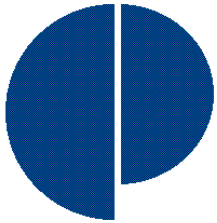


Stock code 2328

This annual report is available at

Market Observation Post System: <http://mops.twse.com.tw>

The official website of the Company: <http://www.panpi.com.tw>



Pan-International Industrial Corp.

2022 Annual Report

Printing date:

April 26, 2023

For the convenience of readers and for information purpose only, the annual report, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version, or any difference in the interpretation between the two versions, the Chinese language annual report, auditors' report and financial statements shall prevail.

I. The spokesperson, acting spokesperson of the Company

	<u>Spokesperson</u>	<u>Deputy Spokesperson</u>
Name:	Shih-Hua Kuo	Wen-Ling Yu
Title:	Manager, Admin. Dept.	Professional Staff
Telephone:	(02)2211-3066	(02)2211-3066
Email:	john.kuo@panpi.com.tw	winnia@panpi.com.tw

II. Address and telephone number of corporate headquarter, branches, and factories.

Corporate Headquarter:

No. 97 Anxing Rd., Xindian, New Taipei City (02)2211-3066

Factory:

No. 97 Anxing Rd., Xindian, New Taipei City (02)2211-3066

III. Share Registrar and Investor Service Agent:

Name: Grand Fortune Securities
Address: 6F, No. 6, Zhongxiao West Road, Section 1,
Zhongzheng District, Taipei City
Website: www.gfortune.com.tw
Tel: (02)2371-1658

IV. Independent Auditors of financial statements in the most recent year

Name of CPA: Yung-Chien Hsu and Min-Chuan Feng
CPA firm name: PwC Taiwan
Address: 27F, No. 333, Keelung Road, Section 1, Xinyi
District, Taipei
Website: www.pwcglobal.com.tw
Tel: (02)2729-6666

V. Name of the stock exchanges listed for the trading of overseas securities, and information on inquiry of these overseas securities:
None.

VI. Company Website
<http://www.panpi.com.tw>

Table of Contents

	<u>Page</u>
One. A report to Shareholders.....	1
Two. Company Profile.....	5
I. Date of establishment.....	5
II. Organization and operations.....	5
Three. Corporate Governance Report.....	8
I. Organization system.....	8
II. Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, and heads of the functions and branches.....	9
III. Remunerations to the Directors, President, and Vice Presidents in the most recent year.....	17
IV. The pursuit of corporate governance.....	21
V. Auditors' fee Information.....	50
VI. Information on replacement of CPAs.....	50
VII. The Chairman, President, Chief Financial Officer, or Accounting Manager, who has been employed by the CPA firm or its affiliates in last year.....	50
VIII. The changes in the transfer or pledge of equity shares by Directors, managers, and shareholders holding more than 10% of the shares issued by the Company in the most recent year to the day this report was printed.....	51
IX. The top 10 shareholders who are spouses or relatives within the second degree of kinship as listed in the Statement of Financial Accounting Standards (SFAS) No.6.....	52
X. The quantity of shares, and combined with the proportion of overall shareholding held by the Company, Directors of the Company, managers, and business entities under the direct or indirect control of the Company on a particular investee company, the ratio of overall shareholding in combination in the calculation.....	53
Four. Solicitation of Capital.....	53
I. Capital and Shares.....	53
II. The state of corporate bonds, preferred shares, overseas depository receipts, employee stock options, restricted shares for subscription by employees, and mergers and acquisitions (including mergers, acquisitions and spinoffs).....	58
III. Fund Utilization Plan Implementation Status.....	58
Five. Operation Overview.....	59
I. Business Content.....	59
II. Market, Production, and Sales Overview.....	70
III. Working staff.....	87
IV. Information on environmental protection expenditure.....	87
V. Labor Management Relations.....	89
VI. Information Security Management.....	90
VII. Major contracts.....	90

Six.	Financial Overview.....	91
	I. Condensed Balance Sheet and Comprehensive Income Statement of the most recent 5 years.....	91
	II. Financial Analysis for the Last Five Years.....	95
	III. Auditing Committee Review Report on Financial Statements of the most recent year.....	99
	IV. Parent Company Only Financial Statements of the most recent year.....	100
	V. Company's Consolidated Financial Statements of the Most Recent Year Certified by CPAs.....	173
	VI. Any financial difficulties for the Company and its affiliated companies in the most recent year and as of the date of publication of the annual report, and their impacts on the Company's financial status.....	249
Seven.	Financial Status and Financial Performance Review Analysis & Risk Matters.....	249
	I. Financial Status.....	249
	II. Financial Performance.....	250
	III. Cash flow.....	251
	IV. The impacts that major capital expenditures have on financial operations in the most recent year.....	251
	V. Reinvestment policy in the most recent year and the main reasons for its profit or loss, improvement plan, and investment plan for the coming year.....	252
	VI. Risk Item Appraisal.....	252
	VII. Other Material Issues.....	255
Eight.	Special Disclosures.....	256
	I. Affiliated Enterprises Related Information.....	256
	II. Private placement of securities during the most recent year or the current year up to the date of publication of the annual report.....	264
	III. The holding or disposal of Company shares by subsidiaries in the most recent year to the day this annual report was printed.....	264
	IV. Other Supplementary Information.....	264
Nine.	Other matters that have a significant impact on the shareholders equity or the securities prices.....	264

One. A report to Shareholders

Dear Shareholders, Ladies and Gentlemen,

China's COVID-19 control policies have caused work stoppages and logistics interruptions in some areas. The disappearance of terminal client demand in the information and communication industries has severely affected the operations of some companies. Fortunately, Pan-International's mainland China factories are not in strict-lockdown areas, and production and sales can maintain normal operations. China has stimulated the automotive market using subsidy policies. The overall automobile production and sales have grown, and the Company's revenue from automotive wiring harnesses has also increased significantly. Moreover, the benefits of order transfer in Southeast Asia persisted, and regional revenue increased. With the help of these two factors, the annual consolidated revenue can still grow slightly over the previous year. The United States adopted a rapid and strong interest rate hike model in the second half of last year to curb inflation, resulting in a sharp appreciation of the U.S. dollar. The relatively depreciated RMB and NTD have boosted profits significantly, creating double-digit growth rates in annual profits. Therefore, revenue and profit from last year can successfully reach the annual target.

In contrast, the demand for 3C products has gradually saturated. Products related to new energy vehicles have become one of the few new markets with high growth opportunities in recent years. So they have become the targets of major manufacturers. Pan-International deployed into this field in 2021 to actively raise revenue from related products and increase the Company's exposure and market share. In the future, we will prioritize establishing bases in China and Southeast Asia, providing automotive-related product supply and service, and aggressively investing in becoming a first-line subcontractor for automotive wiring harnesses and related products. In addition, the gross profit margin of automotive products is better than that of current electronic products. So raising the proportion of revenue from automotive products is also consistent with the Company's transformation and upgrading strategy, which can improve the Company's profitability and allow employees and shareholders to share the success.

I. 2022 Annual Operating Results:

(I) Business plan implementation result:

The Company's consolidated revenue in 2022 was NT\$26.3 billion, which increased by 9% from NT\$24.2 billion in 2021; the net profit after tax was NT\$1.57 billion, which increased by 35% from NT\$1.16 billion in 2021; and the earnings per share were NT\$2.55.

(II) Budget implementation status: The Company did not release a financial forecast in 2022, but all departments have actively implemented the internal annual budget and strictly controlled expenses to create profits and give back to shareholders.

(III) Financial income, expenditure, and profitability analysis:

Item		2020	2021	2022
Return on assets (%)		3.86	5.21	6.43
Return on equity (%)		6.23	8.65	10.85
Ratio to paid-in capital (%)	Operating profit	17.84	26.67	35.14
	Pre-tax profit	23.02	29.89	39.67
Net profit rate (%)		3.85	4.80	5.97
Earnings per share (NT\$)		1.28	1.87	2.55

(IV) R&D Status

The Company will continue to invest in R&D manpower, equipment, and bases to satisfy customers' demands for new product development and production technology advancement. We aim to achieve production equipment optimization and automation to increase production efficiency. In addition to preparing the equipment needed for the mass production of new energy cars, the new models' vehicle wiring harnesses, high-voltage (battery pack) wiring harnesses, and high-frequency and high-speed wiring harnesses are also being actively developed in response to client requests. HDI multilayer boards and automotive PCBs are also completed according to the customer's product development schedule to meet the product quality and quantity demands. We look forward to improving our R&D capabilities, collaborating closely with customers to consolidate orders and revenue, and improving profitability. The new product R&D plans include connecting wires, devices (automotive low-voltage harnesses, high-voltage cable for EVs, medical instrument cables, etc.), PCBs (automotive optoelectronic boards, workstations, servo control PCBs, etc.), and electronic consumer products (medical consumables, WiFi 6 for 5G routers, 5G POE WiFi gateways, etc.). A total of NT\$420 million was invested in R&D this year, which increased substantially by 20%. We will continue to invest a ratio of approximately 1%-2% of the total annual revenue (approximately NT\$400-500 million) in R&D resources and gradually increase the proportion of investment to enhance the Company's competitiveness.

II. Summary of the 2023 Business Plan

The rapid interest rate hikes by the FED to cool demand and curb inflation, the surge of raw material and crude oil prices as a result of the ongoing Ukraine-Russia war, the tense cross-strait relations, and geopolitical competitions, and the technological competition and bans between the United States and China all have significant impacts on the global economic environment. The economic environment is expected to enter a downward cycle this year. Improving risk awareness, crisis management and control, and organizational resilience will be the key operational initiatives for the year. The Company will respond cautiously while enhancing the R&D capabilities and new energy vehicle product production technologies and actively strive for new business opportunities. The business, production, and marketing policies formulated for the annual development are as follows:

(I) Business Policy:

1. Focus on new energy vehicles and green energy new industries, increase the proportion of revenue, and expand market share.
2. Increase cash positions, reduce AR and inventory levels, and enhance operational resilience to minimize risks.
3. Set ESG-related goals, fulfill social responsibilities and achieve sustainable business operations.

(II) Production and Sale Policy:

1. Establish new production bases, actively seek new clients, increase the revenue ratio of new energy vehicle wiring harnesses and related electronic products, and optimize the Company's overall gross, net, and other profits.
2. Actively develop business prospects in 5G, Cloud, Metaverse, and other related products through cross-industry integration and joint venture models, and expand product breadth to maintain revenue growth stability.
3. Evaluate the geopolitical risk trends; examine manufacturing resources in Taiwan, mainland China, and Southeast Asia; and create production, sales, and logistics models to meet clients' needs while reducing risks.
4. Improve the frequency of AR and inventory reviews, reduce exposure, raise cash position, preserve liquidity to improve risk management, and enhance resilience for continuous operations.

5. Complete the carbon inventory, formulate carbon reduction strategies, complete the Task Force on Climate-Related Financial Disclosures (TCFD) projects, assess climate change's financial impact, and design countermeasures operational strategies.
6. Evaluate and formulate ESG-related policy indicators, invest resources, fulfill corporate social responsibilities, and gradually achieve sustainable business operation goals.

III. The Prospect

The Company's main objectives are to generate profits, care for employees, and return profits to shareholders. This goal has been met successfully in recent years by our endeavors. However, this year's unanticipated shifts in the global climate pose challenges to our daily operations and investment decisions. We will uphold the Company's philosophy of honesty and integrity at every step, make cautious decisions in real-world executions, and improve the overall competitiveness and sustainable profit growth. We will also actively assess risk factors, formulate countermeasures, and enhance the resilience of the Company's operations. Recently, ESG has gradually become a key indicator for the competent authorities and the investing public to evaluate the Company. We also agree that besides the numbers from the Company's operations, we must also fulfill our social responsibilities to the external environment and the local communities. Therefore, the Company shall gradually incorporate all aspects of ESG norms into its key annual operation strategies. This year, we will invest more resources to improve the system, set implementation goals, review and optimize business strategies, strive to meet the various ESG indicator requirements, and achieve balanced development. The goal is to improve the Company's management and profit-making capabilities, establish an honest management image, continue to lay the century-old brand foundation, and adhere to sustainable management development goals. I would like to express my sincere gratitude to all shareholders.

May I wish all the Shareholders, Ladies and Gentlemen

Good health and good luck

Chairman



Two. Company Profile

I. Date of establishment: May 19, 1971

II. Organization and operations:

1971 * The Company was established in May and engaged in electric appliance and light fixture trades during its early days.

1973 * Established home appliance connector, terminals, and plugs factories.

1974 * Established raw wire and cable factories.

Purchase of the land at Anxing Road, Xindian, for the plant site to expand production capacity. This plant was charged with producing a series of computer connectors and wire products. A tooling department was also established for making molds for computer wire products.

* Cited as outstanding quality by Mitsubishi Electric Corporation of Japan.

1989 * Invested in establishing Pan-International Electronics (Malaysia) Sdn Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd.

* * Pan-International Industrial (USA) Corp. was established to develop the market in the USA and establish a marketing network in the Americas.

* Won the High Quality Award of Apple Inc., USA.

1990 * Invested in establishing Pan-International Electronics (Thailand) Co., Ltd.

* Acquired land occupying an area of 6,757 m² as the site for the Yangmei Plant for capacity expansion.

1991 * Approved as a public company.

* Launch of the new plant of Pan-International Electronics (Malaysia) Sdn. Bhd.

1992 * Accredited with the ISO-9002 quality certification. The system and quality assurance system of the Company was internationally recognized.

1993 * Approved by Taiwan Stock Exchange Corporation to list the stock for trading on the TWSE, with the official listing of stock for trading on November 9.

* Launched a new plant for Pan-International Wire & Cable (Malaysia) Sdn. Bhd.

1994 * Pan-International Electronics (Malaysia) Sdn. Bhd. was accredited with the ISO-9002 certification.

1995 * Completed the expansion of Pan-International Electronics (Thailand) Co., Ltd.

* Renamed as "Pan-International Industrial Corp." in December.

1996 * Pan Global Holding Co., Ltd. was established in the British Virgin Islands to coordinate overseas reinvestment.

* Pan-International Precision Electronic Co., Ltd., a wholly-owned company, was established in Dongguan, China.

* Pan-International Wire & Cable (Malaysia) Sdn. Bhd. was accredited with the ISO-9002 certification.

1997 * Acquisition of Pojie Technology Co., Ltd. as Electronics Department II for the exclusive engagement in optoelectronics products.

1998 * Approved by Securities and Futures Bureau to raise capital of NT\$600 million by offering new shares on October 31.

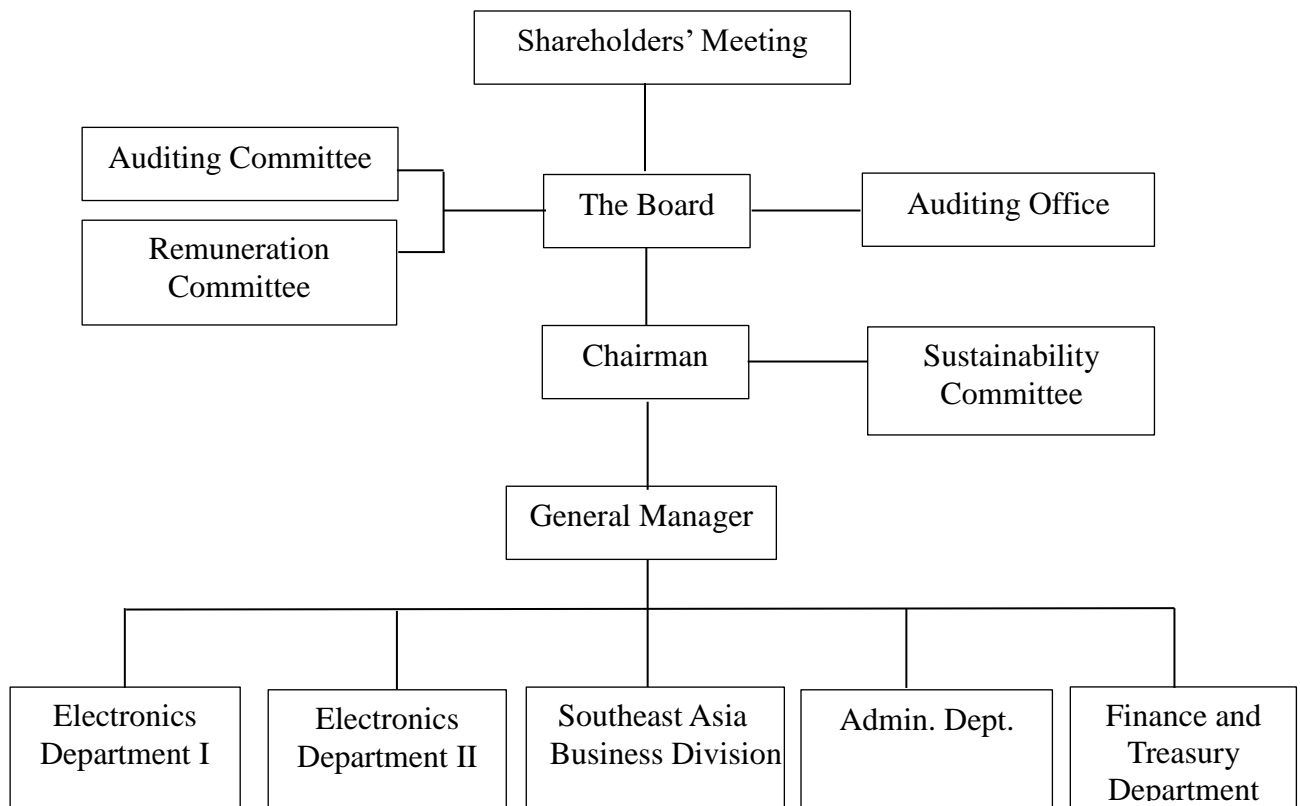
- 1999 * Completed the 1998 cash capital increase with the paid-in capital of NT\$2,641 million. Hon Hai Precision Industry Co., Ltd. became the largest shareholder.
- * A special session of the Shareholders Meeting was held on April 12 to elect new Directors and Supervisors, with the amendment to the Articles of Incorporation whereby 9 seats of Directors and 2 seats of Supervisors were revised as 5 seats of Directors and 2 seats of Supervisors.
- 2000 * The Securities and Futures Bureau approved to raise capital by NT\$800 million by offering new shares, with paid-in capital amounting to NT\$3,441 million.
- * PIB, the subsidiary in Malaysia, was approved for listing on the stock exchange of Kuala Lumpur.
- 2001 * The business mode for CD-ROM products was changed from self-production to outsourcing.
- 2002 * Extended into the printed circuit board (PCB) business to broaden business horizons.
- 2003 * Invested in the SMS Marketing Service (Asia) Co., Ltd. to handle the retailing and bulk sale of C 3C products in China.
- 2004 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$3,628 million.
- 2005 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,016 million.
- 2006 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,230 million.
- * Indirect investment in Ganchuang International Trade (Shenzhen) Co., Ltd. via a third area.
- 2007 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,415 million.
- 2008 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,678 million.
- * Resolved in investing US\$13 million in NCIH and raised capital of the wholly-owned subsidiary Yen Yung by NT\$500 million.
- 2009 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$4,879 million.
- * Subsidiary PGH purchased 100% of the stakes of Cybertant Technology Co., Ltd. for US\$27.25 million.
- 2010 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,037 million.
- * Joint investment with Hon Hai in the BOT project at Syntrend Creative Park.
- * Indirect investment in New Ocean Precision Component (Jiangxi) Co., Ltd. via a third area.
- 2011 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,094 million.

- * The Board resolved to indirectly acquire the equity shares of Honghuasheng Precision Electronics (Yantai) Co., Ltd.
- 2012 * The Investment Commission passed a plan for investment in China of the indirect acquisition of Honghuasheng Precision Electronics (Yantai) Co., Ltd., officially adding the PCB plant at Yantai to the operations of the Company.
- 2013 * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,158 million.
 - * Disposal of Fubai Industrial (Shenzhen) Co., Ltd., an investment in China.
- 2014 * Disposal of the equity shares of SMS Marketing Service (Asia) Co., Ltd., a reinvestment of the Company.
 - * Capitalization of retained earnings into new shares completed, with paid-in capital amounting to NT\$5,183 million.
- 2015 * The subsidiary PGH acquired the equity shares of FSK Holdings Ltd.
 - * The Board resolved to approve the joint venture between the subsidiary CBT and Hon Hai, and proceeded to raise capital for the transformation of the land at Minhang District, Shanghai, for the Greater Hongqiao Innovation Center for Science and Technology Strategy.
- 2016 * Amendment to the Articles of Incorporation whereby 3 seats were established for Independent Directors to form an Auditing Committee after elections in 2017.
- 2017 * 3 Independent Directors were elected in the Shareholder Meeting to form the Auditing Committee.
- 2018 * Unprecedented high revenue and profit.
- 2019 * Establishment of the position of Corporate Governance Officer.
- 2020 * Establishment of the automotive wire products research and development team.
- 2021 * Acquired an 80% stake in Wuhu Ruichang Electric Systems Co., Ltd. and merged its automotive wiring harness factory into the Company's operations.
- 2022 * Established Yibin Pan-International Vehicle Wire Co., Ltd. and expanded the number of automotive product production bases.

Three. Corporate Governance Report

I. Organization system

(I) Organization Structure



(II) Business Operations for Main Departments

Major departments

Duties

Auditing Office	Examine and evaluate the reliability, efficiency and effectiveness of the business record and internal control of the Company, give recommendations for improvement for the effective pursuit of internal control.
Sustainability Committee	Responsible for the design and execution of the ESG and ethical corporate management policy objectives
Electronics Department I	Responsible for the development, manufacturing, and sale of connection cord, wires, connectors, and electronic assemblies.
Electronics Department II	Responsible for the manufacturing and sale of computer parts and components, peripherals, and PCBs.
Southeast Asia Business Division	Responsible for administering the operations of subsidiaries in Southeast Asia.
Admin. Dept.	Coordinate the administrative affairs of the Company, including accounting, administration and information functions.
Finance and Treasury Department	Coordinate the administrative affairs of the financial management and funding of the Company.

II. Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, and the heads of the functions and branches

(I) Director Information

Profiles of the Directors (I)

April 11, 2023

Title	Nationality or place of registration	Name	Gender Age	Election (appointment) Date	Tenure	Date of initial term to office	Quantity of shareholding at the time of election to office		Number of shares held at present		Holding of shares at present by spouse, underage children.		Holding of shares in the name of a third party		Major experience (education)	Additional posts of the Company and other companies at present	Another officer, Director, or Supervisor who is spouse or kin within the 2 nd degree		
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relation
Chairman	Republic of China	Song-Fa Lu	Male 70~75 years old	June 12, 2020	3 years	January 29, 2002	2,035,616	0.39	2,035,616	0.39	-	-	-	-	Vice President, Pan-International Industrial Corp.	President, Pan-International Industrial Corp.	-	-	-
Director	Republic of China	Feng-An Huang	Male 60~70 years old	June 12, 2020	3 years	June 10, 2002	35,000	0.01	35,000	0.01	-	-	-	-	Manager of Hon Hai Precision Industry Co., Ltd.	Manager of Administrative Division, Pan-International Industrial Corp.	-	-	-
Director	Republic of China	Ming-Feng Tsai	Male 50~60 years old	June 12, 2020	3 years	June 14, 2005	494,227	0.10	280,227	0.05	-	-	-	-	Manager, Pan-International Industrial Corp.	Vice President, Pan-International Industrial Corp.	-	-	-
Director	Republic of China	Hong Yuan International Investment	-	June 12, 2020	3 years	April 12, 1999	17,941,593	3.46	17,941,593	3.46	-	-	-	-	-	-	-	-	-
Representative of Institutional Shareholder	Republic of China	Tsai-Yu Hsiao	Male 50~60 years old	June 12, 2020	3 years	June 12, 2020	0	0	0	0	-	-	-	-	HTC Corporation Vice President Lenovo Group Vice President	Chief Product Officer/Vice President, Hon Hai Precision Industry Co., Ltd.	-	-	-
Independent Director	Republic of China	Wen-Rong Cheng	Male 40~50 years old	June 12, 2020	3 years	June 12, 2020	0	0	0	0	-	-	-	-	Lead CPA, Fubo Accounting Firm	Supervisor, Top Food Industrial Corporation Director, Fuzheng Business Management Consultancy	-	-	-

Independent Director	Republic of China	Min-Chang Wei	Male 60~70 years old	June 12, 2020	3 years	June 14, 2017	0	0	0	0	-	-	-	-	Chief Financial Officer, Foxconn Technology Co., Ltd.	-	-	-	-
Independent Director	Republic of China	Mien-Ching Huang	Male 60~70 years old	June 12, 2020	3 years	June 12, 2020	0	0	0	0	-	-	-	-	Supervisor, Pan-International Industrial Corp.	-	-	-	-

Note: The reason, rationality, necessity and policies for the same person holding the position of Chairman and President at the same time: Chairman Lu of the Company is experienced in the industry and started his career from the entry level and was promoted to the position of Chairman. He is familiar with business development and operation management. He also holds the post of President for raising operating efficiency and effective decision-making and performance. The Company is actively engaged in the training and cultivation of senior officers as candidates for the seats of president and directors. During this year's election, the new Board of Directors will discuss the election of a new chairman and the president's appointment. Furthermore, over half of the directors of the Company's board of directors are not concurrently employees and managers, and the Auditing Committee and the Remuneration Committee of the Company consist of all Independent Directors. The committees can perform their functions independently and effectively. The Company's Chairman and the Directors and Independent Directors maintain positive and sufficient communication for the joint planning of development strategies for the future to make corporate governance perfect.

