non-current assets		1,254,126	57	1,322,556	61
1XXX	Total assets		\$ 2,181,578	100	\$ 2,151,851	100

(Continued)

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ -	-	\$ 15	-
2170	Accounts payable		18,382	1	20,996	1
2180	Accounts payable - related parties	7	142,658	6	184,488	8
2200	Other payables	6(8)	82,208	4	100,936	5
2220	Other payables - related parties	6(8) and 7	25	-	18	-
2280	Current lease liabilities	6(23)	7,132	-	1,882	-
2300	Other current liabilities	6(13)	378	-	323	-
21XX	Total current liabilities		250,783	11	308,658	14
Non-current liabilities						
2580	Non-current lease liabilities	6(23)	6,436	1	2,727	-
2640	Net defined benefit liability, non-current	6(9)	5,773	-	8,318	1
2645	Guarantee deposits received		34	-	34	-
25XX	Total non-current liabilities		12,243	1	11,079	1
2XXX	Total liabilities		263,026	12	319,737	15
Equity						
Share capital						
3110	Common stock	6(10)	1,948,940	89	1,948,940	90
Accumulated deficit						
3350	Accumulated deficit	6(11)	(30,388)	(1)	(116,826)	(5)
3XXX	Total equity		1,918,552	88	1,832,114	85
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		\$ 2,181,578	100	\$ 2,151,851	100

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(13) and 7	\$ 1,334,967	100	\$ 1,403,923	100
5000	Operating costs	6(5)(18)(19) and 7	(1,156,967)	(87)	(1,222,615)	(87)
5900	Net operating margin		178,000	13	181,308	13
	Operating expenses	6(18)(19) and 7				
6100	Selling expenses		(31,449)	(2)	(34,123)	(2)
6200	Administrative expenses		(67,575)	(5)	(64,648)	(5)
6300	Research and development expenses		(12,479)	(1)	(11,430)	(1)
6450	Impairment expected credit loss	12(2)	8	-	13	-
6000	Total operating expenses		(111,495)	(8)	(110,188)	(8)
6900	Operating profit		66,505	5	71,120	5
	Non-operating income and expenses					
7100	Interest income	6(14)	257	-	55	-
7010	Other income	6(15) and 7	7,544	1	11,401	1
7020	Other gains and losses	6(16)	30,816	2	(16,549)	(1)
7050	Finance costs	6(17)	(161)	-	(56)	-
7000	Total non-operating income and expenses		38,456	3	(5,149)	-
7900	Profit before income tax		104,961	8	65,971	5
7950	Income tax expense	6(20)	(20,692)	(2)	(13,025)	(1)
8200	Profit for the year		<u>\$ 84,269</u>	<u>6</u>	<u>\$ 52,946</u>	<u>4</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gain on defined benefit plan	6(9)	\$ 2,711	-	\$ 2,641	-
8316	Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(12)	-	-	6,127	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	(542)	-	(528)	-
8310	Other comprehensive income that will not be reclassified to profit or loss		2,169	-	8,240	-
8300	Other comprehensive income for the year		<u>\$ 2,169</u>	<u>-</u>	<u>\$ 8,240</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 86,438</u>	<u>6</u>	<u>\$ 61,186</u>	<u>4</u>
	Basic and diluted earnings per share (in dollars)					
9750	Earnings per share	6(22)	<u>\$ 0.43</u>		<u>\$ 0.27</u>	

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Accumulated deficit	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>2021</u>					
Balance at January 1, 2021		\$ 1,948,940	(\$ 133,807)	(\$ 44,205)	\$ 1,770,928
Net income		-	52,946	-	52,946
Other comprehensive income	6(3)(12)	-	2,113	6,127	8,240
Total comprehensive income		-	55,059	6,127	61,186
Disposal of equity instruments at fair value through other comprehensive income	6(3)(12)	-	(38,078)	38,078	-
Balance at December 31, 2021		\$ 1,948,940	(\$ 116,826)	\$ -	\$ 1,832,114
<u>2022</u>					
Balance at January 1, 2022		\$ 1,948,940	(\$ 116,826)	\$ -	\$ 1,832,114
Net income		-	84,269	-	84,269
Other comprehensive income		-	2,169	-	2,169
Total comprehensive income		-	86,438	-	86,438
Balance at December 31, 2022		\$ 1,948,940	(\$ 30,388)	\$ -	\$ 1,918,552

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 104,961	\$ 65,971
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)	13	(1,162)
Depreciation expense	6(6)(7)(19)	116,358	111,540
Expected credit loss	12(2)	(8)	(13)
(Gain) losses on disposal of property, plant and equipment	6(6)(16)	2,211	(438)
Interest income	6(15)	(257)	(55)
Interest expense	6(18)	161	56
Dividend income	6(15)	-	(3,415)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	(	20)	-
Accounts receivable		10,842	29,235
Accounts receivable - related parties		14,184	6,458
Other accounts receivable		6,244	5,539
Other receivables due from related parties	(	39)	(131)
Inventories	(	58,785)	(47,361)
Prepayments		6,142	(6,076)
Other current assets		2,770	4,878
Other non-current assets		21,325	-
Changes in operating liabilities			
Notes payable	(	15)	15
Accounts payable	(	2,614)	4,579
Accounts payable - related parties	(	41,830)	36,576
Other accounts payable	(	5,235)	5,513
Other accounts payable - related parties		7	17
Other current liabilities		55	(2,177)
Net defined benefit liability, non-current		166	(1,279)
Cash inflow generated from operations		176,636	208,270
Interest acquired		257	55
Interest paid	(	161)	(56)
Income tax paid	(	13)	-
Dividend received		-	3,415
Net cash flows from operating activities		176,719	211,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	56,790
Acquisition of property, plant and equipment	6(23)	(111,519)	(301,452)
Proceeds from disposal of property, plant and equipment		101	441
Decrease in refundable deposits		21,417	(77)
Net cash flows used in investing activities		(90,001)	(244,298)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term loans		10,100	100
Increase in short-term loans		(10,100)	(100)
Payment of lease liability	6(7)	(7,231)	(6,376)
Net cash flows used in financing activities		(7,231)	(6,376)
Net increase (decrease) in cash and cash equivalents		79,487	(38,990)
Cash and cash equivalents at beginning of year	6(1)	61,433	100,423
Cash and cash equivalents at end of year	6(1)	\$ 140,920	\$ 61,433

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

BAOTEK INDUSTRIAL MATERIALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

BAOTEK INDUSTRIAL MATERIALS LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in high-end fiberglass fabrics for copper clad laminates of various electronic applications. NITTO BOSEKI CO., LTD. holds 47.65% equity interest in the Company through public tender offer on August 10, 2018, becoming the Company’s major shareholder since that date. NITTO BOSEKI CO., LTD. holds more than half of the directors in the Company on June 21, 2019, becoming the Company’s parent company since that date.

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

These financial statements were authorised for issuance by the Board of Directors on February 23, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts – cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

(2) Effect of new issuances of or amendments to IFRSs that came into effect as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2023 are as follows:

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

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

“IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable selling expenses.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the

construction period are capitalised.

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 56 years
Machinery and equipment	1 ~ 15 years
Other equipment	1 ~ 5 years

(13) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable; and
 - (b) Amounts expected to be payable by the lessee under residual value guarantees.The Company subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Borrowings

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

(16) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

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

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the

extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable

future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from regulation of Income tax to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(20) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(21) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(22) Revenue recognition

Sales of goods

- A. The Company manufactures and sells a range of high-end fiberglass fabrics. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. The sales usually are made with a credit term between 30~120 days, which is the same with the market practice, so the contract does not include a significant financing component.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the

consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Valuation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. The valuation of inventories is principally based on the value of the historical experience for handling obsolete inventories. Therefore, there might be material changes to the valuation.

As of December 31, 2022, the carrying amount of inventories was \$396,654.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 54	\$ 54
Checking accounts and demand deposits	140,866	61,379
	<u>\$ 140,920</u>	<u>\$ 61,433</u>

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

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

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Valuation adjustment	<u>\$ 1,233</u>	<u>\$ 1,246</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	(\$ 13)	\$ 1,162

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

	December 31, 2022	
Derivative financial instruments	Contract amount (notional principal in thousands)	Contract period
Current item:		
Forward foreign exchange contracts	USD 4,136	2022.10~2023.03

	December 31, 2021	
Derivative financial instruments	Contract amount (Notional principal in thousands)	Contract period
Current item:		
Forward foreign exchange contracts	USD 7,242	2021.10~2022.04

- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).
- D. The Company entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of operating activities proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

As of December 31, 2022 and December 31, 2021: None.

- A. Aiming to satisfy the capital management strategy, the Company sold \$0 and \$56,790 of listed stocks at fair value and the loss on disposal of investment were \$0 and \$38,078 during 2022 and 2021, respectively.
- B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

As of 2022: None.

	2021
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 6,127
Cumulative losses reclassified to retained earnings due to derecognition	(\$ 38,078)
Dividend income recognised in profit or loss	
Held at end of year	\$ -
Derecognised during the year	3,415
	\$ 3,415

(4) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 288,861	\$ 299,703
Less: Allowance for uncollectible accounts	(86)	(90)
	<u>288,775</u>	<u>299,613</u>
Accounts receivable - related parties	79,491	93,675
Less: Allowance for uncollectible accounts	(24)	(28)
	<u>79,467</u>	<u>93,647</u>
	<u>\$ 368,242</u>	<u>\$ 393,260</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022	December 31, 2021
Up to 30 days	\$ 125,441	\$ 104,024
31 to 90 days	176,381	196,910
91 to 180 days	66,530	92,444
	<u>\$ 368,352</u>	<u>\$ 393,378</u>

The above ageing analysis was based on invoice date.

B. The Company does not hold any collateral for its accounts receivable as security.

C. As of December 31, 2022 and 2021, and January 1, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$368,242, \$393,260 and \$428,940, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 92,231	(\$ 928)	\$ 91,303
Supplies	3,395	(2)	3,393
Work in progress	66,881	(134)	66,747
Finished goods	242,480	(7,269)	235,211
	<u>\$ 404,987</u>	<u>(\$ 8,333)</u>	<u>\$ 396,654</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 80,954	(\$ 692)	\$ 80,262
Supplies	2,282	-	2,282
Work in progress	68,275	(206)	68,069
Finished goods	199,808	(12,552)	187,256
	<u>\$ 351,319</u>	<u>(\$ 13,450)</u>	<u>\$ 337,869</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of goods sold	\$ 1,164,163	\$ 1,223,573
(Gain) loss on reversal of decline in market value	(5,117)	785
Revenue from sales of scraps	(2,079)	(1,743)
	<u>\$ 1,156,967</u>	<u>\$ 1,222,615</u>

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventories which were previously provided with allowance were

subsequently sold.

(6) Property, plant and equipment

	2022					
	Land	Buildings and structures	Machinery	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 549,627	\$ 2,015,414	\$ 268,505	\$ 218,072	\$ 3,415,212
Accumulated depreciation	-	(345,601)	(1,611,620)	(222,045)	-	(2,179,266)
	<u>\$ 363,594</u>	<u>\$ 204,026</u>	<u>\$ 403,794</u>	<u>\$ 46,460</u>	<u>\$ 218,072</u>	<u>\$ 1,235,946</u>
<u>Cost:</u>						
Opening net book amount as at January 1	\$ 363,594	\$ 549,627	\$ 2,015,414	\$ 268,505	\$ 218,072	\$ 3,415,212
Additions	-	5,321	50,500	12,708	29,497	98,026
Disposals	-	(302)	(5,227)	(12,738)	-	(18,267)
Transfers	-	-	115,293	234	(115,527)	-
Closing net book amount as at December 31	<u>\$ 363,594</u>	<u>\$ 554,646</u>	<u>\$ 2,175,980</u>	<u>\$ 268,709</u>	<u>\$ 132,042</u>	<u>\$ 3,494,971</u>
<u>Accumulated depreciation:</u>						
Opening net book amount as at January 1	\$ -	(\$ 345,601)	(\$ 1,611,620)	(\$ 222,045)	\$ -	(\$ 2,179,266)
Depreciation charge	-	(19,299)	(77,792)	(11,981)	-	(109,072)
Disposals	-	302	5,218	10,435	-	15,955
Closing net book amount as at December 31	<u>\$ -</u>	<u>(\$ 364,598)</u>	<u>(\$ 1,684,194)</u>	<u>(\$ 223,591)</u>	<u>\$ -</u>	<u>(\$ 2,272,383)</u>
<u>At December 31</u>						
Cost	\$ 363,594	\$ 554,646	\$ 2,175,980	\$ 268,709	\$ 132,042	\$ 3,494,971
Accumulated depreciation	-	(364,598)	(1,684,194)	(223,591)	-	(2,272,383)
	<u>\$ 363,594</u>	<u>\$ 190,048</u>	<u>\$ 491,786</u>	<u>\$ 45,118</u>	<u>\$ 132,042</u>	<u>\$ 1,222,588</u>