Dominant shareholders of institutional shareholders

April 2, 2023

Name of institutional shareholder	Dominant shareholders of the institutional shareholder
Hong Yuan International Investment	Hon Hai Precision Industry Co., Ltd.(100%)

If the dominant shareholders of the institutional shareholders are corporate bodies, the dominant shareholders of these corporate bodies

April 2, 2023

Name of institutional	Dominant shareholders of the institutional shareholder
Hon Hai Precision Industry Co., Ltd.	Kuo Tai-Ming (12.56%) Citibank in custody for Singapore Government Investment Account (2.78%) New Labor Retirement Fund (1.64%) Standard Chartered Bank (Taiwan) Limited as custodian of LGT Investment Account (1.20%) Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (1.19%) JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.14%) Citibank in custody for Norges Bank Investment Account (1.06%) Citibank in custody for Hon Hai Precision Industry Co., Ltd. Depository Receipt Account (1.06%) Yuanta Taiwan Excellence 50 in custody of CTBC Bank. (0.89%) Standard Chartered Bank's iShares Emerging Markets ETF Investment Account (0.82%)

Note: Only the names of shareholders holding more than 10% of the shares issued by the Company or among the top 10 by ratio of shareholding will be mentioned.

Profiles of the Directors (II)

I. Information Disclosure on Directors' and Supervisors' Professional Qualifications as well as Independent Directors' Independence:

Name \ Condition	Professional Qualifications and Experience	Independence Status	The number of additional posts as Independent Directors with other publicly-traded companies
Song-Fa Lu	Chairman Lu has over 45 years of experience in the electronic components industry. He has served as Senior Vice President and President, and is very experienced in production, R&D, sale, and management. He also has leadership and decision-making skills. Mr. Lu is outstanding at planning the Company's development blueprint and is appointed as the chairman of the Company.	Not applicable	None.
Feng-An Huang	Director Huang has served as the accounting and management manager of Chinfon Group and Hon Hai Group with over 40 years of experience. Mr. Huang has rich experience in financial report management, cost control, and company listing affairs and can assist companies to improve accounting management, internal audit, and internal control systems.	Not applicable	None.
Ming-Feng Tsai	Director Tsai has served as the Company's assistant vice president and Vice President, and has served in the company for 30 years. Mr. Tsai has comprehensive experience in production management and business development. He is currently responsible for planning and developing new businesses, which can help the Company increase revenue and profitability.	Not applicable	None.

Tsai-Yu Hsiao	Director Hsiao has served as the Vice President of HTC and Lenovo Group. Mr. Hsiao has nearly 30 years of experience in product planning and marketing. He is currently serving as the chief product officer of Hon Hai Group. Mr. Hsiao will be able to provide great benefits to the Company's plan to actively develop vehicle product businesses.	Not applicable	None.
Wen-Rong Cheng	Independent Director Cheng is a certified accountant. He is currently a partner CPA of Fubo United Accounting Firm. He is proficient in international accounting standards, financial statement auditing, as well as tax planning and can provide perfect suggestions for the company's financial report preparation, regulatory compliance, and internal control management to fulfill his supervisory duties.	Director Cheng (and his spouse and relatives within the second degree of kinship) has not served as a director, supervisor, or employee of the Company, related companies, or companies with specific relationships. He has not received any remuneration for his services in the last two years. Comply with the independence status required for an independent director.	None.
Min-Chang Wei	Independent Director Wei has served as the financial and accounting supervisor for foreign and domestic high-tech companies. Mr. Wei possesses complete financial and accounting management experience and qualifications for daily company operations. He can provide sound advice and fulfill supervisory responsibilities for the Company's financial report preparation as well as tax and capital planning-related operations.	Director Wei (and his spouse and relatives within the second degree of kinship) has not served as a director, supervisor, or employee of the Company, related companies, or companies with specific relationships. He has not received any remuneration for his services in the last two years. Comply with the independence status required for an independent director.	None.
Mien-Ching Huang	With rich experience in overseas investment and enterprise management, Independent Director Huang has served as the investment director of domestic automotive products and high-tech company investments. Mr. Huang can provide perfect suggestions for the Company's automotive product market business development and overseas investment plans, and fulfill his supervisory responsibilities.	Director Huang (and his spouse and relatives within the second degree of kinship) has not served as a director, supervisor, or employee of the Company, related companies, or companies with specific relationships. He has not received any remuneration for his services in the last two years. Comply with the independence status required for an independent director.	None.

Note: All of the Company's directors do not have any circumstances stipulated in Article 30 of the Company Act.

II. Diversity and independence of the board of directors:

(I) Diversity of the board of directors:

According to the Corporate Governance Best Practice Principles of the Company, the Board shall be capable of performing the following functions for achieving the ideal goal of corporate governance.

1. Operational judgment.
2. Capacity for accounting and financial analysis.
3. Capacity for corporate management.
4. Capacity for crisis management.
5. Industry knowledge.
6. International market view.
7. Leadership.
8. Decision-making capacity.

In addition to the preceding capacities, the Company has also mapped out a strategy for diversity for the members of the board in hopes of seeking appropriate candidates who specialize in sales and marketing, production, finance and accounting, automotive industry, and risk management who have rich experiences and understand the industry prospects and operational development of the Company. Gender equality will also be considered to allow female members to participate in corporate decision-making. The company is eager to seek female candidates and is preparing a list of candidates suitable for the positions to present to the Shareholders for election to office.

The current board members have the professional skills shown in the table below:

Director	Title	Seniority of service of the Independent Director		The overall capacity required for the Board								Hold position as employee of the Company
		Less than 3 years	More than 3 years	Operational judgment	Accounting and financial	Corporate management	Crisis management	Industry knowledge	International market view	Leadership capacity	Decision-making capacity	
Song-Fa Lu	Chairman			V		V	V	V	V	V	V	V
Feng-An Huang	Director				V	V	V		V	V	V	V
Ming-Feng Tsai	Director			V		V	V	V	V	V	V	V
Tsai-Yu Hsiao	Director			V		V	V	V	V	V	V	
Wen-Rong Cheng	Independent Director	V		V	V	V	V		V	V	V	
Min-Chang Wei	Independent Director		V		V	V	V		V		V	
Mien-Ching Huang	Independent Director	V		V	V	V	V	V	V		V	

The Company has established 7 seats of Directors for its Board in accordance with the Articles of Incorporation of which 3 seats were reserved for Independent Directors with tenure of 3 years. The candidate nomination system was adopted for the election of the Directors and the candidates on the list will be elected by the Shareholders Meeting to the seats. Directors may assume a new term of office if reelected. The Company has taken liability insurance to protect the Directors within the scope of their assigned duties.

The current board members were elected in June 2020 by the shareholders meeting, and the term of office started on 2020-06-12 and expires on 2023-06-11. Directors who are also employees accounted for 43%, while independent directors accounted for 43% of the total seats of directors. Two of the independent directors have seniority of service of less than 3 years, and 1 has been in office for 3 to 6 years. One director is over 70, and 3 directors are between 60 and 69. Three directors are under 60. The current board of directors has achieved the predetermined strategic goals for director diversity, cross-industry deployment, and operational development. However, the gender equality goal has not yet been achieved. (There was 1 female Director in the last term of the director [at 14%]). To increase the gender composition ratio among directors and strengthen gender equality, the main goal of this year's director election will be to increase at least one female director member while considering other diversity goals during director candidate nominations.

(II) Independence of the board of directors:

There are three independent directors on the Company's board of directors, accounting for 43%. The ratio of directors who are not part-time employees of the Company exceeds 50%. According to the directors' statements and the Company's inspection results, there is no spousal relationship or relative within the second-degree kinship between the directors, so the board of directors is independent.

The Company's independent directors shall be appointed according to their declaration and the Company's qualification checklist when they are elected. All three independent directors meet the relevant independence standards.

(II) Profiles of the President, Vice President, Assistant Vice President, and heads of the functions and branches

April 11, 2023

Title	Nationality	Name	Gender	Date of election to (assumption of) office	Number of shares held		Holding of shares by spouse, underage children		Holding of shares in the name of a third party		Major experience (education)	Additional posts with other companies	A manager who is spouse or kin within the 2 nd degree.		
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Title	Name	Relation
The Chairperson also hold the position as The President	Republic of China	Song-Fa Lu	Male	January 29, 2002	2,035,616	0.39	0	0	0	0	High school graduate Vice President, Pan-International Industrial Corp.	None.	-	-	-
Manager of Admin. Dept./Chief Financial Officer	Republic of China	Feng-An Huang	Male	January 29, 2002	35,000	0.01	0	0	0	0	University graduate Manager of Hon Hai Precision Industry Co., Ltd.	None.	-	-	-
Vice President	Republic of China	Ming-Feng Tsai	Male	October 1, 2014	280,227	0.05	0	0	0	0	Graduate from graduate school Manager, Pan-International Industrial Corp.	None.	-	-	-
Assistant Vice President	Republic of China	Tseng-Hsiang Lin	Male	February 7, 2006	100,151	0.02	0	0	0	0	College graduate Vice President of Northstar Systems Corporation	None.	-	-	-
Assistant Vice President	Republic of China	Jen-Peng Wu	Male	August 5, 2016	51,079	0.01	0	0	0	0	University graduate Manager, Pan-International Industrial Corp.	None.	-	-	-
Assistant Vice President	Republic of China	Chen Teng-Wang	Male	August 5, 2016	60,000	0.01	0	0	0	0	College graduate Manager, Pan-International Industrial Corp.	None.	-	-	-
Assistant Vice President	Republic of China	Yuan Feng-Hsiang	Male	August 5, 2016	62,791	0.01	324	0	0	0	University graduate Manager, Pan-International Industrial Corp.	None.	-	-	-
Assistant Vice President	Republic of China	Yu-Yuan Chen	Male	December 4, 2020	0	0.00	0	0	0	0	University graduate Assistant Manager of Hon Hai Precision Industry Co., Ltd.	None.	-	-	-
Assistant Vice President	Republic of China	Chen Ming-Lung	Male	May 1, 2018	0	0.00	0	0	0	0	Vocational high school graduate Manager, Pan-International Industrial Corp.	None.	-	-	-
Assistant Vice President	Republic of China	Ping Chen	Female	December 4, 2020	0	0.00	0	0	0	0	University graduate Vice President of Antec Electric System Co., Ltd.	None.			
President (Corporate Governance Officer)	Republic of China	Chih-Hao Tai	Male	November 6, 2020	0	0.00	0	0	0	0	Graduate from graduate school Deputy Manager, Pan-International Industrial Corp.	None.	-	-	-

III. Remunerations to the Directors, President, and Vice Presidents in the most recent year

(I) Remuneration to the Directors (there was no loss after taxation, no insufficient holding of shares by Directors, and no Directors pledged equity shares of the Company over the most recent 2 years)

Unit: NTD Thousand

Title	Name	Remuneration to the Directors								The sum total of A, B, C, D in proportion to the net income		Remuneration to Directors who are also employees								The sum total of A, B, C, D, E, F, and G in proportion to net income		Any remuneration from investee companies other than the subsidiaries
		Remuneration (A) (Note 1)		Pension and severance pay (B)		Remuneration to Directors (C) (Note 2)		Business allowance (D) (Note 3)				Salaries, bonus, and special subsidy (E) (Note 4)		Pension and severance pay (F)		Remuneration to the employees (G) (Note 5)						
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements)		The Company	All companies listed in the financial statements	
																Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Director	Song-Fa Lu	0	0	0	0	5,689	5,689	0	0	0.43%	0.43%	8,899	8,89	240	240	5,994	0	5,994	0	1.57%	1.57%	None.
	Feng-An Huang																					
	Ming-Feng Tsai																					
	Tsai-Yu Hsiao, representative of Hong Yuan International Investment																					
Independent Director	Wen-Rong Cheng	1,080	1,080	0	0	2,212	2,212	0	0	0.25%	0.25%	0	0	0	0	0	0	0	0	0.25%	0.25%	None.
	Min-Chang Wei																					
	Mien-Ching Huang																					

The policy, system, standard and structure of the remuneration to the Independent Directors, the association between the duties charged, the risk, the time consumed and related factors and the amount of payment:

Independent directors receive a fixed monthly remuneration as service income. The payment will be based on the number of attendances to the Board, Auditing Committee, and Remuneration Committee meetings as well as the participation in the discussion and decision in relevant meetings. The Articles of Incorporation also specified that the Company shall appropriate at least 5% of its earnings as remuneration to the employees and no more than 0.5% of the earnings as remuneration to the Directors, so that the Directors and the employees can share the result of operation. The Company reviews the system of remuneration to the Directors every year and submits it to the Remuneration Committee for discussion, which allows for the duties and risks the Directors assumed to be commensurate with their remuneration.

* In addition to the disclosures in the above table, any remuneration to the Directors who provided services for the companies included in the financial statements in the most recent year (such as consultants): None.

Note: Pension and severance pay are recognized as expenses appropriated for payment

Remuneration bracket

Remuneration bracket for individual Directors of the Company	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements I	The Company	All companies included in the financial statements J
Less than NTD1,000,000				
NTD1,000,000 (inclusive) ~ NTD2,000,000	Song-Fa Lu, Ming-Feng Tsai, Feng-An Huang, Tsai-Yu Hsiao, Min-Chang Wei, Wen-Rong Cheng, Mien-Ching Huang	Song-Fa Lu, Ming-Feng Tsai, Feng-An Huang, Tsai-Yu Hsiao, Min-Chang Wei, Wen-Rong Cheng, Mien-Ching Huang	Min-Chang Wei, Wen-Rong Cheng, Mien-Ching Huang and Tsai-Yu Hsiao	Min-Chang Wei, Wen-Rong Cheng, Mien-Ching Huang and Tsai-Yu Hsiao
NTD2,000,000 (inclusive) ~ NTD3,500,000	-	-	-	-
NTD3,500,000 (inclusive) ~ NTD5,000,000	-	-	-	-
NTD5,000,000 (inclusive) ~ NTD10,000,000	-	-	Song-Fa Lu, Ming-Feng Tsai and Feng-An Huang	Song-Fa Lu, Ming-Feng Tsai and Feng-An Huang
NTD10,000,000 (inclusive) ~ NTD15,000,000	-	-	-	-
NTD15,000,000 (inclusive)~ NTD30,000,000	-	-	-	-
NTD30,000,000 (inclusive) ~ NTD50,000,000	-	-	-	-
NTD50,000,000 (inclusive) ~ NTD100,000,000	-	-	-	-
More than NTD100,000,000	-	-	-	-
Total	7	7	7	7

Note 1: The remuneration to the Directors in the most recent year (including salaries, business allowances, severance pay, bonuses, incentive benefits, etc.).

Note 2: The amount stated was the remuneration to the Directors passed by the Board in the most recent year.

Note 3: The expenses incurred from services provided by the Directors in the most recent year (including travelling fees, special subsidies, allowances, accommodation, transport, supply in kind, etc.).

Note 4: The payment to Directors in the capacity of employees (including the President, Vice President, and other managers and employees) of the most recent year, including salaries, business allowances, severance pay, bonuses, incentive benefits, travelling fees, special subsidy, allowances, accommodation, transport, supply in kind, etc.

Note 5: Remuneration to Directors in the capacity as employees (including the President, Vice President, and other managers and employees) in the most recent year (including stock and cash).

* The content of remuneration as disclosed in this table is different from the concept under the Income Tax Act, which is for disclosure only and not for taxation purpose.

(II) Remuneration to the President and the Vice Presidents

Unit: NTD Thousand

Title	Name	Salaries (A)		Pension and severance pay (B)		Bonuses and special subsidies (C)		Amount of remuneration to employees (D)				The sum total of A, B, C, D in proportion to net income (%)		Any remuneration from investee companies other than the subsidiaries
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements		The Company	All companies listed in the financial statements	
								Amount of cash	Amount of stock	Amount of cash	Amount of stock			
The President	Song-Fa Lu	6,194	6,194	240 (appropriated amount)	240 (appropriated amount)	2,705	2,705	5,994	0	5,994	0	1.33%	1.33%	None.
Manager of Admin. Dept.	Feng-An Huang													
Vice President	Ming-Feng Tsai													

Remuneration bracket

Payment to individual President and Vice Presidents, remuneration bracket	Names of President and Vice Presidents	
	The Company	All companies included in the financial statements E
Less than NTD1,000,000	-	-
NTD1,000,000 (inclusive) ~ NTD2,000,000	-	-
NTD2,000,000 (inclusive) ~ NTD3,500,000	-	-
NTD3,500,000 (inclusive) ~ NTD5,000,000	Song-Fa Lu and Feng-An Huang	Song-Fa Lu and Feng-An Huang
NTD5,000,000 (inclusive) ~ NTD10,000,000	Ming-Feng Tsai	Ming-Feng Tsai
NTD10,000,000 (inclusive) ~ NTD15,000,000	-	-
NTD15,000,000 (inclusive)~ NTD30,000,000	-	-
NTD30,000,000 (inclusive) ~ NTD50,000,000	-	-
NTD50,000,000 (inclusive) ~ NTD100,000,000	-	-
More than NTD100,000,000	-	-
Total	3	3

* The content of remuneration as disclosed in this table is different from the concept under the Income Tax Act, which is for disclosure only and not for taxation purpose.

Names of managers with distribution of employee remuneration and the status of distribution

April 11, 2023

	Title	Name	Amount of stock (Thousand)	Amount of cash (Thousand)	Total (Thousand)	Amount total in proportion to net income (%)
Managerial Officers	The President	Song-Fa Lu	0	16,458	16,458	1.24%
	Manager of Admin. Dept./ Chief Financial Officer	Feng-An Huang				
	Vice President	Ming-Feng Tsai				
	Assistant Vice President	Tseng-Hsiang Lin				
	Assistant Vice President	Jen-Peng Wu				
	Assistant Vice President	Chen Teng-Wang				
	Assistant Vice President	Yuan Feng-Hsiang				
	Assistant Vice President	Yu-Yuan Chen				
	Assistant Vice President	Chen Ming-Lung				
	Assistant Vice President	Ping Chen				
	Deputy Manager (Corporate Governance Officer)	Chih-Hao Tai				

(IV) The total payment to Directors, President, and Vice Presidents of the Company in proportion to the net income of the most recent 2 years:

	2021		2022	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Director	2.26%	2.26%	1.82%	1.82%
President and Vice Presidents	1.52%	1.52%	1.33%	1.33%

- (1) The Company's operations this year have shown growth in revenue and relatively good performance in profitability under the strategy of improving the product portfolio and integrating regional production capacity. Although the total remuneration for directors and managers was higher than that in 2021, the ratio dropped compared to 2021 because the net profit after tax in 2022 showed a relatively large increase.
- (2) Remuneration to the President and the Vice Presidents covers salaries, bonuses, and employee remuneration. Remuneration was determined in accordance with the internal rules and regulations of the Company and in consideration of salaries for the same position and rank on the market of the same industry. In addition, the functions and scope of duties, the contribution to the operation objective of the Company will also be considered. The policy of remuneration was made with reference to the overall operation performance of the Company, individual attainment of performance goals, and contribution to the Company and set at a reasonable level. The Remuneration Committee will regularly review the evaluation criteria such as the managers' remunerations, the connection to performance, and the salary level of the market peers in order to adjust the Company's compensation policies and systems for managers promptly and retain outstanding talents for the Company.

IV. The pursuit of corporate governance

(I) The operation of the Board:

(1) The Board convened 4 times in the most recent year (2022). The attendance of the Directors is shown below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%)	Remarks
Chairman	Song-Fa Lu	4	0	100%	-
Director	Feng-An Huang	4	0	100%	-
Director	Ming-Feng Tsai	4	0	100%	-
Director	Hong Yuan International Investment Representative, Tsai-Yu Hsiao	4	0	100%	-
Independent Director	Wen-Rong Cheng	4	0	100%	-
Independent Director	Min-Chang Wei	4	0	100%	-
Independent Director	Mien-Ching Huang	4	0	100%	-

Additional information:

- I. If any of the following applies to the Board in operation, specify the date, the session, content of the motions, opinions of the Independent Directors, and the response of the Company to these opinions:
 - (I) According to Article 14-3 of the Securities and Exchange Act:
 1. Passed by the 1st session of the Board in 2022 on March 22, 2022:
 - (1) Amend the Company's "Assets Acquisition or Disposal Handling Procedures."
 2. Passed by the 2nd session of the Board in 2022 on May 10, 2022:
 - (1) The evaluation of the independence of the CPAs and appointment.
(All attending independent directors agreed to approve the preceding proposal with unanimous consent)
 - (II) In addition to the aforementioned issues, other resolutions of the Board with adverse or qualified opinions from the Independent Directors with recorded or written declaration:
Not applicable.
- II. In the recusal of the Directors to avoid conflict of interest, specify the names of the Directors, the content of the motions, the reasons for recusal, and the participation in voting: Motions proposed to the Board in this year did not require recusal due to the conflict of interest.
- III. Companies listed at TWSE or TPEx should disclose the frequency of self-evaluation (or peer evaluation) of the Board and the intervals between the evaluations, the scope and method of evaluation, and related information. Fill in Table II (2) the pursuit of Board evaluation: Refer to the table below.
- IV. The objectives of strengthening the Board of Directors functions in the current and most recent year (i.e., establishing an audit committee, improving information transparency, etc.) and implementation status evaluation: The former CSR Executive Committee has been renamed as the Sustainability Committee during the third Board of Director's meeting this year. It is responsible for the promotion and implementation of ESG-related policies. The implementation results shall be reported to the Board of Directors and disclosed to the public to improve information transparency. In addition, the company has also established an Audit Committee and a Remuneration Committee, which operate independently and perform supervisory duties according to their organizational regulations.

The attendance of Independent Directors to the meetings of the Board in 2022:

Date Name	2022.03.22	2022.05.10	2022.08.09	2022.11.08
Wen-Rong Cheng	◎	◎	◎	◎
Min-Chang Wei	◎	◎	◎	◎
Mien-Ching Huang	◎	◎	◎	◎

Note:◎:Attended in person ☆:Attended by Proxy △:On leave.