	2021					
	Land	Buildings and structures	Machinery	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 544,547	\$ 1,953,106	\$ 257,914	\$ 66,505	\$ 3,185,666
Accumulated depreciation	-	(323,619)	(1,601,915)	(212,005)	-	(2,137,539)
	<u>\$ 363,594</u>	<u>\$ 220,928</u>	<u>\$ 351,191</u>	<u>\$ 45,909</u>	<u>\$ 66,505</u>	<u>\$ 1,048,127</u>
<u>Cost:</u>						
Opening net book amount as at January 1	\$ 363,594	\$ 544,547	\$ 1,953,106	\$ 257,914	\$ 66,505	\$ 3,185,666
Additions	-	4,020	82,135	10,474	196,381	293,010
Disposals	-	(515)	(62,728)	(221)	-	(63,464)
Transfers	-	1,575	42,901	338	(44,814)	-
Closing net book amount as at December 31	<u>\$ 363,594</u>	<u>\$ 549,627</u>	<u>\$ 2,015,414</u>	<u>\$ 268,505</u>	<u>\$ 218,072</u>	<u>\$ 3,415,212</u>
<u>Accumulated depreciation:</u>						
Opening net book amount as at January 1	\$ -	(\$ 323,619)	(\$ 1,601,915)	(\$ 212,005)	\$ -	(\$ 2,137,539)
Depreciation charge	-	(22,497)	(72,430)	(10,261)	-	(105,188)
Disposals	-	515	62,725	221	-	63,461
Closing net book amount as at December 31	<u>\$ -</u>	<u>(\$ 345,601)</u>	<u>(\$ 1,611,620)</u>	<u>(\$ 222,045)</u>	<u>\$ -</u>	<u>(\$ 2,179,266)</u>
<u>At December 31</u>						
Cost	\$ 363,594	\$ 549,627	\$ 2,015,414	\$ 268,505	\$ 218,072	\$ 3,415,212
Accumulated depreciation	-	(345,601)	(1,611,620)	(222,045)	-	(2,179,266)
	<u>\$ 363,594</u>	<u>\$ 204,026</u>	<u>\$ 403,794</u>	<u>\$ 46,460</u>	<u>\$ 218,072</u>	<u>\$ 1,235,946</u>

- A. For the years ended December 31, 2022 and 2021, the amount of borrowing costs capitalised as part of property, plant and equipment were \$0 and \$3, respectively.
- B. Information on the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The Company acquired and owned a land, No. 0487-000 Ruiyuan Section, Yang-Mei District for the year ended December 31, 2017. The land is 2,782.35 square meters, which was for farming and grazing held by another person. The Company has acquired the landowners' mortgage registration to guarantee the rights of the uncompleted transfer of the land.

(7) Leasing arrangements — lessee

- A. The Company leases various assets including buildings, other equipment, transportation equipment, and multifunction printers. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise parts of transportation equipment. Low-value assets comprise other equipment and multifunction printers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 13,180	\$ 3,790
Transportation equipment	324	810
	<u>\$ 13,504</u>	<u>\$ 4,600</u>
	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 6,800	\$ 5,866
Transportation equipment	486	486
	<u>\$ 7,286</u>	<u>\$ 6,352</u>

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$16,190 and \$4,210, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 158	\$ 56
Expense on short-term lease contracts	2,952	2,979

F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$10,341 and \$9,411, respectively.

(8) Other payables (including related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued salaries and bonuses	\$ 35,265	\$ 34,523
Payables for equipment	9,261	22,754
Estimated utility	7,738	7,068
Others	29,969	36,609
	<u>\$ 82,233</u>	<u>\$ 100,954</u>

(9) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the

Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 39,814)	(\$ 39,751)
Fair value of plan assets	<u>34,041</u>	<u>31,433</u>
Net defined benefit liability	<u>(\$ 5,773)</u>	<u>(\$ 8,318)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	(\$ 39,751)	\$ 31,433	(\$ 8,318)
Current service cost	(538)	-	(538)
Interest (expense) income	(275)	219	(56)
Settlement profit or loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(40,564)</u>	<u>31,652</u>	<u>(8,912)</u>
<u>Remeasurements:</u>			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,696	2,696
Change in demographic assumptions	-	-	-
Change in financial assumptions	1,673	-	1,673
Experience adjustments	<u>(1,658)</u>	<u>-</u>	<u>(1,658)</u>
	<u>15</u>	<u>2,696</u>	<u>2,711</u>
Pension fund contribution	-	428	428
Paid pension	<u>735</u>	<u>(735)</u>	<u>-</u>
Balance at December 31	<u>(\$ 39,814)</u>	<u>\$ 34,041</u>	<u>(\$ 5,773)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	(\$ 48,686)	\$ 36,448	(\$ 12,238)
Current service cost	(602)	-	(602)
Interest (expense) income	(144)	109	(35)
Settlement profit or loss	<u>5,077</u>	<u>(4,230)</u>	<u>847</u>
	<u>(44,355)</u>	<u>32,327</u>	<u>(12,028)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	521	521
Change in demographic assumptions	(108)	-	(108)
Change in financial assumptions	1,482	-	1,482
Experience adjustments	<u>746</u>	<u>-</u>	<u>746</u>
	<u>2,120</u>	<u>521</u>	<u>2,641</u>
Pension fund contribution	-	1,069	1,069
Paid pension	<u>2,484</u>	<u>(2,484)</u>	<u>-</u>
Balance at December 31	<u>(\$ 39,751)</u>	<u>\$ 31,433</u>	<u>(\$ 8,318)</u>

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

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

	Year ended December 31, 2022	Year ended December 31, 2021
Discount rate	1.25%	0.70%
Future salary increases	3.00%	3.00%

For the years ended December 31, 2022 and 2021, the assumption regarding mortality rate in the future is set based on the 6th Taiwan Standard Ordinary Experience Mortality Table. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 725)	\$ 747	\$ 732	(\$ 714)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 836)	\$ 864	\$ 842	(\$ 820)

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

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$534.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 953
1-2 year(s)	2,853
2-5 years	13,163
Over 5 years	26,801
	<u>\$ 43,770</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$6,403 and \$6,481, respectively.