(2) The implementation of Board evaluation:

The Company passed the “Regulations Governing the Evaluation of the Board” in the 3rd session of the Board in 2019, and has completed the evaluation of the Board, Directors and the members of the functional committees of 2022 in February 2023. The implementation is as follows:

Frequency of evaluation	Period for evaluation	Scope of evaluation	Method of evaluation	Content of evaluation
Implement once per year	2022/1/1~2022/12/31	The Board	Self-Evaluation of the Board	A. Degree of participation in the operation of the Company B. Improving the quality of decision-making of the Board C. The organization and structure of the Board D. The election of Directors and continuing education E. Internal Control
		Director	Self-Evaluation of the Directors	A. Mastery of the company objective and mission B. Understanding of the duties of Directors C. Degree of participation in the operation of the Company D. Engagement of internal relations and communication E. Professional standing of the Directors and continuing education F. Internal Control
		Auditing Committee	Self-evaluation of the committees	A. Degree of participation in the operation of the Company B. Improving the quality of decision-making of the committee C. Understanding of the duties of the committee D. The organization of the committee and the election of the committee members E. Internal Control
		Remuneration Committee	Self-evaluation of the committees	A. Degree of participation in the operation of the Company B. Improving the quality of decision-making of the committee C. Understanding of the duties of the committee D. The organization of the committee and the election of the committee members

The self-assessment questionnaires completed by directors and committee members indicated that the self-evaluation result of the board of directors, board members, Auditing Committee, and Remuneration Committee are excellent. The result has been presented at the 1st board of directors meeting session in 2023 as a reference for remuneration and nomination of candidates for continued appointment. In the future, all members of the Board will continue their education and training in order to strengthen their decision-making capacities to enhance decision-making quality and plan for the sustainable development of the Company.

(II) The operation of the Auditing Committee:

The Auditing Committee convened 4 times in the most recent year (2022). The attendance of the Independent Directors is shown below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%)	Remarks
Independent Director	Wen-Rong Cheng	4	0	100%	-
Independent Director	Min-Chang Wei	4	0	100%	-
Independent Director	Mien-Ching Huang	4	0	100%	-

Additional information:

I. If any of the following applies to the operation of the Auditing Committee, specify the Auditing Committee's meeting date, period, and proposal contents; independent directors' dissenting opinions, reservations, or major proposals; and the resolution of the Auditing Committee and the response of the Company to the opinions of the Auditing Committee:

(I) According to Article 14-5 of the Securities and Exchange Act:

Meeting Date	Content of the motions	Dissenting Opinions, Reservations, or Major Recommendations of Independent Directors	Resolution	Response of the Company to the opinions of the Auditing Committee
The 10th meeting of the 2nd term 2022.03.22	1. Review of the financial statements of 2021. 2. The review of the evaluation of the effectiveness of the internal control system and the statement of declaration in 2021. 3. Amend the Company's "Assets Acquisition or Disposal Handling Procedures."	None.	Passed by the members in session with common consent.	Passed by the members in session with common consent.
The 11th meeting of the 2nd term 2022.05.10	1. The evaluation of the independence of the CPAs and appointment.	None.	Passed by the members in session with common consent.	Passed by the members in session with common consent.
The 12th meeting of the 2nd term 2022.08.09	1. 2021 2nd Quarter Financial Report.	None.	Passed by the members in session with common consent.	Passed by the members in session with common consent.

(II) In addition to the above issues, other issues not passed by the Auditing Committee but passed by the Board with the consent of more than two thirds of the Directors: Not applicable.

- II. In the recusal of the Independent Directors to avoid the conflict of interest, specify the names of the Directors, the content of the motions, the reasons for recusal, and the participation in voting: Motions proposed to the Board in this year did not require recusal due to the conflict of interest.
- III. The communication between the Independent Directors and the Chief Internal Auditor and the CPAs (including the communication of material aspects of finance and business operations, and means and the result):
 1. The Auditing Committee convened four times this year. The Chief Internal Auditor attended all the sessions and presented the implementation of the audit plan and the improvement of shortcomings. The Chief Internal Auditor also responded to the questions of the Independent Directors with detailed explanation with documented materials to support. Communication was proper and sufficient. In addition, audit reports and follow-up reports have also been presented at the end of each month as scheduled for the review of the Independent Directors.
 2. Summary of the communication between the Independent Directors and the CPAs:
 - (1) Audit Committee meeting on March 22, 2022
 - The CPAs elaborated the content of the audited consolidated financial statements of 2021 and the Auditors' Report in the meeting.
 - The CPAs responded to the questions of the Independent Directors with explanations, discussion and communication.
 - (2) Audit Committee meeting on May 10, 2022
 - The CPAs explained the content of the audited consolidated financial statements of Q1 2022 and the Auditors' Report in writing for communication.
 - (3) Audit Committee meeting on August 9, 2022
 - The CPAs elaborated on the content of the audited consolidated financial statements for 2nd quarter of 2022 and the Auditors' Report in the meeting.
 - The CPAs responded to the questions of the Independent Directors with explanations, discussion and communication.
 - (4) Audit Committee meeting on November 8, 2022
 - The CPAs explained the content of the audited consolidated financial statements of Q3 2022 and the Auditors' Report in writing for communication.
 - (5) Governance unit communication meeting on December 2, 2022
 - The CPA conducted a video conference to explain and communicate with the independent directors regarding the 2022 annual audit plan, CPA's responsibilities, and independence.
 - The CPA also explained the Code of Ethics for Professional Accountants and Audit Quality Indicators (AQIs).
- IV. Main points of the work of the Auditing Committee of the year and the operation:
 - (I) Main points of the work of the year
 1. The audit of the financial statements of the Company and routine interaction with the independent auditors on the audit findings.
 2. Communication with the Chief Internal Auditor on the audit findings at regular intervals and review of the annual audit plan.
 3. The evaluation of the effectiveness of the internal control system.

4. Amendment to the procedures of material financial and business acts for the acquisition and disposal of assets, derivative trade, loaning of funds to others, endorsements and guarantees.
5. The transaction of major assets or derivative trade.
6. Legal compliance.
7. The appointment, dismissal or remuneration of the independent auditors
8. Evaluation of the qualification and independence of the independent auditors.

(II) The operation

Meeting Date	Content of the motions	Resolution of the Auditing Committee	Response of the Company to the opinions of the Auditing Committee
The 10th meeting of the 2nd term 2022.03.22	1. Review of the financial statements of 2021. 2. Proposal for the distribution of earnings in 2021. 3. The review of the evaluation of the effectiveness of the internal control system and the statement of declaration in 2021. 4. Amend the Company's "Assets Acquisition or Disposal Handling Procedures."	Passed by the members in session with common consent.	Passed by the members in session with common consent.
The 11th meeting of the 2nd term 2022.05.10	1. The evaluation of the independence of the CPAs and appointment. 2. 2022 1st Quarter Financial Report.	Passed by the members in session with common consent.	Passed by the members in session with common consent.
The 12th meeting of the 2nd term 2022.08.09	1. 2022 2nd Quarter Financial Report.	Passed by the members in session with common consent.	Passed by the members in session with common consent.
The 13th meeting of the 2nd term 2022.11.08	1. 2022 3rd Quarter Financial Report. 2. Review of the 2023 Audit Plan.	Passed by the members in session with common consent.	Passed by the members in session with common consent.

Note: The content of the motion has been reviewed and passed by the Auditing Committee and presented to the Board.

(III) The pursuit of corporate governance and the divergence from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
I. Has the Company instituted its own corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies and made disclosure?	V		The Company's Board of Directors has approved the formulation of the "Corporate Governance Best Practice Principles," and an updated and revised version was passed at the second Board of Directors meeting in 2020. The Company will comply with the new provisions to improve the governance model and publish the relevant results in the Company's annual report and website. Investors may access the information on the official website of the Company.	No significant difference
II. The Equity Structure and Shareholders Equity of the Company (I) Has the Company established internal operation procedures for responding to the suggestions, queries, disputes, and legal actions of the shareholders, and implemented them in accordance with the procedures?	V		(I) The Company has set up a stock affairs office and a spokesperson to deal with shareholders' suggestions and issues. If there is a shareholder dispute or lawsuit, the office shall coordinate with the legal unit to handle the case according to the procedures.	No significant difference
(II) Has the Company kept the list of the dominant shareholders that exercise de facto control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?	V		(II) The Company keeps the list of dominant shares and the ultimate control of the main shareholders under control and makes reports and disclosures as required.	No significant difference
(III) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?	V		(III) The Company has established the "Regulations Governing the Monitoring and Control of Subsidiaries" to ensure each subsidiary operates independently. The accounting and auditing units of the head office shall strictly implement the control system and monitor transactions between related companies according to the relevant asset acquisition and disposal, endorsement guarantee, and capital loan regulations to prevent any risks that may arise from unconventional transactions.	No significant difference

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
(IV) Has the Company instituted internal rules and regulations prohibiting insiders from using undisclosed information in the market for the trading of securities?	V		(IV) The Company has established the “Procedures for the Prevention of Insider Trade and Points of Control” to prevent insiders from using unpublished information to trade securities. After the Board of Directors meeting, we will arrange legal and case-example promotion for directors and managers.	No significant difference
III. The Organization and Function of the Board (I) Has the board of directors formulated a diversity policy, specific management objectives, and implemented them for its members?	V		(I) The Company has developed a diversity policy and performance evaluation measures for board members according to the “Corporate Governance Best Practice Principles.” The directors have relevant backgrounds and work experience in business, production, finance, and industry experience. Their composition aligns with the diversity objective and will strengthen gender equality. Please refer to pages 9, 10, and 17 for directors' professional qualifications, diversity, independence, and assessment results.	No significant difference
(II) Has the Company voluntarily established other functional committees further to the establishment of a remuneration committee and auditing committee?	V		(II) The Company has also established the employee welfare committee and pension reserve monitoring committee in addition to the Auditing Committee and the Remuneration Committee. In 2022, the Board of Directors passed the resolution during its 3rd meeting to change the name of the CSR Committee to the Sustainability Committee. This committee is responsible for formulating and implementing ESG and integrity management policy objectives. The Company will establish additional functional committees when necessary.	No significant difference

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
(III) Has the Company established the rules and regulations and the methods for the evaluation of Board performance, and has it conducted performance evaluation at regular intervals of each year? And report the performance evaluation result to the Board as reference for deciding the remuneration to individual Directors and nomination for a renewed term of office?	V		(III) Performance evaluation has been conducted yearly according to the "Board of Directors Appraisal Measures" approved by the Company's 3rd Board of Directors meeting in 2019. The performance evaluation of the Board of Directors, directors, and committees in 2022 was completed in February 2023, and the results were submitted to the Board of Directors on March 14, 2023.	No significant difference
(IV) Has the Company assessed the independence of the CPAs at regular intervals?	V		(IV) The Accounting Department prepares an evaluation sheet to set the standard for evaluating the independent auditors' professional standing, independence, and impartiality each year (according to Article 47 of the Certified Public Accountant Act). Each independent auditor has provided their curriculum vitae and declaration of independence (without violation against Professional Code of Ethics No. 10). The relevant information is provided to the Audit Committee and the Board of Directors for discussion. The 2022 Annual Report has been assessed and passed by the 2 nd session of the Board in 2022.	No significant difference

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
IV. Has the company listed on the TWSE/TPEX designated a number of qualified personnel and appointed an officer for administering corporate governance (including but not limited to the supply of information for the Directors and Supervisors in performing their duties, holding of meetings for the Board and the Shareholders Meeting and handling related matters, assist the Directors and Supervisors in legal compliance, and compilation of the minutes of meetings of the Board and Shareholders Meeting on record)?	V		<p>On November 6, 2020, the Company's Board of Directors appointed Manager Tai as the Accounting Department's head of corporate governance. Manager Tai has over 10 years of experience as a finance and accounting supervisor and has been appointed to this position. Manager Tai will lead the team consisting of designated personnel from the Admin. Dept. and Shares Registrar Office to handle the matters of the Board and the administrative details of the Shareholders Meeting, provide the Board with information on laws and regulations, assist the Directors in legal compliance, prepare the minutes of the sessions of the Board and the Shareholders Meeting on record, and respond to the questions of the Directors and the shareholders. Key business points for 2022 are listed as follows:</p> <ol style="list-style-type: none"> 1. Convened 4 board of director meetings, 4 auditing committee meetings, 4 remuneration committee meetings, and prepared minutes. 2. The annual general shareholders meeting was held on June 15, and the meeting notice, procedure manual, annual report, and minutes were prepared. The relevant changes and registrations were handled according to the shareholders meeting resolutions. 3. Promote insider trading prevention information and assist directors in arranging further training courses. 	No significant difference

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
			4. Arrange communication meetings between independent directors, CPAs, and audit supervisors. 5. Assist directors and managers in understanding the update and promotion of relevant laws and regulations. 6. Arrange liability insurance for directors and report the scope of coverage to the board. Please refer to page 23 for the continuing education of corporate governance supervisors.	
V. Has the Company established channels for the communication with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and a section for the stakeholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?	V		The Company's website has set up a special area to provide spokesperson contact information and relevant business windows for interested parties. The sustainability management in the Company's website and the annual sustainability report disclose communication channels, frequency, other issues of concern to stakeholders, and the Company's responses to various issues and implementation results.	No significant difference
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting?	V		The Company has commissioned "Grand Fortune Securities" to handle the share registration and matters pertinent to the Shareholders Meeting.	No significant variation.
VII. Disclosure of Information				
(I) Has the Company installed a website for the disclosure of information on its financial position and operation, as well as corporate governance?	V		(I) The Company has set up a Company website to disclose financial, business, and corporate governance information. Website: www.panpi.com.tw .	No significant difference
(II) Has the Company adopted any other means for disclosing information (such as the installation of an English-language website, appointment of designated persons for the collection and disclosure of information on the Company, the implementation of a spokesperson system, and placing	V		(II) The Company has already set up an English-language website, appointed a designated unit to collect the Company, provide regular information disclosures, implemented a spokesperson system according to the regulations, convened institutional investor conferences,	No significant difference

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
the records of institutional investor conferences on the official website)?			and published English-language financial reports and disclosed relevant information.	
(III) Has the Company disclosed and declared the financial statements within 2 months after the end of the fiscal year, and announced and declared the financial statements covering Q1, Q2, and Q3, and the monthly business reports before the deadline?	V		(III) The Company has declared and announced the annual and quarterly progress report and financial statements by the deadline as required. The Company aims at making announcements well before the deadline and schedules for the operation in advance so that the investors can quickly learn about the operation results of the Company.	No significant difference
VIII. Is there any other essential information that would help understand the implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of the Directors and Supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and liability insurance coverage for the Directors and Supervisors)?	V		<p><u>Employee rights and interests:</u> The Company has attached great importance to the rights and interests of employees, formulated employee norms, and provided various communication channels according to the Labor Standards Act and local laws and regulations of each factory area. We will also review the salary structure regularly, establish a dividend system to let employees share business results, and establish a good labor-management relationship.</p> <p><u>Employee care:</u> The Company has provided various welfare systems and established an employee welfare committee to implement various subsidy activities to care for the daily life of employees.</p> <p><u>Investor relations:</u> The Company has established a spokesperson as the contact window for investors, held legal seminars to explain the Company's operations, announced monthly revenue in advance, and maintained a good relationship with investors.</p> <p><u>Supplier relationship:</u> The Company has maintained smooth channels and good relations with suppliers, regularly held supply chain conferences, and cooperated with all parties to create a green supply chain system.</p> <p><u>Rights of stakeholders:</u> The Company's official website has established a special area for stakeholders, which</p>	No significant difference

Items of evaluation	The operation			Variations from the Corporate Governance Best Practice Principles for TWSE/TPEX listed Companies, and the reasons
	Yes	No	Summary description	
			<p>provides corresponding contact windows for various issues and responds to suggestions and questions. The goal is to try our best to protect the rights of stakeholders.</p> <p><u>Continual education status for directors:</u> The Company has assisted directors in obtaining the necessary information and relevant courses for continual studies. Please refer to the description on the next page for continual studies.</p> <p><u>The implementation of risk management policies and risk measurement standards:</u> The Company has established a sound accounting system, internal control system and internal audit system and has properly implemented these systems. The corporate governance team of the Sustainability Committee shall meet annually to assess the risk issues that may be faced in the next year, submit the findings to the board of directors for discussion, and formulate response strategies.</p> <p><u>The implementation of customer policy:</u> Implement and maintain good customer interaction.</p> <p><u>Protection of Directors with liability insurance:</u> The Company takes out annual liability insurance for the protection of all Directors and reports this to the Board.</p>	
<p>IX. The state of corrective action taken in response to the corporate governance evaluation result announced by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and issues requiring special effort for improvement and related measures of the most recent year.</p> <ol style="list-style-type: none"> 1. Are the Company's chairman, president, or other persons of equivalent rank (top executives) the same person or each other's spouse or relatives of first degree? After the reelection of the directors this year, the Board of Directors will appoint another president to implement the supervision and management authority separation policy. 2. Does the company's board of directors include at least one female director? During this director reelection session, female director candidates have been nominated to implement the diversity policy of the board of directors and the goal of gender equality. 3. Does the number of the Company's independent directors account for over half of the directors? In this year's director candidate nomination list, the number of independent directors nominated has reached over half of the number of directors to fulfill the board of directors independence policy. 				

Continuing education of the Directors:

Title	Name	Date of training	Organizer	Name of course taken	Hours of training
Director	Feng-An Huang	2022/05/26~2022/05/27	Republic of China Accounting Research and Development Institute	Continuing Education Program for Accounting Officers of Securities Issuers, Securities Dealers, and Stock Exchanges	12 hours
Director	Ming-Feng Tsai	2022/05/20	Republic of China Accounting Research and Development Institute	2022 Insider Trading Prevention Advocacy Meeting	3 hours
Independent Director	Min-Chang Wei	2022/11/13~2022/11/14	Cathay Financial Holdings and its subsidiaries and Taiwan Stock Exchange	The 13th Taipei Corporate Governance Forum, Cathay Sustainable Finance, and Climate Change Summit	9 hours
Independent Director	Mien-Ching Huang	2022/11/13~2022/11/14	Cathay Financial Holdings and its subsidiaries and Taiwan Stock Exchange	The 13th Taipei Corporate Governance Forum, Cathay Sustainable Finance, and Climate Change Summit	9 hours
Independent Director	Wen-Rong Cheng	2022/06/10	Republic of China Accounting Research and Development Institute	2022 Insider Trading Prevention Advocacy Meeting	3 hours
		2022/10/11	Taiwan Stock Exchange Corporation and Taipei Exchange	Independent Director Guidelines for the Exercising of Powers by Independent Directors and Audit Committees Released & Advocacy Meeting for Directors and Supervisors	3 hours

Continuing education of Corporate Governance Officer:

Title	Name	Date of training	Organizer	Name of course taken	Hours of training
Corporate Governance Officer	Chih-Hao Tai	2022/05/12	Jointly held by Taiwan Stock Exchange, Alliance Advisors, and Taiwan Corporate Governance Association	International Twin Summit	2 hours
		2022/05/20	Republic of China Accounting Research and Development Institute	2022 Insider Trading Prevention Advocacy Meeting	3 hours
		2022/07/26	Corporate Operating and Sustainable Development Association	Cross-border Investment Mergers and Acquisitions	3 hours
		2022/09/29	Taiwan Stock Exchange Corporation and Taipei Exchange	Independent Director Guidelines for the Exercising of Powers by Independent Directors and Audit Committees Released & Advocacy Meeting for Directors and Supervisors	3 hours
		2022/10/21	Securities and Futures Institute	2022 Insider Trading Prevention Advocacy Meeting	3 hours

(IV) Remuneration committee

(1) Profiles of the members of the Remuneration Committee

April 11, 2023

Condition Identity Name		Professional Qualifications and Experience	Independence Status	The number of public companies where the person also holds positions in their remuneration committees.
Independent Director (Convener)	Min-Chang Wei	Independent Director Wei has served as the financial and accounting supervisor for foreign and domestic high-tech companies. Mr. Wei possesses complete financial and accounting management experience and qualifications, has extensive experience in performance evaluation and remuneration distribution for senior executives, and can provide appropriate advice to help companies retain outstanding talent.	Please refer to page 9&10, Director Information Table 1, for information on the independence of independent directors.	None.
Independent Director	Wen-Rong Cheng	Independent Director Wei has accountant certifications, is currently a partner CPA for Fubo United Accounting Firm, and has a good understanding of company/human resources and tax-related regulations. Mr. Wei can assist the Company in reviewing the performance and compensation structure and policy for senior executives and establishing a sound remuneration system.	Please refer to page 9&10, Director Information Table 1, for information on the independence of independent directors.	None.
Independent Director	Mien-Ching Huang	With rich experience in overseas investment and enterprise management, Independent Director Huang has served as the investment director of domestic automotive products and high-tech company investments. Mr. Huang has extensive experience in performance evaluation and remuneration distribution for senior executives, and can provide appropriate advice to help companies retain outstanding talent.	Please refer to page 9&10, Director Information Table 1, for information on the independence of independent directors.	None.

(2) Information on the Remuneration Committee in operation

- I. The Remuneration Committee of the Company contains 3 members.
- II. The tenure of the committee members: from June 12, 2020, to June 11, 2023. The Remuneration committee convened 4 times in the most recent year. The qualification requirement and attendance of the members is shown below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%)	Remarks
Convener	Min-Chang Wei	4	0	100%	-
Members	Wen-Rong Cheng	4	0	100%	-
Members	Mien-Ching Huang	4	0	100%	-

Additional information:

- I. If the Board declines to accept or revise the recommendations of the Remuneration Committee, specify the meeting date, the session, the content of the motion, the resolutions of the Board, and the response of the Company to the opinions of the Remuneration Committee (if the Board resolved a better remuneration than the recommendation of the Remuneration Committee, specify the difference and the reason for the difference): Not applicable.
- II. If a member of the Remuneration Committee has adverse or qualified opinions on the resolutions of the Remuneration Committee on record or in written declaration, specify the meeting date, the session, the content of the motion, the opinions of all members, and the response to the opinions of the members: Not applicable.

Date	Cause of motion for discussion	Resolution	The response of the Company to the opinions of the members
2022.03.22 The 7 th session of the 4 th Meeting	Appropriation of remuneration to the employees and the Directors in 2021.	Passed	No opinion, not applicable.
2022.05.10 The 8 th session of the 4 th Meeting	Appropriation of remuneration to the Directors in 2021.	Passed	No opinion, not applicable.
2022.08.09 The 9 th session of the 4 th Meeting	2022 employee salary adjustment proposal.	Passed	No opinion, not applicable.
2022.11.08 The 10 th session of the 4 th Meeting	1. Proposal for the release of year-end bonuses and performance bonuses to the employees in 2022. 2. Appropriation of remuneration to the employee in 2021.	Passed	No opinion, not applicable.

(V) Sustainable Development Implementation Status and Reasons for Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established a governance structure to promote sustainable development, set up a dedicated (part-time) unit to promote sustainable development, has the Board of Directors authorized senior management to handle the matter, and what is the Board of Directors’ supervision status?	V		On August 9, 2022, the Company's Board of Directors approved the proposal to rename the CSR Executive Committee as the "Sustainability Committee." This committee is responsible for sustainable development issues such as ESG and integrity management. Director Huang serves as the convener, gathers human resources, and establishes each factory area's environmental safety, management, and audit departments. Director Huang also formed the environmental protection, community care, and corporate governance teams, responsible for collecting shareholders’ opinions, legal updates, organization initiatives, analyzing and reviewing the impact and importance of various issues, and formulating response policies and implementation plans. The convener shall supervise the implementation of each unit and compile the sustainability report according to the annual plan implementation results. The 2021 implementation status (sustainability report) has been submitted to the 2nd Board of Directors meeting in 2022. Please refer to our website for related information.	No significant difference
II. Does the Company follow the principle of materiality in assessing the environmental, social, and corporate governance risks related to its operations, and map out related risk management policies or strategies?	V		The Company's sustainability report analyzes and evaluates issues related to the Company's environment, society, and corporate governance-related operations based on the principle of materiality and feedback from stakeholders. The boundaries of the evaluation include the Taiwan head office and mainland China subsidiaries. The corporate governance team focuses on various issues, studies and defines the risk factors to the Company's operations, and formulates countermeasures and guidelines for each business unit to draw up contingency plans to reduce possible harm and losses. The proposal plans	No significant difference

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			have been reported at the 4th session of the Board in 2022. Please refer to our website for related information.	
III. Environmental Issues				
(I) Has the Company established an appropriate environmental management system by nature of its industry?	V		The Company's products include connecting wires (devices), EMS, and PCB. Each factory area has formulated environmental safety-related management systems, set up control units, and implemented the provisions to meet environmental protection regulations and customer demands. In addition, the Company has obtained third-party certifications such as ISO 9001, ISO 14001, ISO 45001, and ITAF 16949 according to the electronic component and automobile industry characteristics to strengthen the environmental management system. Information on related certification and validity is available at the official website of the Company.	No significant difference
(II) Has the Company made efforts for the efficient use of all resources, and used renewable materials for mitigating the impact on the environment?	V		To fulfill the energy saving and emission reduction goals, the Company's Dongguan and Yantai factories have installed solar power generation devices to increase the proportion of green electricity utilization and reduce carbon emissions. Meanwhile, we also regularly review production efficiency, raw material consumption rate, production water recycling rate, and waste product and packaging material reuse rate. The goal is to improve resource utilization efficiency to reduce environmental impact and harm. Please refer to pages 50 to 76 of the Company's 2021 sustainability report and the information on the Company's website on the relevant environmental protection issues.	No significant difference

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(III) Has the Company assessed the potential risks or opportunities deriving from climate change and its effect on the Company at present and in the future, and mapped out a response to climate related issues?	V		The company has entrusted a consulting company to execute the TCFD project in 2022. The headquarters in Taiwan and the main production bases in mainland China shall discuss the risks and opportunities of climate change for future operations, evaluate the possible costs and income, and formulate a response plan. The project results will be reported to the 2023 Board of Directors meeting. The Sustainability Committee will continue to promptly review changes in risk factors and optimize response plans. Please refer to the 2022 Sustainability Report and the Company's website for relevant information.	No significant difference
(IV) Has the Company kept statistics on the greenhouse gas emission volume, water consumption volume, and total weight of waste over the last 2 years, and mapped out the policies for managing the reduction of carbon and greenhouse gas emissions, water consumption, and the generation of waste?	V		The Company has collected data such as greenhouse gas emissions, water consumption, and total waste weight of the Taiwan head office and each factory in mainland China; and formulated the relevant energy-saving and emission-reduction information, policies, and plans since it compiled the 2016 Corporate Social Responsibility Report.	No significant difference
IV. Social Issues (I) Has the Company established related management policies and procedures in accordance with applicable laws and the international human rights conventions?	V		The Company has conformed to the local labor laws and regulations. It abides by the International Labor Office Tripartite Declaration of Principles to formulate the relevant labor policies and personnel regulations and strictly implement them to ensure labor rights. Our goal is to ensure gender, race, religion, and other equality rights while forbidding the use of child labor or forced labor. Moreover, we have also provided various grievance channels to enable employees to protect their own rights and interests. All grievance cases are treated seriously and properly handled to prevent the recurrence of malpractices.	No significant difference

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Has the Company established and pursued reasonable welfare policies for the employees (including remuneration, holidays, and other benefits), and reflected the performance or results of operations in the remunerations to the employees?	V		The Company has established a salary and welfare system superior to its peers to recruit and retain outstanding talents. They include employee travel, health checks, festival bonuses, group insurance, and other welfare benefits. The salary structure is reviewed every year and adjusted appropriately. A fixed percentage is allocated as an annual surplus, and dividends are distributed according to employee performance so all employees can share the fruits of their joint endeavors. For details, please refer to the Company's sustainability report and the information disclosed on the Company's website.	No significant difference
(III) Has the Company provided a safe and healthy work environment for employees, and education on occupational safety and health for employees at regular intervals?	V		The Company has promoted industrial safety policies to achieve zero industrial safety accidents. Each factory's labor safety units have increased training on fire safety, occupational accidents, and production safety for new employees. Employees also receive regular on-the-job education and training sessions to heighten their safety awareness and cultivate the concept of safety protection in their hearts. The Company has arranged training for 18,726 people for 1,378 hours in 2022. For relevant information, please refer to the information disclosed in the Company's sustainability report.	No significant difference
(IV) Has the Company established a plan for the training of effective career development and planning of employees?	V		The Company provides corresponding education and training courses in 4 aspects: entry, professional talents, management, and physical and mental health. The goal is to enhance employees' professional ability and competitiveness while providing a transparent promotion channel to motivate employees positively.	No significant difference
(V) Has the Company complied with applicable legal rules and international standards in the marketing and labeling of products and services for the health, safety, and privacy of customers, and mapped out policies for the protection of consumer rights, and procedures for complaint?	V		The Company attaches great importance to the rights and interests of clients and has established standard procedures for relevant operations, complied with the clients' production requirements and international standards, created a complaint channel to maintain smooth communication with clients, and purchased liability	No significant difference

Implementation Items	Status of implementation			Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(VI) Has the Company established a supplier management policy to demand suppliers to observe applicable rules and regulations governing environmental protection, occupational safety and health, or labor rights, and the state of implementation?	V		insurances to avoid risks. The Company's supplier management policy requires its suppliers to abide by business ethics, protect the rights and interests of employees, conserve energy and reduce emissions, and protect the environment. Our suppliers must sign an "Environmental and Social Responsibility Commitment" and pledge to operate with integrity, protect the environment, and fulfill corporate social responsibilities. If a specific supplier acts in defiance of its commitments, the Company shall rescind the purchase contract and claim for the damage thereof.	No significant difference
V. Has the Company consulted the standard or directions commonly used worldwide in compiling corporate social responsibility reports for the disclosure of non-financial information of the Company? Is the aforementioned report subject to the validation or guarantee by a third-party accreditor?	V		The Company compiled the 2021 ESG Sustainability Report according to the GRI Sustainability Reporting Standard in Chinese Version translated and edited by the Business Council for Sustainable Development-Taiwan (core requirements). The report has not been subject to validation or guarantee by a third party accreditor.	No significant difference
VI. If the Company has instituted the corporate social responsibility best practice principles according to the "Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX-listed Companies," specify the implementation of these principles and the difference from the Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX-listed Companies: No difference.				
VII. Other important information that helps understand the promotion of sustainable development:				
<p>Environmental aspects: The mainland China factory has begun to build solar energy equipment to increase the utilization rate of green electricity. The new factories in Taiwan comply with green building standards. Future factory renovations and constructions will also adopt green building standards to improve energy efficiency and achieve the energy-conservation and emission-reducing effects. Moreover, the Company has continued cooperating with the gift network to implement the "Send Love Box" campaign by recycling used items for donation. Employees will contribute items from home that they do not use to donate to social welfare groups and schools in rural areas in need of those items through the network platform to maximize the use of resources. A total of 6 boxes of materials were donated in 2022, 130 Kg of materials were recycled, and carbon emissions were reduced by 268 Kg.</p> <p>Social aspects: The Company has frequently provided gifts to disadvantaged groups in the community and adheres to caring for the disadvantaged and aiding the impoverished. The following are the relevant giving-back activities planned for 2023.</p> <ol style="list-style-type: none"> 1. Donation of NT\$200,000 to Genesis Social Welfare Foundation to support vulnerable social groups. 2. Donation of NT\$100,000 to Disasters Rescue Association for helping disaster rescue and relief. 3. Donation of NT\$100,000 to Mennonite Christian Hospital for helping the medical and long-term care in rural areas. 4. Donation of NT\$80,000 to the New Taipei City Friends of Police office in Xindian and the Anhe police service station for sponsoring their activities. 5. Donated materials to the Huashan Social Welfare Foundation and sponsored the Taipei head office neighborhood center activities totaling NT\$15,000. 				

Implementation Items	Status of implementation		Reasons for Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
<p>6. Every month, each plant site arranges and organizes employees to help clean the environment of local communities, visit the homes of the elderly and orphanages, volunteer help or donate blood to give something back to society. There are more than 100 participants on average every month.</p> <p>Corporate governance aspect: The Company has established a Nomination Committee to improve the functions of the Board of Directors and strengthen the management mechanism. The number of independent directors will increase, and female director candidates with professional expertise will be recommended to ensure the board's independence and diversity.</p>			

Climate related information

1. Implementation of climate-related information

Item	Status of implementation
1. Describe the board of directors' management oversight, governance, and climate-related risks and opportunities.	The Company has entrusted PwC Taiwan to execute the Task Force on Climate-related Financial Disclosures (TCFD). After the case is concluded, the Sustainability Committee will continue to study and judge the climate risks, formulate response measures, and submit the results to the Board of Directors to discuss the response policies and monitor the implementation results.
2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy, and finances in the short-, medium-, and long-term).	The identified climate risks and opportunities have not yet been compiled as of the publication date of this annual report. After the impact data review is completed and submitted to the Board of Directors for approval, it will be disclosed on the Company's website, ESG report, and next year's annual report.
3. Describe the financial impacts of extreme climate events and transitional actions.	The evaluation is currently in progress. The financial impact of extreme climate events and transformation actions on the Company will be confirmed and reported to the Board of Directors for approval before disclosure.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The Company introduced a climate-related risk and opportunity identification mechanism last year. The goal is to implement a comprehensive inventory and evaluation of the impact of various climate risks and opportunities on the Company's operations according to the different time frames, the possibility of the occurrence, and the degree of impact on operations using the climate change risk and opportunity matrix.
5. The scenarios, parameters, assumptions, analysis factors, and major financial impacts must be explained if scenario analysis is used to assess resilience to climate change risks.	Currently, the Business as Usual (BAU) and Net Zero scenario assessment methods are adopted.
6. If there is a transition plan for managing climate-related risks, describe the plan's content and the indicators and goals used to identify and manage physical risks and transition risks.	The Company is evaluating whether to implement the transformation plan or formulate the indicators and goals of the relevant plan. .
7. If internal carbon pricing is used as a planning tool, the basis for setting the price must be stated.	Not applicable.
8. If climate-related goals are set, information such as the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress achieved each year must be explained. If carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of carbon reduction credits or RECs to be offset must be clarified.	The greenhouse gas inventory of the company and its subsidiaries is currently underway. After the inventory is completed and the emissions are determined, emission reduction targets and implementation plans will be proposed, and the relevant information will be disclosed.
9. Greenhouse gas inventory and certification status.	As shown in the table below.

1-1 Greenhouse gas inventory and certification status

Basic Information of the Company <input type="checkbox"/> Companies with a capital of over NT\$10 billion, the iron and steel industry, and the cement industry <input checked="" type="checkbox"/> Companies with a capital of over NT\$5 billion but less than NT\$10 billion <input type="checkbox"/> Companies with a capital of less than NT\$5 billion		Disclosure required by the Sustainable Development Roadmap for TWSE (GTSM) Listed Companies <input checked="" type="checkbox"/> Parent company individual inventory <input type="checkbox"/> Inventory of subsidiaries in the consolidated financial report <input type="checkbox"/> Parent company individual certification <input type="checkbox"/> Certification of subsidiaries in the consolidated financial report		
Scope 1	Total emissions (Metric ton CO ₂ e)	Density (Metric ton CO ₂ e/ NT\$ million)	Certification body	Certification status description
Parent company	4.2096	0.0004	None.	Being scheduled
Subsidiary	Inventory is being planned	Inventory is being planned	None.	Being scheduled
Total	NA	NA		
Scope 2	Total emissions (Metric ton CO ₂ e)	Density (Metric ton CO ₂ e/ NT\$ million)	Certification body	Certification status description
Parent company	65.0069	0.0055	None.	Being scheduled
Subsidiary	Inventory is being planned	Inventory is being planned	None.	Being scheduled
Total	NA	NA		
Scope 3	Not inventoried.			

(VI) The Practice of Ethical Corporate Management and Related Policies and Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies

Items of evaluation	The operation			Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary description	
I. Establishment of ethical corporate management policies and action plans (I) Has the Company specified its policies and methods for the implementation of ethical corporate management in its internal rules and regulations and external documents, and have the Board and the management of the Company promised to implement the ethical corporate management policies?	V		(I) The Company's "Ethical Corporate Management Best Practice Principles" was approved by the board of directors in 2020. The 5th board of directors meeting in 2021 also adopted the "Integrity Management Operating Procedure and Action Guideline" as a code of conduct for managers and employees to prevent fraud, corruption, and other illegal acts. Please refer to the Company's sustainability report and website for implementation status.	No significant difference

Items of evaluation	The operation			Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary description	
(II) Has the Company developed mechanisms for the assessment of integrity risks with routine analysis and assessment of operating activities exposed to higher integrity risks in the operation, based on which the Company has planned for the prevention of unethical practices? The content shall cover at least the preventive measures contained in Paragraph 2 in Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE Listed and TPEX Listed Companies”.	V		(II) The Company has established risk assessment mechanisms based on the "Integrity Management Operating Procedure and Action Guideline," and conducted internal audits to regularly review the results of various dishonest conduct inspections and propose countermeasures. Meanwhile, the Company has strengthened its advocacy to directors, managerial officers, employees, clients, and suppliers to jointly establish an integrity management corporate culture environment.	No significant difference
(III) Has the Company established plans for the prevention of unethical practices, and has it specified the operation procedures, code of conduct, and punishment for violation, and system for disciplining and complaints, and have these plans been implemented with routine review and revision?	V		(III) The Company has established the “Integrity Management Operating Procedure and Action Guideline” to regulate the relevant disciplinary and grievance systems. The integrity management policy implementation results have been submitted to the 2nd Board of Directors meeting in 2022. The implementation results will be reviewed regularly to further improve the integrity management policy formulation and planning.	No significant difference
II. Implementation of ethical corporate management	V			
(I) Has the Company evaluated the record of the counterparties on business ethics, and explicitly stated business integrity as an integral part of the contracts when entering into agreements with counterparties of trade?	V		(I) The Company considers the record of business integrity of the suppliers in assessing the suppliers and customers, and requires them to sign the Undertaking of Integrity at the time of entering into business agreements, to realize the Ethical Corporate Management Best Practice Principles.	No significant difference
(II) Has the Company established a designated body directly under the Board for administering ethical corporate management with routine reporting to the Board (at least once a year) on the implementation of ethical	V		(II) The Corporate Governance Team under the Sustainability Committee is responsible for making and implementing ethical corporate management-related policies and working with the Auditing Office to check for	No significant difference

Items of evaluation	The operation			Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary description	
corporate management policies and plans for the prevention of unethical practices, and the supervision of the implementation of these policies?			unethical practices. The result of implementation has been reported to the 2 nd session of the Board in 2022.	
(III) Has the Company made policies for the prevention of conflicts of interest, and appropriate channels for complaints, and properly implemented the policies?	V		(III) The Company has established the “Integrity Management Operating Procedure and Action Guideline” to prevent conflicts of interest, and set up an appeal channel whereby the human resources or audit unit is responsible for reviewing appeal proposals to deal with the issues fairly and protect the safety of whistleblowers.	No significant difference
(IV) Has the Company established effective accounting systems and internal control systems for the proper implementation of ethical corporate management? Has the internal audit unit designed relevant audit plans on the basis of the assessment results of integrity risks for the prevention of unethical practices and compliance of related rules and regulations, or commissioned certified public accountants to conduct audits on unethical practices?	V		(IV) The Company has established comprehensive and effective accounting and internal control systems, and has implemented these systems smoothly. In addition to implementing the annual audit plan, the internal auditors will adjust the plan on the basis of the findings from the assessment of the risks of unethical practices, and compile the findings into audit report for routine reporting to the Auditing Committee the Board.	No significant difference
(V) Has the Company provided internal and external training on topics of business integrity?	V		(V) Integrity management is the fundamental essence of the Company. In addition to promoting insider trading provisions to directors and managers after approval by the Board of Directors, we also encourage honest behaviors and fraud prevention, and provide reporting channels to all employees in the daily education and training courses. Related training has been held in the year with 2,006 people participating, with a total of 38 hours of classes.	No significant difference

Items of evaluation	The operation			Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary description	
<p>III. The reporting system of the Company in practice</p> <p>(I) Has the Company established a substantive reporting and reward and punishment system and convenient channels for reporting, and appointed designated personnel for handling the targets of reports?</p> <p>(II) Has the Company established standard operation procedures for responding to reports and complaints, the measures to be taken after the investigation, and related mechanisms for confidentiality?</p> <p>(III) Has the Company taken any measures for the protection of the informants from suffering undue treatment?</p>	V		<p>(I) The Company has established a reward, punishment, and appeal system according to the “Integrity Management Operating Procedure and Action Guideline.” Employees may report violations to the human resources or auditing unit via phone, physical mailbox, and email, and the responsible unit will review and issue punishments according to regulations.</p> <p>(II) The personnel administration regulations of the Company explicitly state the mechanisms for responding to reports, and carry out investigations and punishment according to the regulations, and keep strict confidence on the information of the informants and the investigation procedures.</p> <p>(III) According to the Company’s “Integrity Management Operating Procedure and Action Guideline,” the identity of the informants and the contents of the report will be kept in strict confidence. Informants will not suffer undue treatment for the act of whistle-blowing.</p>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
<p>IV. Enhancement of information disclosure</p> <p>Has the Company disclosed the content of the Ethical Corporate Management Best Practice Principles on its official websites and MOPS, and the result of the implementation?</p>	V		The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Integrity Management Operating Procedure and Action Guideline,” and disclosed the relevant contents and information on the Company’s official website and MOPS.	No significant difference
<p>V. If the Company has instituted the Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”, specify the implementation of the principles and any deviations, if applicable: The Company has instituted the Ethical Corporate Management Best Practice Principles and there is no deviation from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”.</p>				

Items of evaluation	The operation			Divergence from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary description	
VI.	Any other important information that helps to understand the implementation of the Ethical Corporate Management Best Practice Principles better: (Such as the review and amendments to the Ethical Corporate Management Best Practice Principles) The Company has amended the “Ethical Corporate Management Best Practice Principles” during the 4th board of directors meeting in 2020 to update the Company’s ethical corporate management provisions and formulated the “Integrity Management Operating Procedure and Action Guideline” during the 3rd board of directors meeting in 2021 as the code of conduct for and employees. Employees, suppliers, and customers must sign a commitment letter to pledge integrity and anti-corruption. We have also strengthened the integrity awareness and the reporting mechanisms, which are operating smoothly. For additional information on the implementation, refer to the official website, annual report, and sustainability report.			

- (VII) If the Company has instituted the Ethical Corporate Management Best Practice Principles and related rules and regulations, disclose the means for inquiry:

The Company has instituted the Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”, and operates in accordance with applicable legal rules. In addition, the Company has also gradually implemented corporate governance. Additional information is available on the official website.

Company website: www.panpi.com.tw

- (VIII) Any other important information that helps to under the pursuit of corporate governance better:
The Company has compiled the annual sustainability report and disclosed the contents of its ESG policy, the Ethical Corporate Management Best Practice Principles, and the results of their implementation at the official website and MOPS.

Website of the Market Observation Post System: mops.twse.com.tw

(IX) Implementation of Internal Control:

1. Declaration of Internal Control

Pan-International Industrial Corp.

Declaration of Internal Control System

Date: March 14, 2023

The Company has conducted self-assessment of its internal control system in 2022 and hereby declares as follows:

- I. The Company acknowledges and understands that the establishment, enforcement and preservation of the internal control system is the responsibility of the Board and the managers, and that the Company has already established such system. Its purpose is to reasonably ensure the effect and efficiency of operations (including profitability, performance and security of assets), the reliability, timeliness, transparency, and compliance with relevant legal rules.
- II. There is a limitation inherent to internal control systems, no matter how perfect the design. As such, effective internal control systems may only reasonably ensure the achievement of the aforementioned goals. Furthermore, the operating environment and situation may vary, and hence the effectiveness of internal control systems. Only if the internal control system of the Company features a self-monitoring mechanism, can any shortcomings be corrected immediately once they are identified.
- III. The company judges the effectiveness of the internal control system's design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The items "the Criteria" uses for judging the internal control system are composed of five elements according to the procedure of management control: 1. control environment; 2. risk evaluation; 3. control operation; 4. information and communication; 5. monitoring. Each of the elements in turn contains certain audit items. For more information on the items, please refer to the "the Criteria".
- IV. The company has adopted the aforementioned internal control system to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned evaluation, the Company believes that it has reasonably guaranteed the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries) as of December 31, 2022, including the effectiveness and efficiency of operations, reliability, timeliness and transparency of financial reporting and compliance with relevant legal rules, and that the design and implementation of the internal control system is effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be made public. If there is any fraud, concealment and unlawful practice discovered in the contents of the aforementioned information, the Company shall be liable for legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement of declaration has been approved by the Board on March 14, 2023, with 7 directors in common consent.

Pan-International Industrial Corp.

Chairman: Song-Fa Lu Signature/Seal

President: Song-Fa Lu Signature/Seal

2. If CPAs are retained to examine the internal control system, disclose the review report:
None.

- (X) In the most recent year and as of the publication date of the annual report, the Company and its internal personnel have been punished according to the law, and the Company has imposed penalties on its internal personnel for violations of the internal control system, or major deficiencies and improvements: None.
- (XI) Major decisions of the Shareholders Meeting and the Board in the most recent year to the day this annual report was printed:

1. The regular session of the Shareholders Meeting on July 15, 2022, resolutions made by all Shareholders in session and implementation of the resolutions:

Resolutions	Status of implementation
Passed the 2021 Business Report and Financial Statements	-
Passed the proposal for distribution of earnings in 2021	Cash dividend at NT\$1.0 per share will be paid to shareholders, payment was completed on September 23, 2022.
Passed the Company's "Assets Acquisition or Disposal Handling Procedures."	Complied with the amended procedures.

2. Major resolutions of the Board in 2022:

Date	Important resolutions:
2022.03.22	<ol style="list-style-type: none"> 1. Passed the financial statements of 2021. 2. Passed the proposal for remuneration to employees in 2021. . 3. Passed the proposal for cash dividend distribution in 2021. 4. Passed the amendment to matters pertinent to the regular session of the Shareholders Meeting in 2022. 5. Passed the Declaration of the Internal Control System in 2021. 6. Passed the proposal to amend the Company's "Assets Acquisition or Disposal Handling Procedures."
2022.05.10	<ol style="list-style-type: none"> 1. Passed the evaluation of the independence of CPAs and appointment. 2. Passed the 2022 1st quarter consolidated financial report proposal. 3. Passed the greenhouse gas inventory and verification schedule proposal.
2022.08.09	<ol style="list-style-type: none"> 1. Passed 2022 2nd quarter consolidated financial report proposal. 2. Passed the ex-dividend base date and related matters for 2022. 3. Passed the proposal to rename the "Corporate Social Responsibility Executive Committee."
2022.11.08	<ol style="list-style-type: none"> 1. Passed the 2022 3rd quarter consolidated financial report proposal. 2. Passed the 2023 Audit Plan. 3. Passed the 2023 Business Plan. 4. Passed the proposal to amend the "Major Internal Information Processing Procedures." 5. Passed the motion for applying for bank loan credit.

- (XII) Summary of the adverse opinions from the Directors or Supervisors on major decisions of the Board in the most recent year to the day this annual report was printed, with record or in written declaration: None.
- (XIII) Resignation or dismissal of the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and Head of R&D in the most recent year to the day this annual report was printed: None.