(10) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,948,940 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. There are 29,000 thousand shares which were raised through private placement that are yet to be publicly issued.
- B. To increase the Company's working capital, the stockholders at their annual stockholders' meeting on June 13, 2007 adopted a resolution to raise additional cash through private placement with the effective date set on June 9, 2008. The shares to be issued through the private placement are 29,000 thousand shares at the price of \$7.55 (in dollars) per share. The amount of capital raised through the private placement was \$218,950 which had been registered.
- C. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.
- D. Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Expressed in shares)	
	2022	2021
At January 1 (At December 31)	194,893,964	194,893,964

(11) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. However, when the legal reserve amounts to the paid-in capital, this provision shall not apply. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting. In the Articles of Incorporation, the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto, a report of such distribution shall be submitted to the shareholders during their meeting.
- The Company is in the growth stage. Taking into account the future capital needs and fulfilling the shareholders' need for cash inflow, cash dividends shall account for at least 20% of the total cash and stock dividends distributed. The percentage can only be increased when the Company has sufficient cash to meet the liquidity requirements.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. For the years ended December 31, 2022 and 2021, the Company did not distribute retained earnings due to the accumulated deficit. The Board of Directors during its meeting on February 24, 2022 proposed to offset the accumulated deficit of 2021 which was resolved at the shareholders' meeting on June 17, 2022.

(12) Other equity items

Year ended December 31, 2022: None.

	2021
	<u>Unrealized gains (losses) on valuation</u>
At January 1	(\$ 44,205)
Revaluation	6,127
Revaluation transferred to retained earnings	38,078
At December 31	<u>\$ -</u>

(13) Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from contracts with customers	<u>\$ 1,334,967</u>	<u>\$ 1,403,923</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

2022	Taiwan	China	Japan	America	Others	Total
Revenue from external customer contracts	<u>\$ 223,180</u>	<u>\$ 442,080</u>	<u>\$ 340,003</u>	<u>\$ 209,503</u>	<u>\$ 120,201</u>	<u>\$1,334,967</u>
Timing of revenue recognition						
At a point in time	<u>\$ 223,180</u>	<u>\$ 442,080</u>	<u>\$ 340,003</u>	<u>\$ 209,503</u>	<u>\$ 120,201</u>	<u>\$1,334,967</u>
2021	Taiwan	China	Japan	America	Others	Total
Revenue from external customer contracts	<u>\$ 287,121</u>	<u>\$ 507,399</u>	<u>\$ 253,447</u>	<u>\$ 196,715</u>	<u>\$ 159,241</u>	<u>\$1,403,923</u>
Timing of revenue recognition						
At a point in time	<u>\$ 287,121</u>	<u>\$ 507,399</u>	<u>\$ 253,447</u>	<u>\$ 196,715</u>	<u>\$ 159,241</u>	<u>\$1,403,923</u>

B. Contract assets and liabilities

(a) The Company has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities			
(shown as other			
current liabilities)	<u>\$ 17</u>	<u>\$ 25</u>	<u>\$ 1,967</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue recognized that was included in the contract liability balance at the beginning of the year	\$ 8	\$ 1,952
(14) <u>Interest income</u>		
	Year ended December 31, 2022	Year ended December 31, 2021
Interest income:		
Interest income from bank deposits	\$ 247	\$ 45
Other interest income	10	10
	<u>\$ 257</u>	<u>\$ 55</u>
(15) <u>Other income</u>		
	Year ended December 31, 2022	Year ended December 31, 2021
Dividend income	\$ -	\$ 3,415
Others	7,544	7,986
	<u>\$ 7,544</u>	<u>\$ 11,401</u>
(16) <u>Other gains and losses</u>		
	Year ended December 31, 2022	Year ended December 31, 2021
(Losses) gains on disposals of property, plant and equipment	(\$ 2,211)	\$ 438
Foreign exchange gains (losses)	53,692	(16,766)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(19,950)	3,284
Compensation losses	(711)	(1,038)
Miscellaneous disbursements	(4)	(2,467)
	<u>\$ 30,816</u>	<u>(\$ 16,549)</u>
(17) <u>Finance costs</u>		
	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense	<u>\$ 161</u>	<u>\$ 56</u>
(18) <u>Expenses by nature</u>		
	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit expense	\$ 234,371	\$ 243,234
Depreciation	116,358	111,540
	<u>\$ 350,729</u>	<u>\$ 354,774</u>

(19) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 197,248	\$ 206,706
Labour and health insurance fees	18,445	18,434
Pension costs	6,997	6,271
Other personnel expenses	11,681	11,823
	<u>\$ 234,371</u>	<u>\$ 243,234</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

The abovementioned distributable profit is pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration.

- B. As of December 31, 2022 and 2021, the Company had an accumulated deficit hence no employees' compensation and directors' and supervisors' remuneration were accrued for the years ended December 31, 2022 and 2021.

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

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the year	\$ 549	\$ 1,204
Total current tax	<u>549</u>	<u>1,204</u>
Deferred tax:		
Impact of change in taxable loss	20,143	11,821
Total deferred tax	<u>20,143</u>	<u>11,821</u>
Income tax expense	<u>\$ 20,692</u>	<u>\$ 13,025</u>

- (b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Remeasurement of defined benefit obligations	<u>(\$ 542)</u>	<u>(\$ 528)</u>

B. Reconciliation between income tax expenses and accounting profit:

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	\$ 20,992	\$ 13,194
Expenses disallowed by tax regulation	13	208
Tax exempt income by tax regulation	- (	683)
Temporary differences not recognised as deferred tax assets	(1,023)	157
Other	710	149
Income tax expense	<u>\$ 20,692</u>	<u>\$ 13,025</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Temporary difference				
Unused vacation pay	\$ 1,761	(\$ 150)	\$ -	\$ 1,611
Unrealised exchange loss	295	(402)	-	(107)
Unrealised financial instruments valuation loss (gain)	(249)	3	-	(246)
Net defined benefit liability	948	-	(542)	406
Taxable losses	34,581	(20,143)	-	14,438
	<u>\$ 37,336</u>	<u>(\$ 20,692)</u>	<u>(\$ 542)</u>	<u>\$ 16,102</u>
	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Temporary difference				
Unused vacation pay	\$ 1,585	\$ 176	\$ -	\$ 1,761
Unrealised exchange loss	1,443	(1,148)	-	295
Unrealised financial instruments valuation loss (gain)	(17)	(232)	-	(249)
Net defined benefit liability	1,476	-	(528)	948
Taxable losses	46,402	(11,821)	-	34,581
	<u>\$ 50,889</u>	<u>(\$ 13,025)</u>	<u>(\$ 528)</u>	<u>\$ 37,336</u>