V. Auditors' fee Information:

CPAS' Fee Information

Unit: NTD thousand

Name of CPA Firm	Name of CPA	CPA Audit Period	Auditing Public Expense	Non-auditing Public Expense	Total	Remarks
PwC Taiwan	Yung-Chien Hsu Min-Chuan Feng	2022.1.1~ 2022.12.31	4,780	1,030	5,810	-

Note: The content of services includes transfer pricing operation handling at NT\$520 thousand, group enterprise master file preparation at NT\$350 thousand, dual-status business entity company direct deduction certification at NT\$80 thousand, TCFD project consulting fee at NT\$50 thousand, and non-supervisory staff salary declaration CPA certification at NT\$30 thousand.

- (1) If the non-audit public expenses paid to the CPA, the CPA's firm, and its affiliated companies are over 1/4 of the public audit fee; please disclose the amount of the audit and non-audit public expenses as well as the content of the non-audit services: None.
- (2) The CPA firm is replaced and the public audit fee paid in the year of the replacement is less than the public audit fee paid compared to the previous year: None.
- (3) The audit certification expenditure has decreased by over 15% compared to that of the previous year: None.

VI. Information related to CPA change: None.

VII. Information on the Company's chairman, president, manager in charge of financial or accounting affairs, and those who have worked in the CPA firm or its affiliates within the last year: None.

VIII. Equity transfer and equity pledge modification status of directors, managers, and shareholders holding over 10% of the shares for the last years until the printing date of this annual report:

Changes in the Equity of Directors, Managers, and Major Shareholders

Unit: Shares

Title	Name	2022		As of April 11, 2023	
		Increase (decrease) for the number of shares held	Increase (decrease) for the number of shares pledged	Increase (decrease) for the number of shares held	Increase (decrease) for the number of shares pledged
Chairman	Song-Fa Lu	0	0	0	0
Director	Feng-An Huang	0	0	0	0
Director	Ming-Feng Tsai	0	0	0	0
Director	Hong Yuan International Investment Co., Ltd.: Representative: Tsai-Yu Hsiao	0	0	0	0
Independent Director	Wen-Rong Cheng	0	0	0	0
Independent Director	Min-Chang Wei	0	0	0	0
Independent Director	Mien-Ching Huang	0	0	0	0
The President	Song-Fa Lu	0	0	0	0
Corporate Governance Officer	Chih-Hao Tai	0	0	0	0
Major Shareholders	Hon Hai Precision Industry Co., Ltd.	0	0	0	0

Note 1: Affiliate that is a counterparty of equity transfer or equity pledge: None.

Note 2: None of the directors, supervisors, managers, and major shareholders of the Company has handled equity pledges. So there is no change in pledges.

IX. The top 10 shareholders who are spouses or relatives within the second degree of kinship as listed in the Statement of Financial Accounting Standards (SFAS) No.6.:

Information on relationship among the top 10 shareholding ratio shareholders

Name	In-person Number of shares held		Holding of shares by spouse, underage children		Total shares held under the name of others		The title, name, and relationship of top 10 shareholders who are spouses or relatives within the second degree of kinship as listed in the Statement of Financial Accounting Standards (SFAS) No.6.		Remarks
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Name (or name)	Relation	
Hon Hai Precision Industry Co., Ltd. Representative: Young Liu	107,776,254	20.79%	0	0	0	0	Hong Yuan International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Baoxin International Investment Co., Ltd.	Investors whose investment is evaluated using the equity method	
	0	0%					--	--	
Hong Yuan International Investment Representative: Te-Tsai Huang	17,941,593	3.46%	0	0	0	0	Hongchi International Investment Co., Ltd.; Baoxin International Investment Co., Ltd.	Same Person as Chairman	
	0	0%					--	--	
Standard Chartered Bank (Taiwan) Limited as custodian of LGT	12,485,000	2.41%	0	0	0	0	--	--	
Hongchi International Investment Co., Ltd. Representative: Te-Tsai Huang	7,595,399	1.47%	0	0	0	0	Hong Yuan International Investment Co., Ltd.; Baoxin International Investment Co., Ltd.	Same Person as Chairman	
	0	0%					--	--	
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,271,000	1.02%	0	0	0	0	--	--	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,234,613	1.01%	0	0	0	0	--	--	
Standard Chartered Bank's iShares Emerging Markets ETF	4,870,366	0.94%							
Standard Chartered Bank (Taiwan) Limited as custodian of LGT (Asia) Company	4,078,000	0.79%	0	0	0	0	--	--	
Baoxin International Investment Co., Ltd. Representative: Te-Tsai Huang	3,655,479	0.71%	0	0	0	0	Hong Yuan International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.	Same Person as Chairman	
	0	0%					--	--	
Citibank in custody for Norges Bank Investment Account	3,117,000	0.60%	0	0	0	0	--	--	

- X. Combine the number of shares held for the same reinvestment enterprise by an enterprises directly or indirectly controlled by the Company as well as its directors and managers; and calculate the comprehensive shareholding ratio:

Comprehensive Shareholding Ratio

Unit: Shares

Reinvestment Business	Investment by the Company		Investment by the directors and managers or an enterprises they directly or indirectly controlled		Combined Investment	
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio
PAN GLOBAL HOLDING CO., LTD.	12,220	100%	—	—	12,220	100%
PAN-INTERNATIONAL ELECTRONICS INC.	28,000	100%	—	—	28,000	100%
Yen Yung International Investment Co., Ltd	33,316,236	100%	—	—	33,316,236	100%

Four. Fundraising Status

I. Capital and Shares

(I) Source of Equity

Source of Equity

Unit: NTD / Share

Year Month	Price of Issuance	Approved Share Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Equity	Those who use assets other than cash to offset the share price	Others
May 2000 (Note 1)	29	450,000,000	4,500,000,000	344,100,000	3,441,000,000	Cash Capital Increase 80,000,000 shares	—	—
August 2004 (Note 2)	10	450,000,000	4,500,000,000	362,800,000	3,628,000,000	Surplus Capital Increase 18,700,000 shares	—	—
July 2005 (Note 3)	10	530,000,000	5,300,000,000	401,626,000	4,016,260,000	Surplus Capital Increase 38,826,000 shares	—	—
July 2006 (Note 4)	10	530,000,000	5,300,000,000	423,000,000	4,230,000,000	Surplus Capital Increase 21,374,000 shares	—	—
July 2007 (Note 5)	10	530,000,000	5,300,000,000	441,500,000	4,415,000,000	Surplus Capital Increase 18,500,000 shares	—	—
July 2008 (Note 6)	10	530,000,000	5,300,000,000	467,800,000	4,678,000,000	Surplus Capital Increase 26,300,000 shares	—	—
June 2009 (Note 7)	10	530,000,000	5,300,000,000	487,903,158	4,879,031,580	Surplus Capital Increase 20,103,158 shares	—	—

June 2010 (Note 8)	10	600,000,000	6,000,000,000	503,674,118	5,036,741,180	Surplus Capital Increase 15,770,960 shares	—	—
June 2011 (Note 9)	10	600,000,000	6,000,000,000	509,413,546	5,094,135,460	Surplus Capital Increase 5,739,428 shares	—	—
July 2013 (Note 10)	10	600,000,000	6,000,000,000	515,767,445	5,157,674,450	Surplus Capital Increase 6,353,879 shares	—	—
July 2014 (Note 11)	10	600,000,000	6,000,000,000	518,346,282	5,183,462,820	Surplus Capital Increase 2,578,837 shares	—	—

Note 1: Approval letter March 9, 2000 (2000) Tai-Cai-Zheng (Yi) No. 108193

Note 2: Effective letter June 24, 2004 Tai-Cai-Zheng-Yi-Zi No. 0930127993

Note 3: Effective letter July, 1, 2005 Jin-Guan-Zheng-Yi-Zi No. 0940126601

Note 4: Effective letter July, 21, 2006 Jin-Guan-Zheng-Yi-Zi No. 0950131865

Note 5: Effective letter July, 9, 2007 Jin-Guan-Zheng-Yi-Zi No. 0960035127

Note 6: Effective letter July 3, 2008 Jin-Guan-Zheng-Yi-Zi No. 0970033177

Note 7: Effective letter June 23, 2009 Jin-Guan-Zheng-Fa-Zi No. 0980031298

Note 8: Effective letter June 29, 2010 Jin-Guan-Zheng-Fa-Zi No. 0990033566

Note 9: Effective letter June 29, 2011 Jin-Guan-Zheng-Fa-Zi No. 1000030068

Note 10: Effective letter July 5, 2013 Jin-Guan-Zheng-Fa-Zi No. 1020026265

Note 11: Effective letter July 16, 2014 Jin-Guan-Zheng-Fa-Zi No. 1030027194

Type of Shares	Approved Share Capital			Remarks
	Outstanding share	Unissued share	Total	
Common share	518,346,282	81,653,718	600,000,000	All of the outstanding shares are listed stocks.

Information about the blanket declaration system: None.

(II) Shareholder Structure:

Shareholder Structure

Unit: Shares
April 11, 2023

Shareholder Structure Quantity	Government institution	Financial institution	Other corporation	Foreign institutions and foreigners	Individual	Total
Number of people	0	4	291	151	95,063	95,509
Number of shares held	0	213,288	143,423,811	66,901,017	307,808,166	518,346,282
Shares Ratio	%	0.04%	27.67%	12.91%	59.38%	100%

(III) Equity ownership dispersion status:

Equity ownership dispersion status

Unit: Shares

Face value NT\$10 per share April 11, 2023

Shareholding rating	Number of shareholder	Number of shares held	Shares Ratio
1-----999	37,664	2,872,078	0.55%
1,000-----5,000	46,166	94,367,824	18.21%
5,001-----10,000	6,721	53,380,004	10.30%
10,001-----15,000	1,846	23,198,270	4.48%
15,001-----20,000	1,085	20,270,828	3.91%
20,001-----30,000	791	20,141,877	3.89%
30,001-----40,000	368	13,135,360	2.53%
40,001-----50,000	226	10,511,688	2.03%
50,001-----100,000	380	26,923,294	5.19%
100,001-----200,000	145	19,995,755	3.86%
200,001-----400,000	61	16,200,125	3.13%
400,001-----600,000	13	6,772,409	1.31%
600,001-----800,000	9	6,424,840	1.23%
800,001--1,000,000	9	8,205,155	1.58%
More than NTD1,000,001	25	195,946,775	37.80%
Total	95,509	518,346,282	100.00 %

Special share: None.

(IV) Name list for the main shareholders:

Name list for the main shareholders

Shareholding ratios for the top 10 shareholders of the Company are listed as follows: Unit: Shares

Name of major shareholders	Share Number of shares held	Shares Ratio
Hon Hai Precision Industry Co., Ltd.	107,776,254	20.79%
Hong Yuan International Investment Co., Ltd.	17,941,593	3.46%
Standard Chartered Bank (Taiwan) Limited as custodian of LGT	12,485,000	2.41%
Hongchi International Investment Co., Ltd.	7,595,399	1.47%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,271,000	1.02%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,234,613	1.01%
Standard Chartered Bank's iShares Emerging Markets ETF	4,870,366	0.94%
Standard Chartered Bank (Taiwan) Limited as custodian of LGT (Asia) Company	4,078,000	0.79%
Baoxin International Investment Co., Ltd.	3,655,479	0.71%
Citibank in custody for Norges Bank Investment Account	3,117,000	0.60%

(V) Prices, net worth, surplus, dividends, and related information of stocks in the most recent two years.

Information on market price, net worth, earnings, and dividend per share

Unit: NTD/thousand shares

Item		Year	2021	2022	Current year until March 31, 2023
Market Price per Share	Highest		50.30	41.70	40.80
	Lowest		27.70	30.05	35.80
	Average		40.50	36.09	38.40
Net value per share	Before distribution		23.94	24.89	(Note 2)
	After distribution		22.94	(Note 1)	--
Earnings per share (EPS)	Weighted average number of shares		518,346	518,346	518,346
	Earnings per share (EPS)		1.87	2.55	(Note 2)
Dividend per share	Cash dividends		1.00	1.40	--
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	--	--	--
	Stock Dividends	Stock Dividends Appropriated from Capital Reserve	--	--	--

	Accumulated Unappropriated Dividends	--	--	--
Investment Return Analyses	P/E Ratio	21.65	14.15	(Note 2)
	Price-Dividend Ratio	40.50	25.78	(Note 2)
	Cash Dividend Yield (%)	2.47	3.88	--

Note 1: The 2022 surplus distribution has yet to be approved by the shareholders meeting.

Note 2: As of the printing date of the annual report, there is no information verified or certified by CPA.

(VI) Company Dividend Policy and Implementation Status

1. Dividend policy

The Company is presently in the growing phase. The Company's dividend distribution policy will depend upon its current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets while taking into account the shareholders' interests and the Company's long-term financial planning. Shareholder dividends are allocated as the shareholders' cumulative distributable surplus and shall not be less than 15% of the distributable surplus for the current year, and the cash dividends in shareholder dividends shall not be less than 10%.

2. Implementation Status:

The board of directors has passed a resolution to distribute a cash dividend of NT\$1.40 per share and reported the proposal to this shareholders meeting. After the meeting, the board of directors shall separately determine the ex-dividend base date, payment date, and other related matters.

(VII) Impact of the distribution of bonus shares proposed in the present shareholders' meeting on the business performance of the Company and earning per share:

Not applicable because the Company has no stock dividend this year.

(VIII) Remuneration to Employees and Directors

1. The percentage or scope of remuneration for employees and directors as stipulated in the Company's Articles of Incorporation:

If the Company makes a profit during the year (the so-called profit refers to the pre-tax profit before the distribution of employee compensation and directors' compensation), no less than 5% shall be allocated for employee remuneration and no more than 0.5% shall be allocated for directors' remuneration, which shall be distributed after a special resolution by the board of directors and reported to the shareholders meeting. However, where the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first.

The remuneration of employees described in the preceding paragraph may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific requirements, and the

Board of Directors is authorized to establish said specific requirements.

2. Account handling when the basis for the assessment of employee and director remuneration, the basis of calculation for the number of shares distributed as employee remuneration, and the actual estimation amount for this period are inconsistent:
All calculations are based on the number or range specified in the aforesaid Articles of Incorporation, and there is no plan to distribute employee remuneration via stocks during this period.

3. Remuneration distribution approved by the board of directors:

(1) Remuneration in cash for employees was NT\$79,012,197 and remuneration for directors was NT\$7,901,220.

(2) There is no employee remuneration distributed by stocks.

4. Actual remuneration distributions for employees and directors in the previous year:

Distribution Status	Amount of actual distributions resolved by the shareholders meeting	Amount of distributions originally approved by the board of directors	Difference	Reason for the difference
1. Employee cash	NT\$60,674,454	NT\$60,674,454	—	—
2. Employee shares				
(1) Shares	0 shares	0 shares	—	—
(2) Amount	NT\$0	NT\$0	—	—
(3) Stock value	—	—	—	—
3. Director and supervisor remuneration	NT\$6,067,445	NT\$6,067,445	—	—

(IX) Company shares buyback status: None

- II. The state of corporate bonds, preferred shares, overseas depository receipts, employee stock options, restricted shares for subscription by employees, and mergers and acquisitions (including mergers, acquisitions and spinoffs):

(I) Corporate debt handling status: None

(II) Preferred share handling status: None

(III) Disclosure relating to overseas depository receipts: None

(IV) Disclosure relating to employee stock warrants: None

(V) Disclosure relating to restricted shares for subscription by employees: None

(VI) Mergers, acquisitions (including mergers, acquisitions and divisions), or transfers: None

- III. Fund Utilization Plan Implementation Status

The Company has not issued, not completed, or completed a fund utilization plan within the last 3 years but has not yet shown any benefit.

Five. Operation Overview

I. Business Content

(I) Business Scope

1. Main contents of business operation

- (1) CC01080 Electronics Components Manufacturing.
- (2) CC01110 Computer and Peripheral Equipment Manufacturing.
- (3) CC01060 Wired Communication Mechanical Equipment Manufacturing.
- (4) CC01020 Electric Wires and Cables Manufacturing.
- (5) CQ01010 Mold and Die Manufacturing.
- (6) F106010 Wholesale of Hardware.
- (7) F107990 Wholesale of Other Chemical Products.
- (8) CB01010 Mechanical Equipment Manufacturing.
- (9) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- (10) F401010 International Trade.
- (11) CC01070 Wireless Communication Mechanical Equipment Manufacturing.
- (12) CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing.
- (13) F208031 Retail Sale of Medical Apparatus.
- (14) F108031 Wholesale of Medical Devices.
- (15) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. The Company's current product items and business proportions

	Item	Business Proportions
1	Electronic Components	56%
2	Consumer Electronics and Computer Peripherals	44%
	Total	100%

3. New products planned to be developed

- (1) Automotive low-voltage harness
- (2) High-voltage cable for EV
- (3) Medical Consumables
- (4) Medical instrument cable
- (5) Industrial control cable
- (6) Type C to HDMI With CEC Converter Cable
- (7) USB 3.2 Type-C 20Gb/s cable
- (8) CAT7 / 8 Lan cable
- (9) Waterproof cable for Heavy vehicle
- (10) Green Materials
- (11) Servo Control PCB
- (12) Workstation PCB
- (13) Vehicle Optoelectronic Panels

(II) Industry Overview

1. Cables and Connectors

- (1) The cables and connectors produced by the Company are primarily used in computers as well as their peripheral equipment and network communication systems. Therefore, the product growth is in synch with the development of personal computers, peripherals, and mobile communications related products. The Company intends to use its existing cable manufacturing technology to enter and cultivate the niche industries such as automotive/medical/industrial/cloud server as well as other components and modules required by the market in order to raise the product technology content threshold.
- (2) In light of the global climate changes and energy resource reduction, there has been increased international concerns about environmental protection and energy conservation. Despite the automotive chip shortage problems for global new energy vehicles during the epidemic period, it is still expected to show strong sales strength in the future. Moreover, governments of various nations have also set production suspension targets for pure gas vehicles, introduced related industrial policies for the electric vehicle industry, and offered supplementary benefits. These efforts will significantly strengthen the development of the new energy vehicle market. The future popularization of electric vehicles will also directly drive a large demand for charging equipment. The demand for high-voltage lines and charging cables for electric vehicles will also gradually grow.
- (3) The increasing popularity of new energy vehicles in the future will also directly boost significant demands for charging equipment and electric vehicle batteries, and the need for battery pack wiring harnesses and charging cables will also gradually grow. In terms of high-voltage lines and connector parts, the popularity of electric vehicles and motor system integrations will create many new specifications and increase energy storage equipment.
- (4) Vehicle safety, entertainment, and smart user environment have become increasingly popular regardless of new energy or traditional fuel vehicles. Automotive electronics and systems have gradually moved towards high-definition screens and camera lenses in order to meet drivers' and passengers' demands. Many signals and data transmitted by the equipment must meet the high-speed transmission and response requirements, and the corresponding wires and connectors must also meet the high-frequency and high-speed transmission specifications.
- (5) In recent years, the bicycle market has shown a decline in sales for traditional bicycles while sales for electric bicycles have continued to grow. In many countries, bicycles are commonly used for daily commuting and holiday trips. To satisfy consumer demands for "faster, farther, and more interesting" bicycle rides; electric bicycles have already become the trend of bicycle development for the future. European bicycle component manufacturers have boldly predicted that the sales of electric bicycles will account for over 65% of all bicycles for the next decade. Although the battery of some electric bicycles is placed in the frame, the waterproof cables must be customized due to high electronization, which may result in high unit price. These products have strong development potential after profit rationalization.

- (6) The scale for medical materials is expected to reach US\$400 billion globally in 2022 mainly due to the medical expenditure growth, health awareness increase, and the aging population phenomenon. Surgery materials, infection control, cardiovascular applications, general medical materials, and home care supplies will make up the bulk of the main medical materials market. Hospital surgery and infection control are related to life survival, and the price can always maintain an advantage. Medical products must comply with local regulations before they reach the market. If the products have applied for licenses in the European and American markets previously, it would pose a major advantage for expanding into other markets.
- (7) The global health care expenditure has continued to rise, and it is anticipated to exceed US\$15 trillion by 2030. Moreover, with the advancements in digital technologies, the development of AI and 5G technologies, the lack of human resources in the care industry, and the demands for precision diagnosis; the development of smart health is accelerating. The integration of medical and digital technology industries has become a new market trend. The Company's medical equipment and electronic components have increased integration. Many electronic foundries are designing medical equipment with component manufacturers in an attempt to stay ahead of the digital health development trend. This is especially true during the AI era, where Big Data analysis and prediction in the medical field can create huge business opportunities in the digital electronics industry.

The development of Class III medical equipment such as heart rate regulators and defibrillators have continued to accelerate. The United States produces a large number of Class III medical equipment every year. The production line and product assurance test have 50 steps and 80 components at every turn. Some components are even too small to be held by human hands. According to a Med Device Online report, Class III medical devices and their manufacturing processes must comply with the strict U.S. Food and Drug Administration (FDA) regulations. This must rely on automated production line management, and inventory control also poses a major challenge. Industry 4.0 technology includes machine-to-machine (M2M) communication, cyber physical system (CPS), and Cloud computing in order to overcome such production challenges via high-level automation. The law requires third-level medical device manufacturers to provide a device history record (DHR) for each device, including a bill of materials (BOM), an approved manufacturers list (AML), and manufacturing processes. The DHR will also record the part number, serial number, date code, manufacturing date, and test results for equipment and parts. In addition to recording these data, the manufacturer must also ensure that the manufacturing process complies with the device master record (DMR). The scanner is installed in the manufacturing equipment and can communicate with the manufacturing execution system (MES) via the Cloud to ensure that only the parts mentioned in the DMR are assembled. The scanner uploads the part number, serial number, and date code to the electronic DHR; records all of the medical equipment manufacturing and testing processes one by one; and the test results are uploaded to the Cloud MES system for instant easy query. Some parts of the Class III medical equipment must reach a precision of 0.5mm or less and a dimensional tolerance of 10um. At this time, the high-quality vision system is used to check the parts as well as confirm the size and direction. The vision system will also

communicate with special machinery and equipment to assist in the correct handling and placement of parts. The parts are originally stored in the warehouse, and they need to be replenished when the inventory is low. Therefore, inventory management is also critical. In the past, inventory management was manually processed and entered into the enterprise resource planning (ERP) system. However, with the advent of Industry 4.0 technology, inventory management has changed from manual to automation thanks to the machine-to-cloud communication, which can facilitate real-time inventory control.

- (8) The Universal Serial Bus (USB) Type-C interface is facing revolutionary changes brought by consumer electronics applications. As the data to be transferred becomes increasingly larger, the USB specification is still evolving, and the speed of USB3.1 has been increased to 10 Gbps in the newer generation computers. USB 3.2 also doubles the speed of USB 3.1 Gen2 to reach 20 Gbps. Other than that, there is no difference from the USB 3.1 specification. But USB 4.0 is totally different. Intel is vigorously promoting the Thunderbolt3 technology, which allows multiple devices to be connected in series and eventually achieves a total bandwidth of 40 Gbps (twice that of USB3.2). Meanwhile, this interface (wire) can also transmit display signals simultaneously as well as over 100 W of electricity. At present, the USB4.0 specification directly copies this protocol, which means that while USB4.0 can double the transmission speed of USB3.2 to 40 Gbps, it also has the same interface/line video data and power transmission capabilities. USB4.0 uses a USB type-C interface. This new generation USB peripheral transfer protocol can support the highest transmission rate of 40 Gbps (or higher transmission rate) while transmitting display port video signal (for video output) and provide USB PD fast charging (for fast charging). It is essentially Intel's Thunderbolt3 technology, but it also supports the USB protocol. So it is perfectly backward compatible with Thunderbolt3, USB3.2, USB3.1, and USB2.0 protocols. As the USB organization will officially incorporate the Thunderbolt3 specification into USB 4.0, it is estimated that this protocol may be officially released around the year 2020. In general, the official release of USB 3.2 and USB 4.0 have significantly promoted the development of widely used high-speed interfaces, making data transfer and copying ever more convenient. It is foreseeable that when USB 3.2 and even USB 4.0 become the mainstream interface, the era of "one universal interface" is upon us, and displays will only need one cable to complete the power and signal transmission, which will make the people's lives significantly more convenient.
- (9) HDMI transmission cables are commonly used for the audio and video transmission of consumer audio and video products such as TVs, computers, video players, and other video streaming devices. An HDMI transmission line carries both video and audio signals, and ensures that the video and audio signals will not attenuate during transmission. High-definition video has gradually become the mainstream TV and video standard, and HDMI has also taken advantage of this trend to release the latest HDMI 2.1 version standard and announce the official arrival of the 4K and 8K era. Due to the latest HDMI development as well as future video trends and as high-quality video gradually becomes the mainstream standard, the data transmission specifications of the past may no longer meet future demands. At the beginning of 2017, the HDMI forum INC. announced a new audio-visual standard and officially released the HDMI 2.1 specification prior to the end of 2017. In addition to the significant increase in

image data transmission speed, the new HDMI 2.1 specification also includes the addition of Dynamic HDR specifications. In the future, the depth of field, detail, and brightness of images can be improved to display with a wider color gamut; and vertical depth and dynamic HDR are added to the visual effect in order to achieve a better 3D effect. In the future, 10K/5K images will also be considered. This means that the new era of 10K/5K for consumer audio and video is formally upon us.