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

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2014	\$ 113,744	\$ 11,258	\$ -	2024
2015	<u>66,762</u>	<u>66,762</u>	<u>-</u>	2025
	<u>\$ 180,506</u>	<u>\$ 78,020</u>	<u>\$ -</u>	

December 31, 2021

Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2014	\$ 113,744	\$ 108,422	\$ -	2024
2015	66,762	66,762	-	2025
	<u>\$ 180,506</u>	<u>\$ 175,184</u>	<u>\$ -</u>	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 8,333</u>	<u>\$ 13,450</u>

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

(21) Earnings per share

	Year ended December 31, 2022		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 84,269</u>	<u>194,894</u>	<u>\$ 0.43</u>
	Year ended December 31, 2021		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	Amount after tax		
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 52,946</u>	<u>194,894</u>	<u>\$ 0.27</u>

(22) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of property, plant and equipment	\$ 98,026	\$ 293,010
Add: Opening balance of payable on equipment	22,754	31,196
Less: Ending balance of payable on equipment	(9,261)	(22,754)
Cash paid during the year	<u>\$ 111,519</u>	<u>\$ 301,452</u>

(23) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>
At January 1, 2022	\$ -	\$ 4,609
Increase in cash flow from financing activities		
- Short-term borrowings	10,100	-
Decrease in cash flow from financing activities		
- Short-term borrowings	(10,100)	-
Payment of lease liabilities	- (	7,231)
Increase in lease liabilities	-	16,190
Interest payment of lease liabilities	- (	158)
Interest expense amortisation of lease liabilities	-	158
At December 31, 2022	<u>\$ -</u>	<u>\$ 13,568</u>

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>
At January 1, 2021	\$ -	\$ 6,775
Increase in cash flow from financing activities -		
Short-term borrowings	100	-
Decrease in cash flow from financing activities -		
Short-term borrowings	(100)	-
Payment of lease liabilities	- (	6,376)
Increase in lease liabilities	-	4,210
Interest payment of lease liabilities	- (	56)
Interest expense amortisation of lease liabilities	-	56
At December 31, 2021	<u>\$ -</u>	<u>\$ 4,609</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
NITTO BOSEKI CO., LTD.	Parent company (Note 1)
NITTOBO MACAU GLASS WEAVING CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TECHNO CO., LTD.	Fellow subsidiary (Note 2)
SOYO CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TAIWAN CO., LTD.	Fellow subsidiary (Note 2)

Note 1: Held more than half of the seats in the Company's Board of Directors.

Note 2: The Company is a subsidiary of NITTO BOSEKI CO., LTD.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Sales of services:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 335,647	\$ 251,905
Fellow subsidiary:		
NITTOBO MACAU GLASS WEAVING CO., LTD.	27,454	86,446
Others	71,064	43,081
	<u>\$ 434,165</u>	<u>\$ 381,432</u>

Goods are sold based on the price lists in force and terms that would be available to third parties. The above sales are made at terms with a collection period of 90 days, whereas the receivables from third parties were at terms with a collection period between 30~120 days and others were payment in advance.

B. Purchases:

	Year ended December 31, 2022	Year ended December 31, 2021
Purchases of goods:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 15,295	\$ 21,395
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	602,075	634,151
Others	21,182	18,402
	<u>\$ 638,552</u>	<u>\$ 673,948</u>

Goods purchased from related parties are not available from third parties, so the purchase prices are not comparable. The purchases were made at normal commercial terms and conditions. The payables to related parties arise mainly from purchase transactions, and payments were due in 90 days, whereas the payments for third parties were due in 60~120 days.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 54,066	\$ 63,016
Fellow subsidiary:		
NITTOBO MACAU GLASS WEAVING CO., LTD.	-	23,748
NITTOBO TAIWAN CO., LTD.	25,401	6,883
	<u>79,467</u>	<u>93,647</u>
Other receivables:		
Parent company:		
NITTO BOSEKI CO., LTD.	774	735
Fellow subsidiary:		
Others	17	17
	<u>791</u>	<u>752</u>
	<u>\$ 80,258</u>	<u>\$ 94,399</u>

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Parent company:		
NITTOBO BOSEKI CO., LTD.	\$ -	\$ 3,978
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	140,643	178,163
Others	2,015	2,347
	<u>142,658</u>	<u>184,488</u>
Other payables		
Parent company:		
NITTOBO BOSEKI CO., LTD.	25	18
	<u>25</u>	<u>18</u>
	<u>\$ 142,683</u>	<u>\$ 184,506</u>

E. Property transactions

Acquisition of property, plant and equipment:

	Year ended December 31, 2022	Year ended December 31, 2021
Fellow subsidiary:		
NITTOBO TECHNO CO., LTD.	\$ 21,545	\$ 55,163
NITTOBO MACAU GLASS WEAVING CO., LTD.	281	-
	<u>\$ 21,826</u>	<u>\$ 55,163</u>

F. Other revenues

	Year ended December 31, 2022	Year ended December 31, 2021
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 4,146	\$ 4,425
Fellow subsidiary:		
NITTOBO TAIWAN CO., LTD.	192	192
Other	-	9
	<u>\$ 4,338</u>	<u>\$ 4,626</u>

G. Other expenses

	Year ended December 31, 2022	Year ended December 31, 2021
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 2,413	\$ 2,686

(3) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Short-term employee benefits	\$ 8,814	\$ 11,010
Post-employment benefits	294	292
	<u>\$ 9,108</u>	<u>\$ 11,302</u>

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Land	\$ 351,099	\$ 351,099	Short-term borrowings / loan facilities
Buildings and structures	123,296	128,219	Short-term borrowings / loan facilities
	<u>\$ 474,395</u>	<u>\$ 479,318</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(1) Contingencies