- (10) Cat6a network cable can support a frequency bandwidth of up to 500MHz, which is twice that of a Cat6 network cable. Cat7 network cable can support a frequency bandwidth of up to 600MHz as well as 10GBASE-T Ethernet, and can significantly reduce crosstalk noise. In response to the future 5G transmission speed and bandwidth requirements, the demand for Cat6a/Cat7 will gradually increase.

2. Electronic Manufacturing Service

- (1) Today's consumer demands are changing with each passing day. Industry competition is becoming increasingly fierce, technological innovation is accelerating, and product cycles are becoming shorter. In order to speed up product launches, seize the market, and reduce production costs; many companies worldwide have increasingly relied on professional electronic manufacturing services (EMS) companies to provide global manufacturing and service OEMs. Under the support of EMS factories, the original manufacturers can focus on the professional R&D, marketing, and sales. In addition, many products today require a high degree of customization, and customers have a low amount/diversified demands. So, it is necessary to maintain a moderate degree of flexibility in addition to ensure strict quality assurance.
- (2) Among the many technologies that can promote smart consumption, Beacon has become one of the most eye-catching technologies. Beacon refers to the creation of a signal zone via the Bluetooth low energy technology to provide accurate field information for mobile device APPs and generate different virtual/real interactive experiences. At present, the application areas include smart consumer applications such as consumer interaction or sales marketing solutions. Its customer base includes different industries such as air transportation, finance, retail, entertainment, sports, and exhibitions. Another Beacon application is in the field of smart IoT such as smart meeting rooms/door locks, inspection systems, or people and object tracking. Its customer base includes semiconductors, traditional manufacturing, and health care industries. Beacon is like a small base station. It will be covered by the Beacon signal as long as it is within a radius of 30 meters from the Beacon. Consumers will be detected as long as they enter this range, and users can actively push various messages to consumers within range. The message type can be text, image, video, web page, etc. The Company's strategic partners have comprehensive IoT & Big Data analysis solutions. The designed product sensor/beacon can be applied to Cloud-connected enterprises or retail IoT. This Cloud solution can help companies to extract, analyze, and aggregate data from millions of events.

- (3) The Internet of Things (IoT) not only has huge market potential, it also contains a wide range of technology applications. The MGI report shows that starting from 2025, the Internet of Things will generate an output value of US\$3.9 trillion to 11.1 trillion in 9 environments such as factories, retail, and cities. The number of Internet of Things devices is estimated to grow to 75.4 billion. This is equivalent to an increase of 127 IoT devices every second worldwide starting in 2020. The Internet of Things (IoT) is driving a new revolution in the industry that covers a wide range of fields such as the Internet of Vehicles, medical care, communications, smart manufacturing, and smart homes.
- (4) The next wave of the home networking revolution is smart home appliances. In the future, lamps, air conditioners, refrigerators, kettles, and other home appliances controlled by smart routers may be connected to the Internet; which mean the full blossom of the IoT era. In the next 4 years, each household will increase from an average of 9 connected devices to an average of 29 connected devices. Smart homes provide important fuel to drive the IoT. Strategy Analytics predicted that global consumer spending on smart-home related devices is expected to drop from US\$52 billion in 2019 to US\$44 billion in 2020 due to the COVID-19 epidemic in 2020. However, Strategy Analytics believes that this market will rebound in 2021, and reach US\$62 billion in consumer spending during 2021. However, image transmission is also an important aspect of smart home applications. In the IoT era, smart home cameras are no longer just cameras, but have become intelligent "eyes" that can think individually. They are used for smart doorbell, children, or anti-theft monitoring; and have a certain degree of importance. Based on the current development trend, smart home demands will drive approximately over 20% of growth each year. Europe and the United States have the strongest growth momentum, and the growth rate will be even faster after the demand from emerging countries catches on in the future.
- (5) The evolution of vehicle electrification and intelligentization has also brought the IoT applications into the vehicle transportation field and enabled the "Internet of Vehicles" to flourish. The objective is to connect vehicle information and mobile networks using technologies such as satellite positioning, sensors, electronic tags, wireless network communications, and data processing. The system can effectively identify and transmit static and dynamic vehicle, pedestrian, and road environment related information; and gather the data on the back-end platform for smart management and services. The system is also commonly used in traffic safety, traffic services, city management, logistics, and transportation in addition to providing driver-related information. The development of the Internet of Vehicles has promoted the evolution of in-vehicle systems, and directly triggered the demand increase for automotive electronics in vehicles and on the roadside. Automotive market rebound, electrification, and intelligentization will become the three main forces to drive the steady growth for automotive electronics. They will also provide an explosion of business opportunities for the back-end automotive electronic module manufacturing and assembly industries.
- (6) The global impacts of COVID-19 has rearranged the companies' operating environments and recovery. The industrial control market may grow slightly. The industrial control market includes different types of control products and tools as well as the corresponding electronic control components and modules. The number of PCBA used for industrial control will also develop upwards as more complex control functions appear.

3. PCB Industry Overview

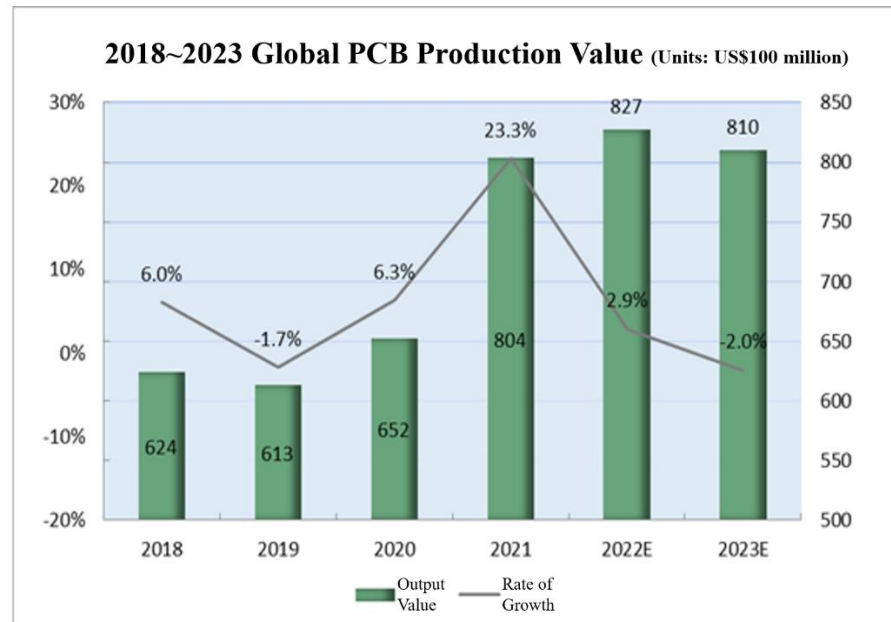
A printed circuit board (PCB) refers to a printed board that forms point-to-point connections and printed components according to a predetermined design on a general substrate. Its main function is to enable various electronic components to create a predetermined circuit connection and relay transmission and is one of the main components for all electronic products. So, it is also called the "mother of electronic products." The PCB industry is the foundation of the electronic information industry and is indispensable to electronic products. Its downstream application fields are extensive and cover various social and economic fields such as communications, industrial control, medical, aerospace, automotive electronics, and computers. Its production cycle is less affected by a single industry, and is adjusted mainly based on the fluctuations of the macro economy and the overall development of the electronic information industry.

(1) PCB Global Market:

The Prismark report indicated that the demand in the global electronic complete machine market would further decline in 2022. The demand in the PC, mobile phone, TV markets, and the automotive industry would continue to be weak. End customers adjust inventory and reduce the supply chain's effects on the PCB industry. Packaging substrates almost entirely drive the PCB market growth. The global PCB growth rate was predicted at 2.9% in 2022, and the PCB output value growth rate in mainland China would slow down.

Economists also predict that the global economy will decline in 2023. Inflation, the Ukraine war, and the European energy crisis may continue. Weak demand and high inventory will continue to affect the global economy until the first half of 2023. Regarding the market demand forecast for electronic products, NB and PC will continue to fall by over 5%, the server market will grow at a low single-digit rate of about 3%, the mobile phone market may remain flat, and the shipment of Chinese smartphones may increase slightly. In contrast, Apple smartphone sales are likely to remain flat. Therefore, 2023 will be a difficult year for the PCB industry, according to Prismark's forecast.

The global PCB output value and growth rate from 2018 to 2023 are shown in the figure below:



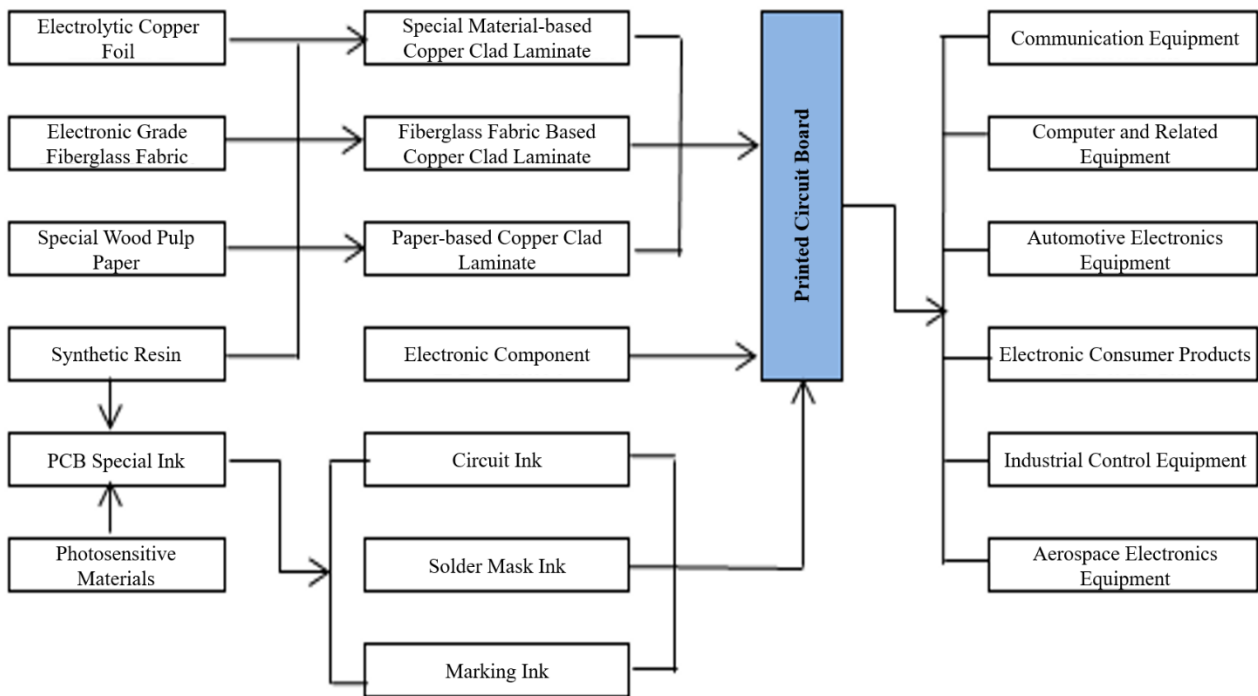
From the product structure perspective, the PCB industry is developing in the direction of high precision, high density, and high reliability. The goal is to improve product performance, production efficiency, specialization, large-scale, and green production requirements to comply with the technical specifications of the downstream electronic equipment industry development. The output value of the global PCB market will drop by 2% in 2023, according to Prismark statistics. Regarding product categories, the packaging substrate market may grow steadily. Single and double panels will drop by 3%, the growth rate of MLB and FPC will drop to 2%, and HDI will drop by 1%. If there is a global economic recession in the second half of the year, the PCB market may suffer a drop of over 5% or even worse.

Terminal products have great traction and are a driving force for developing the PCB industry. According to the latest market report by Lucintel, the application of PCB in future products will show diversified development. The wearable device technology is constantly updated, allowing consumers to enjoy more convenience in health, travel, and daily life while stimulating the development of high-quality PCBs. Although the demand for smart phones has been sluggish recently, brand owners are still innovating and creating differentiated products to boost demand. PCB will play an important role in it. In terms of medical treatment and diagnosis, research and treatment methods have been gradually digitized. The development of high-end electronic medical equipment will also drive the development of PCB in the industry. The use of automobiles has changed from a means of transportation to a comprehensively integrated platform of transportation, entertainment, office, and other functions. Therefore, the proportion of automotive electronics in vehicle manufacturing has substantially increased, and the position of PCB in the automotive supply chain has also been improved.

(2) PCB industry chain:

The PCB industry is in the middle of the overall industrial chain. The upstream comprises various raw materials for the production of PCB, such as copper foil, resin, glass fiber cloth, ink, and other chemical materials. The midstream is mainly PCB manufacturing, and the downstream mostly applies to computers, communication equipment, industrial control, automotive electronics,

consumer electronics, aerospace, and a wide range of other fields. The printed circuit board industry chain is relatively long, and the relationship between upstream and downstream is shown in the figure below:



The development of upstream and downstream industries is interrelated and mutually supporting to the PCB industry. On the one hand, a good development momentum for the PCB upstream and downstream industries can lay the foundation of growth for the PCB industry. The downstream industries would continue to demand stricter requirements for higher system integration and performance from PCB products, which will push PCB products to evolve and upgrade towards the direction of "lighter, shorter, thinner, and smaller." On the other hand, technological innovations of the PCB industry make it possible for upstream and downstream industries to create product innovations and thereby satisfy the needs of the end market.

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

1. Cables and Connectors

With the development trend of electric vehicles and the popularization of automotive electronics, the Company can provide different automotive wiring harness solutions according to the needs of different customers in various regions, and customize automotive connection products with different functions for our customers. Many first- or second-tier automotive electronics suppliers are also moving towards developing smart electrified vehicles. The high-speed and large-scale data transmission required has also made high-frequency, and high-speed wiring harnesses the mainstream in the future. In terms of the existing industrial control and consumer wiring harness, the Company provides niche products in combination to some market standard products (ex. Mini SAS, HDMI, USB, Lan cable) and implements sales promotions. The Company aims to increase the product lines' breadth and business depth for the long-term, provide strategic agency for some components, actively develop the European and American markets, establish sales bases in Mainland China, and integrate a dual-operation sales network.

The Company will cultivate the niche market via its cable manufacturing technology and simultaneous pipeline compression advantages, invest in external connection cable and disposable medical wires required for medical equipment layout, and further advance the development of direct human body contact type-2 medical lines. The market target is aimed at medical equipment power supply and signal transmission line as well as medical gas and liquid pipelines products that provide simultaneous extrusions such as ion scalpel, medical disinfection, patient monitoring equipment, and other medical wire/cable products.

2. Electronic Manufacturing Service

Based on the existing EMS one-stop production facility system and Industry 4.0 development orientation, the Company intends to further optimize the vertical production line integration and introduce the automated production advantages. The goal is to focus on the development of consumer communication products and electronic accessories, industrial PCBA, and the medical electronic product assembly market. Secondly, the Company can also enter the vehicle control modules foundry production market via its heavy vehicle wiring harness development advantages.

Master the development trend and application of new generation wireless communication technologies; use solid wireless technologies as the foundation to further strengthen the production capacity for wireless products in the communication field; and focusing on the development of WiFi 6, CPE, MiFi, and Beacon based on the development of 5G related electronic peripheral products. Seek strategic cooperation with thriving start-ups, develop smart devices and accessories-related products, and select highly complementary strategic partners to build win-win partnership networks.

The demand for the industrial control industry is gradually accelerating as the material supplies improve. Industrial PCBA production focuses on the characteristics of a small volume, diversification, and stable supply and demand. Under the high-quality demands, flexible use of production lines and supply chain adjustment will become the mainstream for customer services this year.

3. PCB Products

The long-term business development plan for the Company's PCB products is to follow the customers' product demand trends in order to achieve sustainable operation. The Company will continue to improve quality, increase efficiency, reduce costs, and reducing inventory; and follow the rationalization, standardization, automation, and systemization steps to gradually promote and achieve the Company's PCB manufacturing industry 4.0 goals. Follow the industry development momentums and trends to continuously consolidate and enhance the Company's own advantages; continue to introduce automated production equipment and strengthen efficiency for the existing production capacity; keep follow up on the development of new products and models from customers and cooperate with customers to improve product technology content and cost optimization; continue to improve raw material price comparison and bargaining power autonomy in order to maintain competitiveness with low prices; and strive to improve the foundation of upstream and downstream supply chain integration. Furthermore, the Company must establish brand advantages, attach importance to product quality, and strictly control quality standards.

For short-term business development, the Company will continue to develop consumer electronics products in fields such as (1) game console products, (2) smart speaker products, (3) photoelectric board products, and (4) PC products. The Company will maintain the existing client-product model requirements and cooperate with clients to improve product technology content and cost optimization. Meanwhile, the Company will endeavor to promote new product model development and quality certification operations; strive for new customer recognition; promote HDI boards, and introduce new orders for HDI boards, automotive-related boards, vehicle photoelectric boards, rigid-flex boards, and Mini LEDs. We will actively provide PCB professional technical support according to the Group's development strategy, collaborate with the development and introduction of the Group's electric vehicle products, and actively expand the proportion of automotive PCBs in the Company's products.

The long-term goal is to follow the development momentum and trend of the PCB industry, adjust market strategy prospectively, and optimize customer structure and product structure. Continue to invest in the existing PCB products (such as HDI boards/photoelectric boards to increase the work orders), search for alternative products with PCB investment opportunities, and find entry points for PCB niche products. Strengthen R&D for smart product lines, use advanced equipment to replace the original outdated equipment, simplify the production process, improve the production automation levels, and reduce manpower requirements.

The PCB production process will produce pollutants and impurities such as wastewater, gas, and solid waste. If not handled properly, they will pollute the environment and adversely affect the community residents' lives. As environmental protection policies became more stringent and environmental protection departments' supervision intensified in recent years, high-polluting and high-energy-consuming enterprises are forced to transform and upgrade, thereby promoting economic structural adjustment and development model transformation. In response to high environmental protection standards and strict environmental inspections, the Company has established a special Environmental Protection Management Department to actively respond to the latest environmental regulations and requirements, continue to increase investment in environmental protection, and provide employees with environmental protection knowledge training in order to enhance their environmental awareness. The Company has passed the ISO14001 environmental management system certification, and formulated effective prevention and control measures for different types of pollutants in order to meet the requirements provided by the laws, regulations, and customers.

Finally, the Company has worked hard in internal management in order to cope with the market competition as well as the cost pressure caused by the exchange rate and raw material price fluctuations in the peer industry. The efforts include strengthen production site management, improve material utilization, and reduce overall costs by lowering energy consumption, optimizing process design, and applying new processes and new materials. In the future, the Company will continue to maintain its growth trend via excellent cost control and production capacity.

II. Market, Production, and Sales Overview

(I) Market analysis

1. Sales area for main products

The main sales areas of the Company and its subsidiaries are primarily Mainland China, Hong Kong, Malaysia, the United States, and Taiwan. The main sales areas are distributed as follows:

Unit: NTD thousand		
Region	Amount	Ratio (%)
1. Mainland China	11,634,937	44
2. Hong Kong	6,088,703	23
3. Malaysia	3,958,696	15
4. The United States	2,266,499	9
5. Others	2,308,505	9
Total	26,257,340	100

2. Market share, future market supply, demand status, and growth

(1) Cables and Connectors

The global cable and connector market is showing a growing trend due to the rise of the electric vehicle and digital medical care industries. The global clients have also increased their production customization strengths for wire harnesses due to product diversification and production automation demands. Pan-International has actively engaged in product transformation in recent years by focusing on wire harness development in the health care, automotive multimedia electronics, green energy, industrial application, and Cloud communications industries. From 2020 to 2021, Pan-International has transcended its original wire harness manufacturing and wire harness connector assembly role to become an overall solutions provider for wiring harness connectors in various fields.

The vehicle wiring harness business will continue to grow steadily due to the booming development of new energy vehicles in mainland China and the strong export of new energy vehicles. With the increasing popularity of automotive smart equipment and in-vehicle systems and the increasing demand for automotive batteries anticipated for the 2nd half of 2023, the shipments of related high-frequency and high-speed connectors, connecting cables, and wiring harnesses in battery packs will be relatively stable. The external connection cables for medical instruments, medical wiring harness products, and the relevant connecting wires for industrial control smart motors. The shipment ratio for these product lines will continue to increase as the trend develops due to the long life-cycle for the related products and stable shipments.

(2) Electronic Manufacturing Service

According to the forecast by Technology Forecasters, the EMS market is growing rapidly at a compound annual growth rate of 7% each year. The service items offered by general EMS providers are divided 3 main categories: printed circuit board assembly, semi-finished product assembly, and system assembly. As the electronics industry has a tendency to gradually outsource part or all of the manufacturing processes, the service contents provided by the electronic manufacturing service industry have become more diversified. EMS providers provide serves to a wide range of electronic products from network communications to computer peripherals, from medical equipment to mobile phones, and from motherboards to notebook computers. EMS providers accepts commissions from clients to provide professional production and process services in accordance with actual production needs.

In the future, EMS manufacturers will no longer simply provide manufacturing foundry and must be flexible in order to provide integrated service functions, including:

- (a) Rapid technical solutions: Assist customers in solving technical problems from concept, product molding, to mass production.
- (b) Effective supply chain integration: Establish a procurement and logistics center to obtain low-cost and high-quality components, prevent raw material shortage, accelerate inventory turnover, and increase capacity utilization to ensure rapid delivery to clients.
- (c) Stable production and operation: Provide rapid new product introduction to shorten product development time, and assist mass production maximization for the product.
- (d) Global logistics services: The overseas and Mainland Chinese production bases as well as the rapid service structure can provide timely product development services and avoid international geopolitical interference.

(3) PCB Products

The vigorous development of the electronic information industry provides an important boost to PCB industry development. In terms of terminal application; communication electronics, computers, and consumer electronics have become the 3 major PCB application fields. PCB has increased in demand and value with the vigorous development of emerging needs from downstream fields such as automotive electronics, wearable devices, industrial control, and medical equipment; and the PCB industry will continue to grow steadily.

In terms of communication electronics, PCB provides electrical connections for electronic components and carries functions such as digital and analog signal transmission, power supply, radio frequency and microwave signal transmission, and reception for electronic equipment. The 5G network environment will enhance the technical standards for PCB suppliers, electronic design companies, and electronic manufacturers in order to achieve the functional requirements of higher frequency, density, and faster speed required by 5G network. The world has entered the 5G development stage, and the market demand for high-speed, high-frequency, high-density, and large-capacity PCBs is growing rapidly. Our communication product customers have clarified that the Company's PCB products must be upgraded simultaneously and quickly to enter the industrialization stage. The 5G construction is expected to promote an increase in PCB volume and price.