As of December 31, 2022 and 2021, the letters of credit issued but not used were \$0 and \$238, respectively.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 50,372</u>	<u>\$ 57,514</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company has to maintain sufficient capital to afford extending and upgrading the factories and equipment. Hence, capital management of the Company is to ensure that they have adequate financial resources and operating strategy to afford the operating funds, capital output and research and development expenses within twelve months from the balance sheet date. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2022, the Company's strategy, which was unchanged from 2021, was to maintain the properly gearing ratio. The gearing ratios were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	<u>\$ 263,026</u>	<u>\$ 319,737</u>
Total assets	<u>\$ 2,181,578</u>	<u>\$ 2,151,851</u>
Gearing ratio	<u>12.06%</u>	<u>14.86%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,233	\$ 1,246
Financial assets at amortised cost		
Cash and cash equivalents	\$ 140,920	\$ 61,433
Accounts receivable, net	288,775	299,613
Accounts receivable - related parties	79,467	93,647
Other receivables	5,971	12,215
Other receivables - related parties	791	752
Guarantee deposits paid	1,932	23,349
	<u>\$ 517,856</u>	<u>\$ 491,009</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ -	\$ 15
Accounts payable	18,382	20,996
Accounts payable - related parties	142,658	184,488
Other accounts payable	82,208	100,936
Other accounts payable - related parties	25	18
Guarantee deposits received	34	34
	<u>\$ 243,307</u>	<u>\$ 306,487</u>
Lease liability	<u>\$ 13,568</u>	<u>\$ 4,609</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management of the Company is to focus on unpredictable events in financial market and minimise any adverse effects on the financial performance of the Company. Derivatives are used exclusively for hedging purposes. Please refer to Note 6(2).
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The sales and purchases of the Company are mainly denominated in USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to manage the Company's foreign exchange risk against its functional currency. The Company is required to hedge the entire foreign exchange risk exposure with the Company treasury. To control the foreign exchange risk of future business transactions and recognized assets and liabilities, forward foreign exchange contracts are adopted by the Company's financial department. The foreign exchange risk arises from future business transactions, recognized assets and liabilities expressed in non-functional currency.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 11,046	30.71	\$ 339,235
JPY:NTD	392	0.23	91
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 149	30.71	\$ 4,585
EUR:NTD	3	32.72	86
JPY:NTD	58	0.23	13
<u>Non-monetary items:</u> None.			

	December 31, 2021		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,758	27.68	\$ 380,834
RMB:NTD	116	4.34	504
JPY:NTD	4,444	0.24	1,069
<u>Non-monetary items:</u> None.			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 274	27.68	\$ 7,583
EUR:NTD	3	31.32	83
JPY:NTD	8,098	0.24	1,948
Non-monetary items: None.			

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$ 53,692 and (\$16,766), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022			
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 10,177	\$ -
JPY:NTD	1%	1	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 138	\$ -
EUR:NTD	1%	1	-
JPY:NTD	1%	0	-

Year ended December 31, 2021				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	3%	\$ 11,425	\$	-
RMB:NTD	1%	5		-
JPY:NTD	1%	11		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	3%	\$ 227	\$	-
EUR:NTD	1%	1		-
JPY:NTD	1%	19		-

Price risk

The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortised cost and bank deposits.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In accordance with the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Company, and approved by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

- (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable, in accordance with credit risk on trade and customer types. The Company applies the modified approach using the provision matrix to estimate expected credit loss.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability of the adjusted historical and timely information to assess the default possibility of accounts receivable. On December 31, 2022 and 2021, the provision matrix, loss rate methodology is as follows:

	<u>Not past due</u>	<u>Over 120 days past due</u>	<u>Over 180 days past due</u>	<u>Over 365 days past due</u>	<u>Total</u>
<u>At December 31, 2022</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 368,352	\$ -	\$ -	\$ -	\$368,352
Loss allowance	\$ 110	\$ -	\$ -	\$ -	\$ 110
	<u>Not past due</u>	<u>Over 120 days past due</u>	<u>Over 180 days past due</u>	<u>Over 365 days past due</u>	<u>Total</u>
<u>At December 31, 2021</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 393,378	\$ -	\$ -	\$ -	\$393,378
Loss allowance	\$ 118	\$ -	\$ -	\$ -	\$ 118

- xii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2022
	<u>Accounts receivable</u>
At January 1	\$ 118
Reversal of impairment loss	(8)
At December 31	<u>\$ 110</u>
	2021
	<u>Accounts receivable</u>
At January 1	\$ 131
Reversal of impairment loss	(13)
At December 31	<u>\$ 118</u>

(c) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 15,447	\$ 2,935	\$ -	\$ -	\$ 18,382
Accounts payable - related parties	142,658	-	-	-	142,658
Other accounts payable	79,406	2,802	-	-	82,208
Other accounts payable - related parties	-	25	-	-	25
Lease liability	1,847	5,378	6,467	-	13,692
<u>Derivative financial liabilities</u>					
None					

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ -	\$ 15	\$ -	\$ -	\$ 15
Accounts payable	18,197	2,799	-	-	20,996
Accounts payable - related parties	181,592	2,896	-	-	184,488
Other accounts payable	93,482	7,454	-	-	100,936
Other accounts payable - related parties	-	18	-	-	18
Lease liability	479	1,438	1,753	995	4,665
<u>Derivative financial liabilities</u>					
None.					

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and convertible bonds is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables and lease liabilities are approximate to their fair values.

- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,233</u>	<u>\$ -</u>	<u>\$ 1,233</u>
Liabilities				
<u>Recurring fair value measurements:</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ 1,246</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1, Level 2 and Level 3.

- E. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(4) Other matter

The growth of the Group's operating revenue was affected by the COVID-19 global pandemic. Based on the Company's assessment, the pandemic has no significant impact on the Company's going concern, impairment of assets and financing risks, and the impact on the Company's operations will depend on the subsequent situation of the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Refer to table 2.

14. SEGMENT INFORMATION

(1) Segment information

The Company mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. The single operating department allocates resources and assesses performance of the Company as a whole, therefore, the Company do not disclose the segment information.

(2) Information on products and services

The Company mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. Therefore, the Company is not required to disclose the finance information of products.

(3) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 223,180	\$ 1,236,092	\$ 287,121	\$ 1,261,871
China	442,080	-	507,399	-
Japan	340,003	-	253,447	-
America	209,503	-	196,715	-
Others	120,201	-	159,241	-
	<u>\$ 1,334,967</u>	<u>\$ 1,236,092</u>	<u>\$ 1,403,923</u>	<u>\$ 1,261,871</u>

(4) Major customer information

Major customer information of the Company for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 335,647	The Company	\$ 251,905	The Company
B	173,248	The Company	196,601	The Company
C	158,257	The Company	203,774	The Company
D	130,531	The Company	144,886	The Company

BAOTEK INDUSTRIAL MATERIALS LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTOBO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary	Purchases	\$ 602,075	86%	Note 1	Note 1	Note 1	(\$ 140,643)	(87%)	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	Parent	Sales	(335,647)	(25%)	Note 2	Note 2	Note 2	54,066	15%	

Note 1: Goods purchased from related parties cannot be purchased from third parties, so the price is not comparable. The payments were due in 90 days.

Note 2: Goods are sold based on the price list in force that would be available to third parties. The sales are made at terms with a collection period of 90 days

BAOTEK INDUSTRIAL MATERIALS LTD.

Major shareholders information

December 31, 2022

Table 2

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
NITTO BOSEKI CO., LTD.	92,865,791	47.64%

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 1

Item	Description	Amount
Cash on hand		\$ 54
Cash in banks		
Demand deposits		
-New Taiwan Dollars		137,779
-Foreign currencies	USD 79,645.37, foreign exchange rate 31.71	2,446
	JPY 392,380, foreign exchange rate 0.23	91
Check deposits		550
		<u>\$ 140,920</u>

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

Client Name	Description	Amount	Note
Third parties			
A		\$ 61,302	
B		59,416	
C		58,002	
D		46,287	
E		24,520	
F		21,780	
			No balance of each
			remaining item is
			greater than 5% of this
Others		<u>17,554</u>	
		288,861	
Less: Allowance for uncollectible accounts		(<u>86</u>)	
		<u>288,775</u>	
Rleated parties			
NITTO BOSEKI CO., LTD.		54,082	
NITTOBO TAIWAN CO., LTD.		<u>25,409</u>	
		79,491	
Less: Allowance for uncollectible accounts		(<u>24</u>)	
		<u>79,467</u>	
		<u>\$ 368,242</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

Item	Description	Amount		Footnote
		Cost	Net Realizable Value	
Raw materials		\$ 92,231	\$ 93,351	NOTE
Supplies		3,395	3,420	"
Work in progress		66,881	105,725	"
Finished goods		242,480	265,120	"
		404,987	\$ 467,616	
Less: Allowance for valuation loss		(8,333)		
		\$ 396,654		

Note: Net realisable value is based on the market value.

The above inventories were not pledged to others.

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 4

Item	Beginning Balance	Addition	Decrease	Transfer	Ending Balance	Collateral	Note
Land	\$ 363,594	\$ -	\$ -	\$ -	\$ 363,594	Some pledged as collateral for short-term borrowings	
Buliding and structures	549,627	5,321	(302)	-	554,646	Some pledged as collateral for short-term borrowings	
Machinery	2,015,414	50,500	(5,227)	115,293	2,175,980	None	
Development equipment	8,497	-	(7,270)	-	1,227	None	
Transportation equipment	2,585	3,225	(2,355)	95	3,550	None	
Office equipment	8,874	-	-	-	8,874	None	
Other equipment	248,549	9,483	(3,113)	139	255,058	None	
Construction in progress and to be inspected devices	218,072	29,497	-	(115,527)	132,042	None	
	<u>\$ 3,415,212</u>	<u>\$ 98,026</u>	<u>(\$ 18,267)</u>	<u>\$ -</u>	<u>\$ 3,494,971</u>		

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 5

Item	Beginning Balance	Addition	Decrease	Ending Balance	Note
Building and structures	\$ 345,601	\$ 19,299	(\$ 302)	\$ 364,598	
Machinery	1,611,620	77,792	(5,218)	1,684,194	
Development equipment	5,751	444	(4,967)	1,228	
Transportation equipment	2,554	418	(2,355)	617	
Office equipment	7,324	510	-	7,834	
Other equipment	206,416	10,609	(3,113)	213,912	
	<u>\$ 2,179,266</u>	<u>\$ 109,072</u>	<u>(\$ 15,955)</u>	<u>\$ 2,272,383</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 6

Client Name	Description	Amount	Note
Third parties			
H		\$ 5,202	
I		3,825	
J		2,573	
K		1,393	
L		1,380	
			No balance of each
			remaining item is greater
Others		4,009	than 5% of this account.
		18,382	
Related parties			
NITTO ASIA GLASS FIBER CO.,		140,643	
			No balance of each
			remaining item is greater
Others		2,015	than 5% of this account.
		142,658	
		\$ 161,040	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 7

Item	Volume	Amount
Fiberglass fabrics	48,589	\$ 1,337,385
	(In thousands of square meters)	
Raw materials	0.5 (metric tons)	356
Less: Sales return	33	(1,004)
	(In thousands of square meters)	
Sales allowance		(1,770)
		<u>\$ 1,334,967</u>

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 8

Item	Amount
Beginning balance of raw materials	\$ 80,954
Add: Purchased during the year	659,401
Less: Ending balance of raw materials	(92,231)
Transferred to expenses	(6)
Used during the year	648,118
Beginning balance of supplies	2,282
Add: Purchased during the year	44,742
Less: Ending balance of supplies	(3,395)
Supplies sold	(259)
Transferred to expenses	(6,717)
Used during the year	36,653
Direct labor	127,965
Manufacturing expense	408,766
Manufacturing cost	1,221,502
Add: Beginning balance of work in progress	68,275
Transfer from finished goods	271,757
Less: Transferred to expenses	(8,202)
Ending balance of work in progress	(66,881)
Cost of work in Progress	1,486,451
Add: Beginning finished goods	199,808
Less: Transferred to expenses	(8,118)
Transferred to work in progress	(271,757)
Ending balance of finished goods at December 31	(242,480)
Manufacturing and selling costs	1,163,904
Cost of materials and supplies sold	259
Cost of goods sold	1,164,163
Gain on reversal of decline in market value	(5,117)
Revenue from sales of scraps	(2,079)
Operating costs	\$ 1,156,967

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 9

Item	Description	Amount	Note
Depreciation		\$ 105,337	
Utility expense		97,050	
Wages, salaries and other personal expense		62,637	
Repairs and maintenance expense		50,352	
Heavy oil fee		32,026	
Gas expense		25,821	
Consumables		21,661	
			No balance of each remaining item is greater than 5% of
Other expenses		13,882	
		<u>\$ 408,766</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 10

Item	Description	Amount	Note
Freight		\$ 23,044	
Wages, salaries and other personnal expense		5,303	
Other expenses			No balance of each remaining item is greater than 5% of
		3,102	
		<u>\$ 31,449</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 11