Consumer electronics include digital devices (such as mobile phones, computers, photography equipment, etc.), learning hardware (such as dictionary pens, translation pens, etc.), and wearable devices. Although consumer electronic products such as smartphones and tablet computers have entered the stock era, the 5G communication technology and the continuous mobile phone component upgrades have brought a replacement boom. With the continuous development of AI and the IoT, the integration of software and systems has transcended the boundaries of device connection to drive the continuous growth of the smart home appliance, smart wearable, and entertainment device markets. We can anticipate a growth in the consumer electronics PCB market.

In terms of automotive electronics, automotive PCB boards are also one of the most promising fields in the industry. New energy vehicles and smart driving will drive the rapid expansion of the automotive electronics market as the standard of living for people continues to improve. PCB is widely used in automotive electronics for the engine system, chassis, control, safety, information, interior environment, etc. All of these systems use electronic technology products without exception. The smartization of automobiles drives the development of smart driving + smart cockpit. The demand for sensors (cameras, millimeter-wave radar, etc.) will increase under the continuous upgrading of autonomous driving. The multi-screen development trend in the smart cockpit field will also drive PCB consumption. The application of smart cockpit domain controllers will also increase with the development of automotive electronic, electrical, and domain controller architectures. Overall, the output value of PCBs in complete vehicles will increase significantly. The automotive PCB certification cycle is long, with a high entry threshold. However, after certification by the car manufacturer, good customer cohesion can bring stable revenue growth. The Company has the R&D capability needed to continue to enhance the design and development of automotive PCBs and has obtained the IATF16949 certification. The Company will take this opportunity to develop and introduce the Group's electric vehicle products and increase the revenue ratio of automotive boards in the overall product.

Cloud computing also drives the demand for data center construction. In the data center construction cost structure, servers and network equipment account for a relatively high proportion of about 80% of the total cost. The increase in data center investment spending will drive the growth of network equipment, server shipments, and further boost the prosperity of the server PCB industry. After the server platform is upgraded, the corresponding PCB material upgrade + layer number + process complexity will raise, and the value of PCB is expected to increase.

In sum, PCB has almost penetrated into all terminal fields of the electronics industry. As the new generation information technology advances, the use and market of PCB products will continue to expand in the future. With the growth of residents' income; the expansion of domestic demands; consumption structure upgrades; and industrial development for computers, communication equipment, consumer electronics, etc.; the development and upgrading of new products will bring a broader market space for the PCB industry.

3. The advantages, disadvantages, and countermeasures of competitive niche and development vision
 - (1) Favorable factors

- A. A number of high-precision SMT production lines have been constructed, which can significantly improve SMT production efficiency and yield while helping to drastically reduce manufacturing costs.
 - B. The manufacturing units of the Mainland China plant have implemented localization to improve personnel training efficiency and the overall management team performances.
 - C. The global marketing system integration and division of labor has completed, which can enhance the synergy of global customer service and marketing information collection.
 - D. At present, the Company's current financial health is sound and can fully support and implement global operations and investment activities.
 - E. All of the plants have passed the IATF-16949 and ISO-13485 certifications, and have established a firm foothold in the automotive and medical fields.
 - F. The Chinese government has set PCB as a strategic, basic, and leading pillar industry for key national development. China is expected to actively promote the development of subsidy-related products during its 14th Five-Year Plan, which is conducive to the local development of PCB.
 - G. PCB downstream application industries such as automotive electronics, 5G communications, smartphones, Internet of Things, and Cloud computing are expected to flourish as the world move towards digitalization and carbon neutrality. This will also increase demand for PCB products.
 - H. We have completed all aspects of the PCB self-production processes, improved the independent capacity of the processes, and implemented automation upgrades for our production equipment and technology by introducing/developing rigid-flex boards, automotive boards, and other products in order to keep up with the pace of change in the industry and strengthen our independent competitiveness.
- (2) Unfavorable factors
- A. The life cycle of consumer electronics products is fast, and is affected by the uncertainty of the overall economic environment and the business cycle recovery. This resulted in a conservative wait-and-see mentality at the beginning, but quickly place irrational orders as soon as demand is exhibited. The situation shows low certainty about the real demand in the future.
 - B. Despite the increasing demand for automotive wiring harnesses, there is a risk that the supply and demand will be saturated.
 - C. Semiconductor ICs as well as active and passive components have often encountered temporary shortages in recent years, resulting in supply chain management and control risks.
 - D. The price of raw materials continues to rise, which directly erodes product gross profit.
 - E. The diversification and life cycle of consumer electronic products are getting increasingly shorter, resulting in the low volume and high customization product trend.
 - F. Due to the China-US trade and other international geographical factors, many orders from the United States are moving to Southeast Asia or other regions for production. The competition in China's domestic demand market is becoming more intense.

- G. the requirements for high-density and high-performance PCBs are increasing in response to the gradual thinning and miniaturization of electronic products. More resources must be invested to improve manufacturing technology and meet customer demands.
 - H. As the aging population in China increases and the working-age population declines, labor costs will continue to rise, putting pressure on operational profitability.
 - I. The Chinese government has set annual energy conservation and emission reduction targets. The increasingly stringent environmental protection requirements aimed at promoting the healthy development of the industry will bring certain cost pressures to enterprises.
- (3) Response measures
- A. Speed up new product development and increase product gross profit margin in niche product application fields such as wire harnesses and connectors.
 - B. Introduce automated production equipment and testing equipment, optimize medical workshops, and improve production efficiency and product quality.
 - C. Expand the production scale of overseas factories in Southeast Asia, reduce production costs, and diversify geopolitical risks.
 - D. Actively adjust the 5 major business strategies: enterprise production, sales, R&D, finance, and human resources. Fundamentally strengthen the overall corporate competitiveness, strengthen the Company's intangible assets and core competitiveness, and widen the gap from competitors.
 - E. In terms of important raw materials, use effective supply chain strategies to strive for reasonable costs, adjust the raw material stock inventory in a timely and appropriate manner, and reduce the impact from rising pressures on raw materials.
 - F. Actively build a green supply chain to create a resource-conservation and environment-friendly green manufacturing system for procurement, production, marketing, recycling, and logistics. In terms of main raw materials, adopt the quantity-based pricing principle and appropriately adjust inventory in a timely manner in order to reduce the impact of rising pressure on raw material prices.
 - G. Continue to evaluate and introduce advanced PCB manufacturing equipment, cultivate more R&D and professional talents, maintain a rigorous and solid work attitude, and cultivate a humble learning spirit to narrow the technological gap with advanced enterprises and enhance competitiveness.
 - H. The PCB factory will continue to monitor the environmental protection indicators required by the government and maintain good communication with relevant government departments. It will also consider the return on investment to achieve the cost reduction objectives and increase efficiency by introducing the relevant equipment.
 - I. Maintain the image of corporate integrity management, protect the environment, care for the community, and establish a sustainable business model.

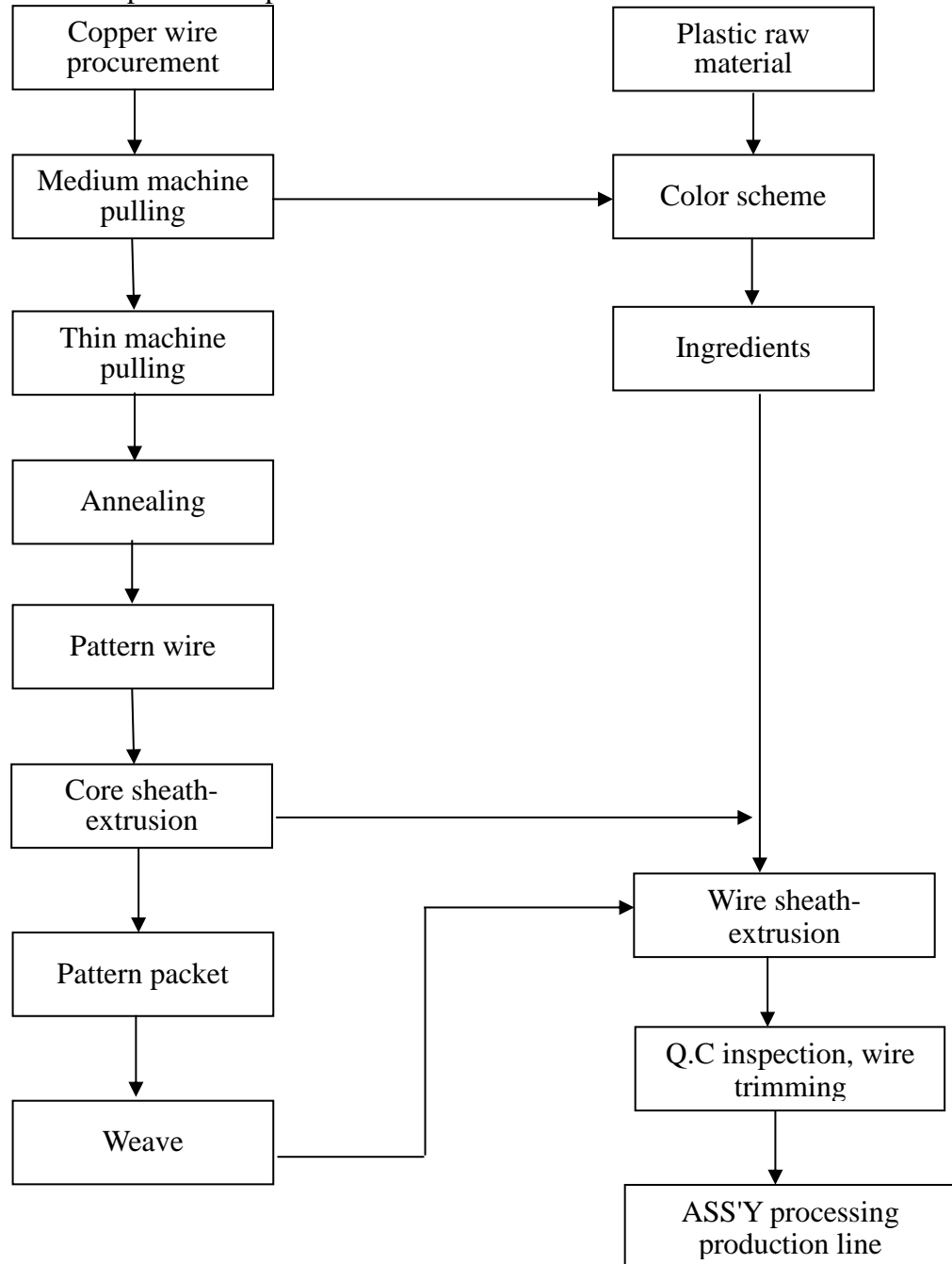
(II) Important Purpose and Production Process for Main Products

(1) Important purpose for main products

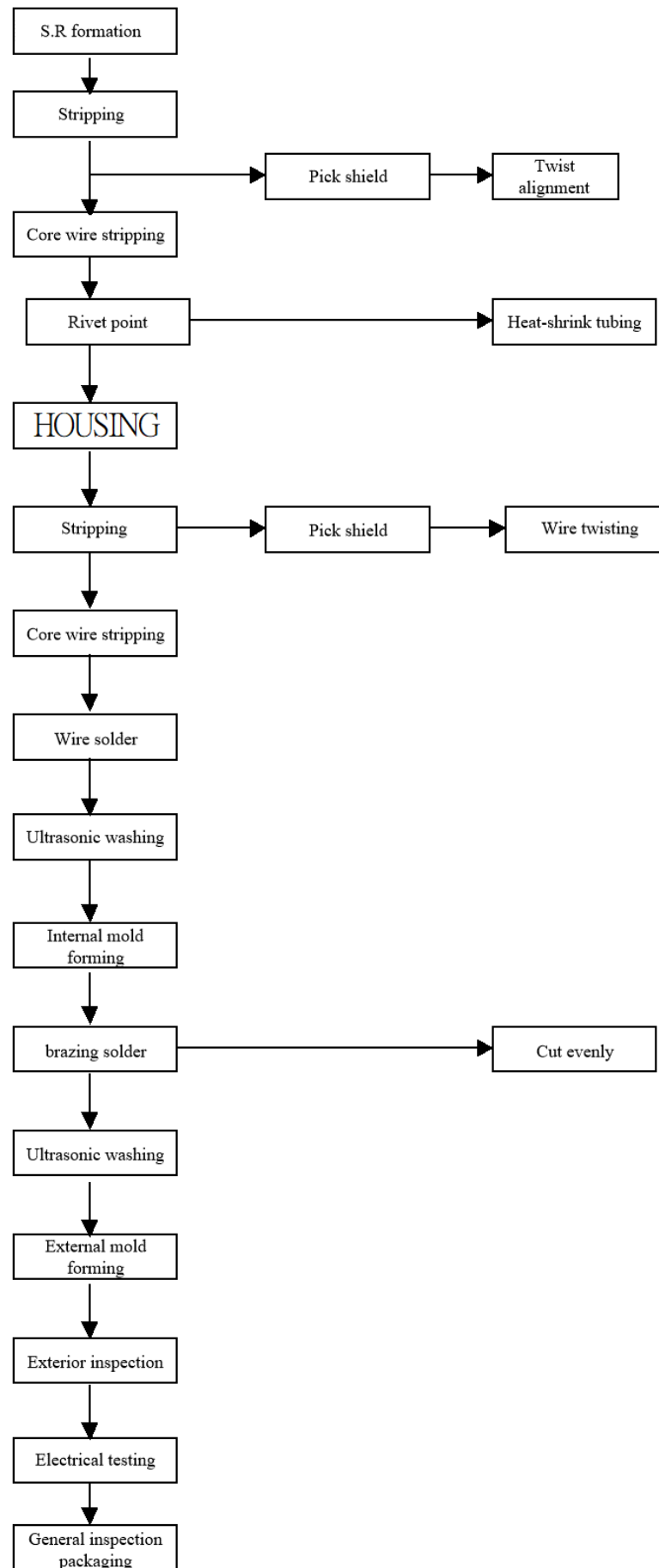
Main products	Important purpose
1. Raw Cables	Applicable to electronic signal transmission by monitors, photocopiers, and other computer peripheral products, computer systems, communication systems, and networks.
2. Connectors	Various connectors between computers, communication systems, home appliances, office equipment, and other systems.
3. Cable Assembly	Connection cables with connectors that are suitable for electronic signal transmissions between wearable portable devices, computer systems, peripheral products, medical equipment connections, high and low voltage automotive wiring harnesses, and automotive electronic multimedia wiring harnesses.
4. Electronic Manufacturing Service	OEM products for information, communication, consumer, industrial, or medical industries include Bicycle GPS Meters, Industrial control products, IP camera, HUB accessory, Docking Stations, Beacon, Alcohol Testers, Motion Controllers, Coagulation Factor Testers, and other devices.
5. Computer peripheral products and parts	PCBs for computer communication equipment, devices that require professional foundry for electronic circuit board surface adhesion technology, and mobile phone related accessories.
6. Printed circuit board (PCB)	Optoelectronic products such as game consoles, monitors and TVs, smart speakers, mobile phones, communication products, PC motherboards, automotive electronics, and other rigid and HDI PCBs.

(2) Production process for main products

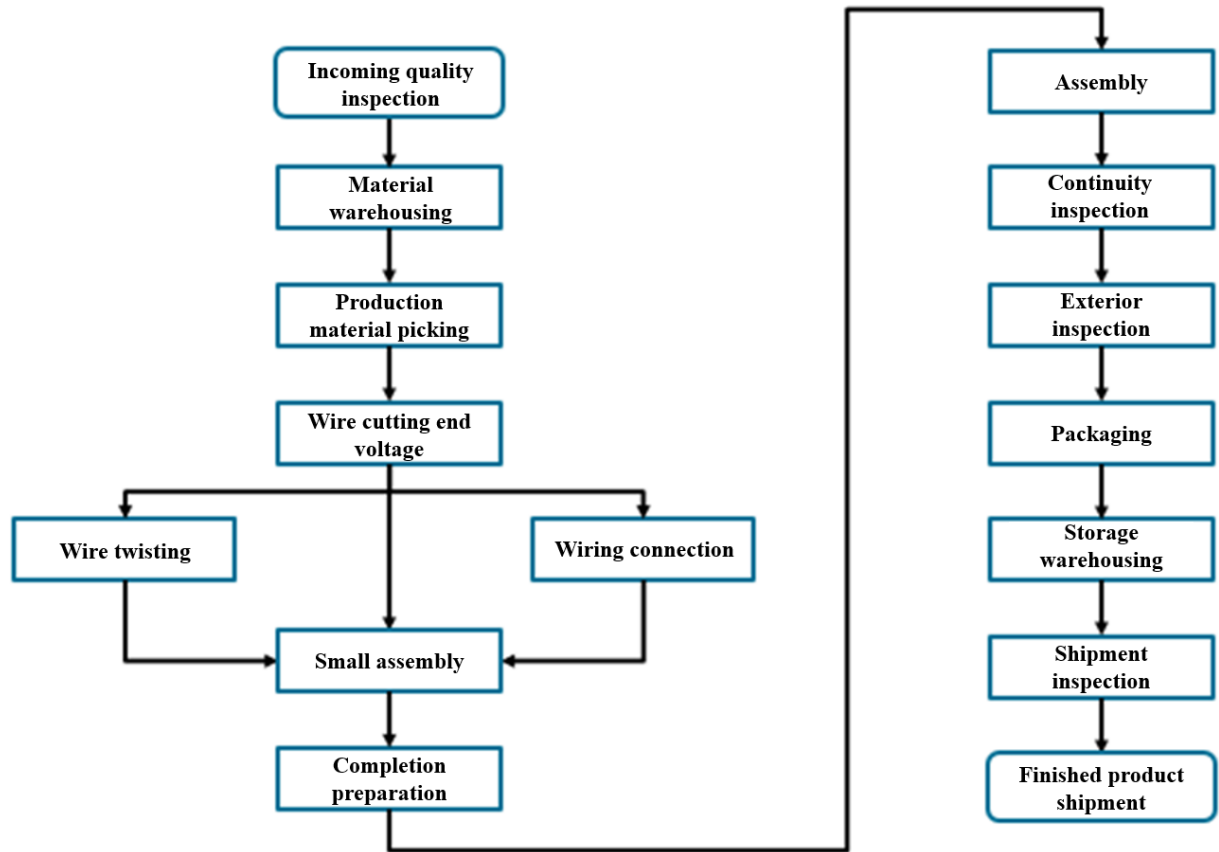
1. Wire production process



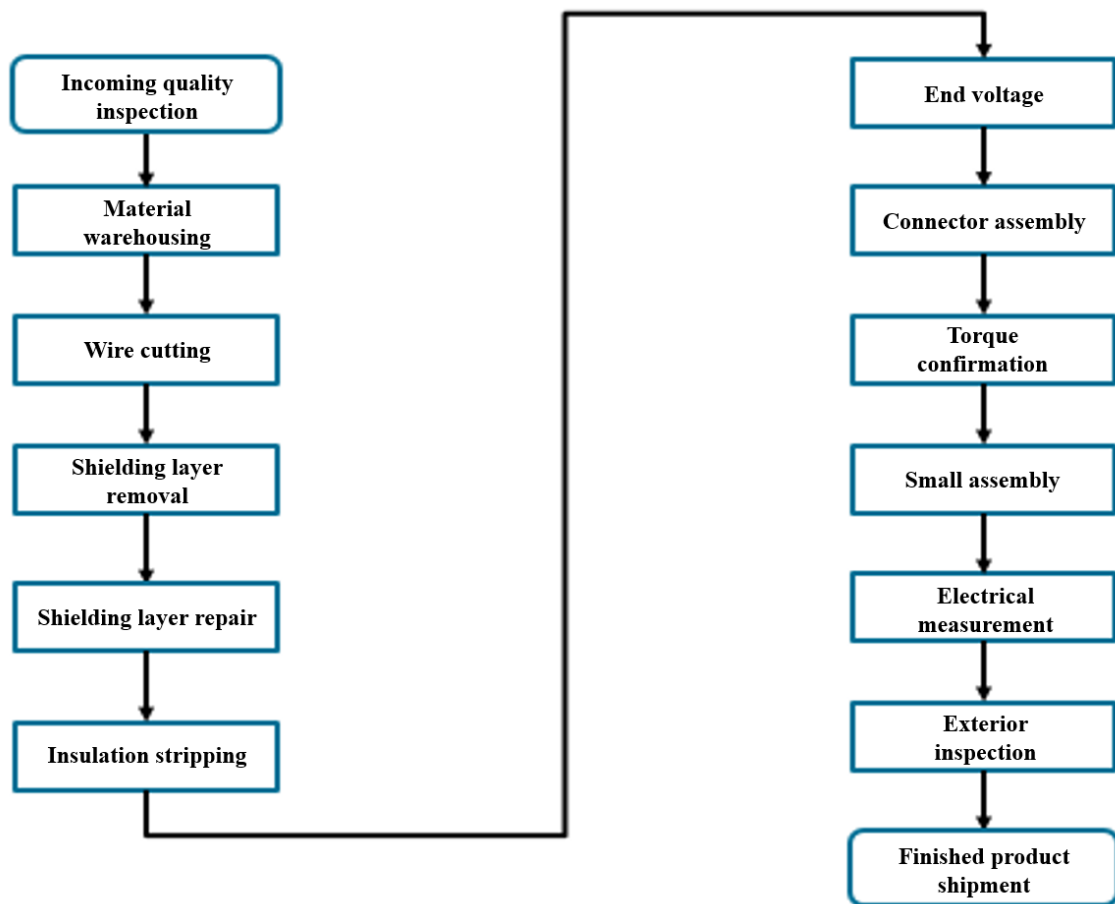
2. Connection line production process



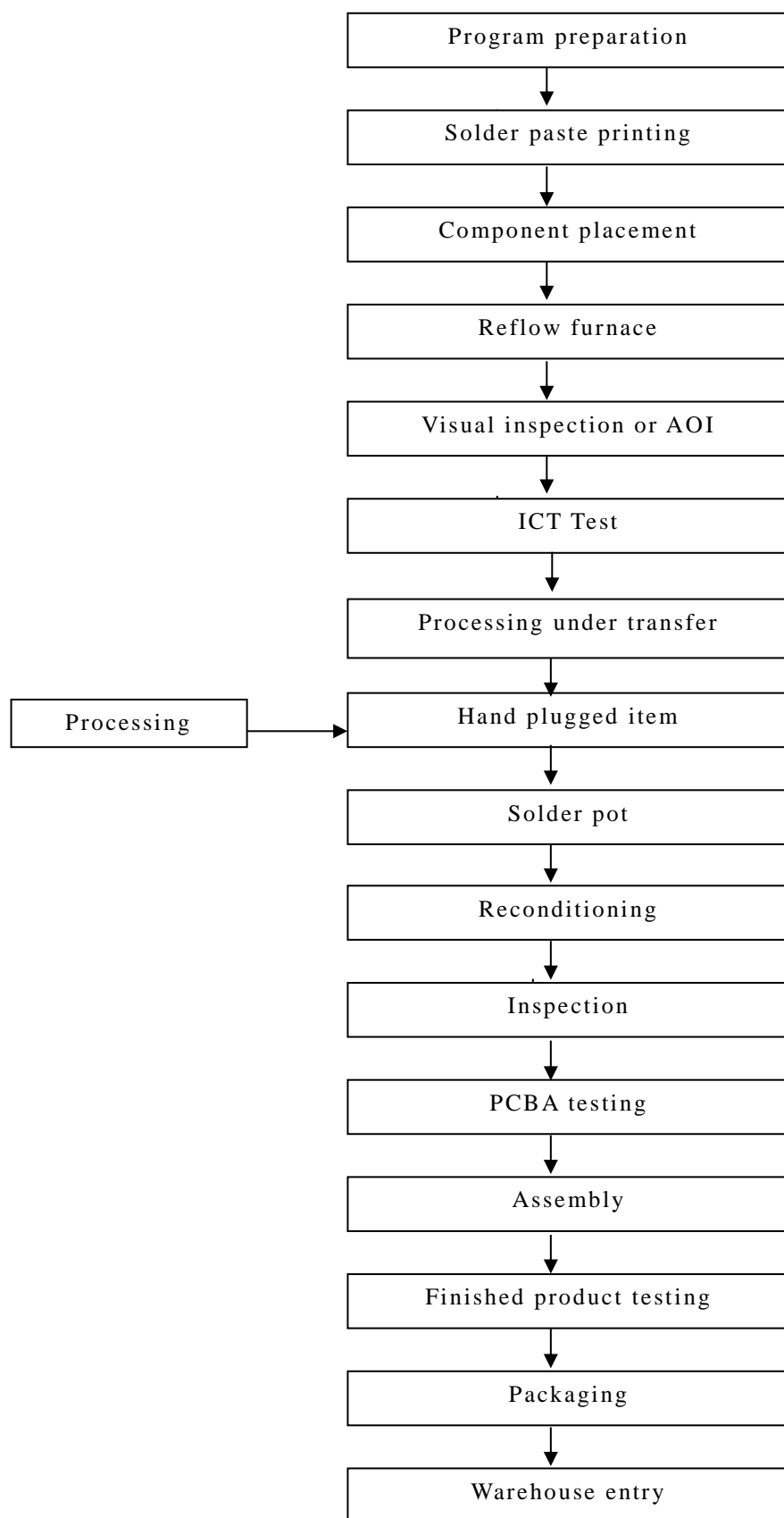
3. Automobile low-voltage wiring harness production process