Item	Description	Amount	Note
Wages and salaries		\$ 29,406	
Freight		9,355	
Depreciation		9,544	
Professional service fees		7,381	
Miscellaneous		4,292	
			No balance of each remaining item is greater than 5% of this account.
Other expenses		7,597	
		<u>\$ 67,575</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 12

Item	Description	Amount	Note
Wages and salaries		\$ 9,060	
Depreciation		1,478	
Management fees		896	
Research and development expenses		721	
			No balance of each
			remaining item is greater
Other expenses		324	than 5% of this account.
		<u>\$ 12,479</u>	

BAOTEK INDUSTRIAL MATERIALS LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 13

Function Nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 159,621	\$ 34,785	\$ 194,406	\$ 170,097	\$ 33,213	\$ 203,310
Labour and health insurance fees	15,181	3,264	18,445	15,262	3,172	18,434
Pension costs	5,120	1,877	6,997	5,578	693	6,271
Directors' remuneration	-	2,842	2,842	-	3,396	3,396
Other personnel expenses	10,680	1,001	11,681	10,832	991	11,823
Depreciation	105,337	11,021	116,358	101,246	10,294	111,540
Amortisation	-	-	-	-	-	-

Note:

- 1.As at December 31, 2022 and 2021, the Company had 328 and 344 employees, and 7 and 9 directors who were not employees, respectively.
- 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information:
 - (1) Average employee benefit expense in current year: \$721.
Average employee benefit expense in previous year: \$716.
 - (2) Average employees salaries in current year: \$606.
Average employees salaries in previous year: \$607.
 - (3) Adjustments of average employees salaries: (0.1%).

BAOTEK INDUSTRIAL MATERIALS LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 13

- (4) Please disclose the company's remuneration policy (including directors, managerial officers and employees).
- A. The remuneration of directors is fixed remuneration regarding to the peer industry, and there is no variance remuneration.
Moreover, the remuneration policy follows the Company's Articles of Association.
 - B. The remuneration of the Company's managers is based on the Company's salary policy and the position in the peer industry market, within the Company's scope of authority and responsibility for the position and the contribution to the Company's operating goals.
 - C. Talent is an important asset of the Company. The salary and remuneration policy of the Company's employees is different according to job rank, position, attributes, or special conditions. The salary of the employees follows the labor laws and regulations, with the goal of creating a mutually beneficial relationship between the Company and its employees. Every year, the Company conducts promotions based on operating performance, team goal achievement and individual performance, skills certification, and market salary surveys to conduct salary adjustment policies to attract, motivate and retain outstanding talents, and employee bonuses are in accordance with the Company's Articles of Association.

BAOTEK INDUSTRIAL MATERIALS LTD.

(Stock Code: 5340)

Report on Affiliation

2022

BAOTEK INDUSTRIAL MATERIALS LTD.

Statements of the Report on Affiliation

The Company prepared the 2022 Report on Affiliation (from Jan. 1, 2022 to Dec. 31, 2022) in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. There is no discrepancy between the disclosed information and the relevant information disclosed in the notes of the financial statements during the aforementioned period.

Name of the Company : BAOTEK INDUSTRIAL MATERIALS LTD.

Responsible person : Hayashi Hisanobu

February 23, 2023

BAOTEK INDUSTRIAL MATERIALS LTD.
Audit Report for the Report on Affiliation by the CPAs

Tsai Sheng Pao Tzu No. 22005636

BAOTEK INDUSTRIAL MATERIALS LTD. :

BAOTEK INDUSTRIAL MATERIALS LTD. has prepared the 2022 Relation on Affiliations in accordance with the provisions in “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. CPA has checked the relevant financial information and the relevant information disclosed in the notes of the financial statements during the aforementioned period.

According to the audit results of the CPAs, the 2022 Report on Affiliation prepared by BAOTEK INDUSTRIAL MATERIALS LTD. has disclosed relevant information in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. The financial data is consistent with the financial statement. There is no need to make major revision.

PwC Taiwan

Accountants: Chiang, Tsai-Yen
Liu, Chien-Yu

Financial Supervisory Commission

Certified Document No. Chin Kuei Cheng Sheng Tzu No. 1060025097

Certified Document No. Chin Kuei Cheng Sheng Tzu No. 1090350620

February 23, 2023

BAOTEK INDUSTRIAL MATERIALS LTD.

2022 Report on Affiliation

1. Overview of the relation between the subordinate company and the controlling company :

The Company is the subordinate company of NITTO BOSEKI CO., LTD. The information is given as follows :

Unit: 1,000 shares; %

Name of the controlling companies	Controlled reasons	Pledge with the controlling company			Directors or managerial officers served by personnel from the controlling companies	
		Shareholding	%	Pledge	Title	Name
NITTO BOSEKI CO., LTD.	Parent company with actual control on the company	92,866	47.64%	—	Chairman Director Director Director	Hayashi Hisanobu Yoshida Kohichi Shigeoka So Liu, Chun-Chen

2. Significant transactions between the parties :

The transactions between the Company and the controlling company, NITTO BOSEKI CO., LTD., are given as follows :

(1) Purchase and sales transactions :

Unit: NT\$1,000

Transactions with the controlling company				Transaction conditions with the controlling company		Normal transaction condition		Reasons for differences	Accountable (Payables)		Overdue accountable			Remark
Purchase (sales)	Amount	Ratio accounted for total purchase (sales)	Gross sales profit	Unit price (NT\$)	Credit period	Unit price (NT\$)	Credit period		Balance	Ratio accounted for accountable (payable)	Amount	Treatment	Coverage ratio of allowance of collectible accounts.	
Purchase	15,295	2%	\$—	—	Open account 90 days		Open account 60~120 days	Note 1	\$—	—	\$—	—	\$—	
Sales	335,647	(25%)	62,150	—	Open account 90 days		Open account 30~120 days, and part of it is advance payment.	Note 2	54,066	15%	—	—	—	

Note 1: The Company mostly did not purchase the products purchased from the interested parties, from other suppliers. Hence, there is no comparison subjects. The payment period is open account 90 days, which is equivalent to normal vendors.

Note 2: There is no major discrepancy between the transaction price of the product sales from the interested parties and non-interested parties. The payment period is open account 90 days, which is equivalent to normal vendors.

(2) Property transactions : None

(3) Funds financing transactions : None

(4) Asset leasing : None

(5) Other significant transactions : No significant transactions

3. Guarantees/Endorsements : None

4. Other matters with significant impact on the Company's finance and business : None

BAOTEK INDUSTRIAL MATERIALS LTD.

Chairman : Sato Eiji