4. Automobile high voltage wiring harness production process

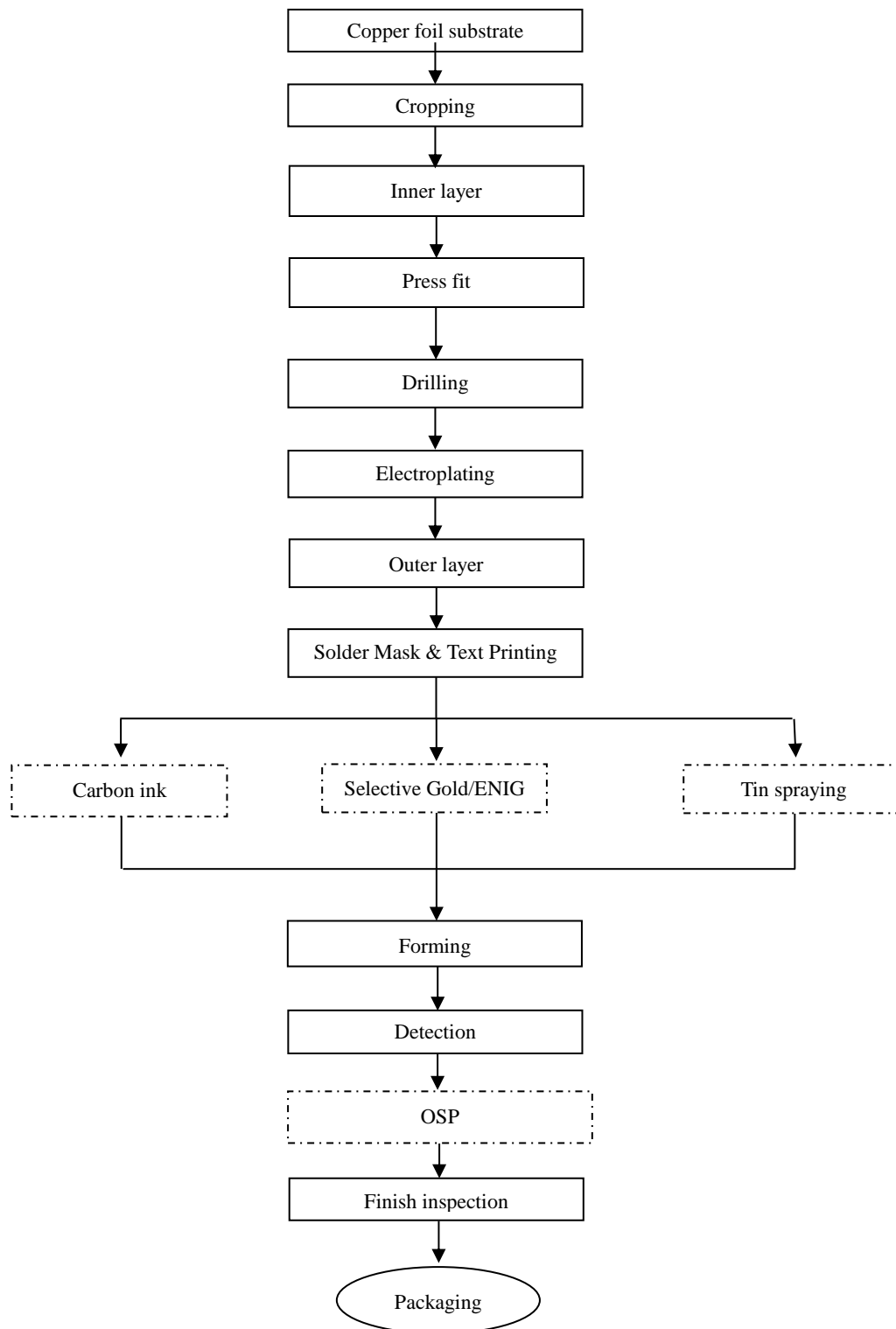


5. Computer peripheral products and parts turnkey processing flow



6. PCB manufacturing process

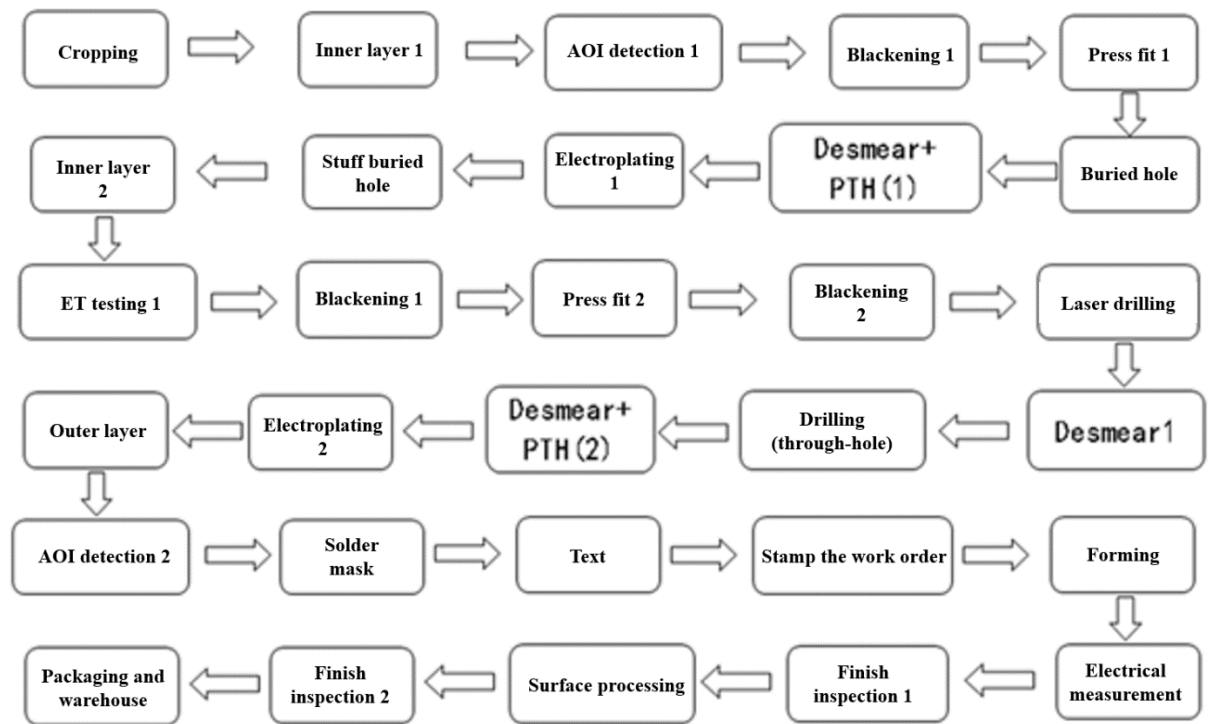
6.1 Traditional board



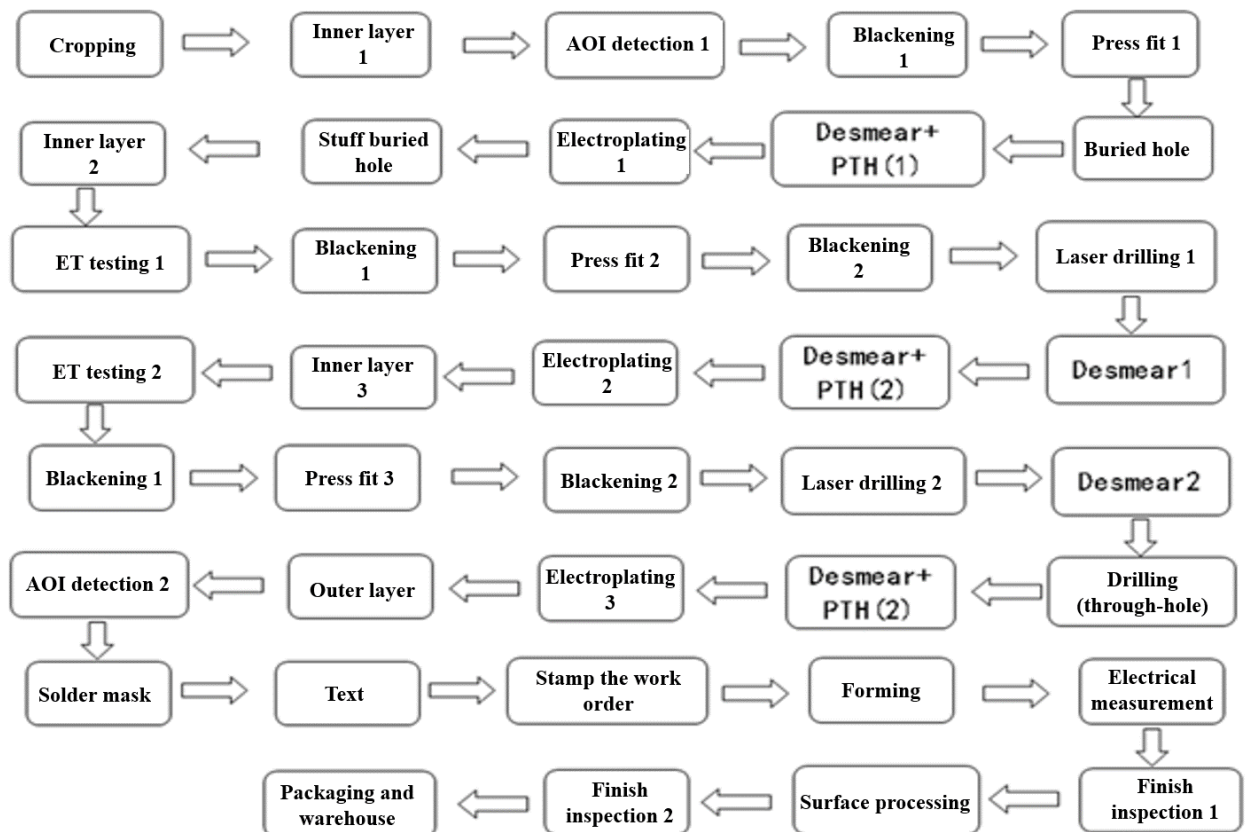
Remark: The dashed box is optional process (subject to customer requirements)

6.2 HDI board

1+4+1 Production flow chart



2+4+2 Production flow chart



(III) Main raw material supply status

The main raw materials for the Company's products are supplied by world-renowned manufacturers such as domestic Hon Hai, Formosa Plastics, and other big manufacturers; which provide good quality that conforms to international standards. Since the Company has established good supply-demand partnerships with its suppliers, it is able to obtain good supply price and delivery conditions.

Company's main raw material supply status

Main raw material	Supply status
Copper wire	Contracts are signed with domestic manufacturers to provide stable supply at a more favorable price.
Plastic granules & powder	Priority is given to domestic manufacturers with shorter delivery periods.
Terminal	Normal supply by domestic manufacturers.
Connectors	Supply by domestic and foreign manufacturers.
Metal & plastic parts	Normal supply by domestic manufacturers.
Electronics components	Supply by domestic and foreign manufacturers.

(IV) Customers who have accounted for over 10% of total purchases (sales) in any one of the most recent two years.

Major Suppliers Information for the Last Two Years

Unit: NTD thousand

	2021				2022			
Item	Name	Amount	Percentage accounted for to annual net purchases (%)	Relation with the Issuer	Name	Amount	Percentage accounted for to annual net purchases (%)	Relation with the Issuer
1	Manufacturer A	4,189,134	20	None.	Hon Hai Precision Industry Co., Ltd. and subsidiaries	2,524,393	13	Investment companies evaluated using the equity method of the Company
2	Hon Hai Precision Industry Co., Ltd. and subsidiaries	2,485,330	12	Investment companies evaluated using the equity method of the Company	Manufacturer A	2,462,948	13	None.
	Others	13,914,884	68	--	Others	13,988,683	74	--
	Net purchase amount	20,589,348	100	--	Net purchase amount	18,976,024	100	--

Note: As of the publication date of this annual report, there is no 1st quarter financial information that has been verified by a CPA.

Increase / decrease fluctuation analysis:

Based on the Company's business, raw material need, and coast consideration results.

Major Customers Information for the Last Two Years

Unit: NTD thousand

	2021				2022			
Item	Name	Amount	Percentage accounted for to annual net sales (%)	Relation with the Issuer	Name	Amount	Percentage accounted for to annual net sales (%)	Relation with the Issuer
1	Hon Hai Precision Industry Co., Ltd. and subsidiaries	6,734,570	28	Investment companies evaluated using the equity method of the Company	Hon Hai Precision Industry Co., Ltd. and subsidiaries	7,113,019	27	Investment companies evaluated using the equity method of the Company
	Others	17,491,624	72	--	Others	19,144,321	73	--
	Net sales amount	24,226,194	100	--	Net sales amount	26,257,340	100	--

Note: As of the publication date of this annual report, there is no 1st quarter financial information that has been verified by a CPA.

Increase / decrease fluctuation analysis:

Due to changes in market trends, customer product demand, and other reasons.

(V) Production Value Table for the Last Two Years

Production Value Table for the Last Two Years

Unit: NTD Thousand / 1000 unit, 1000 kg, or 1000 PCS

Production volume & value Main Products (or department type)	Year	2021			2022		
		Production Capacity	Output Yield	Output Value	Production Capacity	Output Yield	Output Value
Consumer Electronics / Computer Peripherals		--	93,497	11,976,142	--	294,066	11,614,231
Electronics Components Manufacturing & Assembly		--	--	8,338,761	--	--	8,345,621
Total		--	93,497	20,314,903	--	294,066	19,959,852

Note: The quantity and production capacity cannot be calculated because manufacturing and assembly of electronic components have different measurement units.

(VI) Sales Volume & Value Table for the Last 2 Years

Sales Volume & Value Table for the Last 2 Years

Unit: NTD Thousand / Sq ft PC/KSET

Sales Volume & Value Main Products (or department type)	Year	2021				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronics Components Manufacturing & Assembly		--	274,148	--	12,344,537	--	234,826	--	14,572,926
Consumer Electronics / Computer Peripherals		5,085	56,525	810,303	11,550,984	2,338	60,092	264,569	11,389,496
Total		5,085	330,673	810,303	23,895,521	2,338	294,918	264,569	25,962,422

Note: The quantity and production capacity cannot be calculated because manufacturing and assembly of electronic components have different measurement units.

III. Working staff

Information of employees in the most recent 2 years and as of the publication date of this annual report.

Year		2021		2022		As of April 14, 2023	
		The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Number of Employees	Working Staff	68	1,949	68	3,712	67	4,096
	Operating staff	0	5,288	0	4,138	0	4,225
	Total	68	7,106	68	7,850	67	8,321
Average age		39.30	49.32	50.38	41.39	50.42	41.21
Average service tenure		8.20	15.93	16.55	9.67	16.71	9.31
Education distribution ratio	Doctoral degree	--	--	--	--	--	--
	Master's degree	13.24	0.27	14.71	0.48	16.42	0.46
	College	72.06	14.67	70.59	20.62	68.66	21.70
	High school	11.77	15.31	11.76	22.15	11.94	21.69
	Lower than high school	2.93	69.75	2.94	56.75	2.98	56.15

IV. Information on environmental protection expenditure

The total amount of losses (including compensation) and dispositions suffered due to environmental pollution, future countermeasures (including improvement measures), and possible expenditures (including the estimated amount of losses, dispositions and compensation that may occur if no countermeasures are taken, and please state the facts why the case cannot be reasonably estimated if it cannot be reasonably estimated) in the most recent year and as of the printing date of the annual report): The Company has no such situation.

The company has established dedicated environmental safety and health departments in each factory area responsible for workplace safety and environmental protection. Regarding sewage discharge, each plant area has obtained a local discharge permit and is connected to the sewage discharge system. Exhaust gas emissions also comply with emission regulations, and no air pollution exists. We have commissioned qualified local manufacturers with recycling licenses to collect and treat toxic wastes. In addition to actively improving the production waste recycling and reuse rate, we have entrusted local licensed recycling manufacturers to recycle and dispose of waste products to ensure no pollution is released into the environment. Solar power generation equipment has also been installed on the roof of the factory building to increase the utilization rate of green electricity and reduce carbon emissions. In term of environmental protection requirements for special regions such as the European Union's environmental protection directives (i.e., RoHs 2.0), the Company has also formulated the relevant internal provisions and testing standards in order to meet customer demands for compliance with regional environmental protection regulations. Regarding the UN's Conflict-Free Minerals Initiative, the Company has made a "Conflict Minerals Policy Declaration" to ban the procurement and use of "conflict minerals" mined in the Democratic Republic of the Congo and surrounding countries and regions.

In addition to setting the emission reduction targets internally and strengthening employees' environmental protection knowledge, the environmental protection department has also collaborated with the procurement department to require all suppliers to comply with relevant regulations and declarations. Therefore, in addition to reviewing whether the suppliers have polluted the environment in the past as a preliminary review standard, qualified suppliers must also sign integrity, product material composition declaration, and environmental protection-related commitments. The Company has also regularly evaluated the implementation results to determine whether to improve supplier quality or eliminate the supplier.

In the future, the Company will continue to enhance the environmental awareness of employees and the supply chain system, maintain pollution-free operations, and fulfill corporate social responsibility. Environmental protection expenditures will also be appropriately adjusted according to the annual budget status and practical needs. Please refer to the Company website and sustainability report for information on environmental protection.

V. Labor Management Relations

(I) Current important labor-management agreements and implementation status:

1. Employee welfare measures, further education and training;

The Company has established an Employee Welfare Committee with members elected by employers and employees and has organized various activities regularly. The Company has also issued souvenirs and bonuses during the three major festivals and Labor Day, organized employee trips and health checks every year, provided free accommodations from foreign counties and cities, encouraged employees to take external studies, and held education training on an irregular basis. The Company also provides group insurance for employees.

2. Retirement system and implementation status:

(1) Pursuant to the "Labor Standards Act," the Company has established a retirement pension method, which is applicable to the tenures of all regular employees before the "Labor Pension Act" went into effect on July 1, 2005 as well as the continual service tenures for those who have elected to apply the "Labor Standards Act" after the "Labor Pension Act" went into effect. According to the regulations, seniority shall be calculated from the date of employment. For each employee, two bases are given for each full year of service rendered for the first 15 years. But for the rest of the years starting from the 16th year, one base is given for each full year of service rendered (half of a base is given for each full year of service rendered prior to the implementation of the Labor Pension Act). The length of service is calculated as half year when it is less than six months, and as one year when it is over six months (not calculated prior to the implementation of the Labor Pension Act). The total number of bases shall not exceed 45. The employee retirement pension payment shall be calculated based on the length of service and the average salary until six months prior to the approved retirement. In addition, employees of the Company whose total age plus service years exceed or are equal to 55 can also apply for preferential retirement with the Company. The Company has established its Pension Supervision Committee in accordance with Taipei County Government approval letter (1988) Fu-Lao-Yi-Zi No. 272020 dated August 31, 1988; allocated the labor retirement reserve into a special account in Bank of Taiwan based on 6% of the total salary paid; promoted referential retirement projects for employees on an irregular basis; and report the status via letters to the competent authority for reference. The Company also provides group insurance for employees.

(2) Since July 1, 2005, the Company instituted the regulations for the appropriation of pension fund in accordance with the "Labor Pension Act", which applies for Taiwanese employees. The Company has applied the labor pension system stipulated by the "Labor Pension Act" to allocate 6% of the salary to the employee's personal account held by the Bureau of Labor Insurance.

3. Other important agreements:

The Company's labor and management agreements when an employee enters the Company are based on the Labor Standards Act in principle and in accordance with the personnel management provisions so as to protect the rights and interests of employees.

(II) The losses suffered due to labor disputes in the most recent year and up to the publication date of this annual report: None.

VI. Information Security Management:

- (I) Information communication security risk management framework, information communication security policy, specific management plan, and resources invested in information communication security management: The Company has established an information security team under the Information Department. The goal is to cultivate professional manpower, achieve the zero security incident objective, formulate management and control systems, and plan relevant education and training to enhance employees' security awareness.
- (II) List the losses, possible impacts, and countermeasures due to major information security incidents in the most recent year and as of the publication date for this annual report. If it cannot be reasonably estimated, state why it cannot be reasonably estimated: None.

VII. Important Contract: None.

Six. Financial Overview

I. Condensed Balance Sheet and Comprehensive Income Statement of the most recent 5 years

Condensed Balance & Comprehensive Income Statement Information

1. Condensed Balance Sheets - Consolidated

Unit: NTD thousand

Item	Year	Financial Analysis Information for the Last five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		17,097,250	15,839,869	15,167,544	18,307,396	19,250,709
Property, plant, and equipment		1,852,346	1,682,528	1,670,684	2,152,912	2,686,495
Intangible asset		38,255	37,142	36,963	36,218	37,072
Other assets		278,621	136,285	108,123	143,240	458,423
Total Assets		23,074,059	21,687,782	20,697,624	24,322,424	25,404,503
Current liability	Before distribution	10,280,089	8,588,925	7,450,391	9,832,739	10,172,734
	After distribution	10,850,270	9,107,271	7,787,316	10,351,085	Note 2
Non-current liabilities		280,871	520,923	440,939	395,770	462,402
Total liabilities	Before distribution	10,560,960	9,109,848	7,891,330	10,228,509	10,635,136
	After distribution	11,131,141	9,628,194	8,228,255	10,746,855	Note 2
Equity attributable to owners of the parent company		10,932,342	10,958,812	11,165,789	12,411,342	12,899,065
Share capital		5,183,462	5,183,462	5,183,462	5,183,462	5,183,462
Capital surplus		1,503,606	1,503,606	1,503,606	1,503,606	1,503,606
Retained earnings	Before distribution	5,128,479	5,584,018	5,828,445	6,796,708	7,597,205
	After distribution	4,558,298	5,065,672	5,491,520	6,278,362	Note 2
Other equities		(883,205)	(1,312,274)	(1,349,724)	(1,072,434)	(1,385,208)
Treasury shares		0	0	0	0	0
Non-controlling interests		1,580,757	1,619,122	1,622,505	1,682,573	1,870,302
Shareholders' Equity	Before distribution	12,513,099	12,577,934	12,788,294	14,093,915	14,769,367
	After distribution	11,942,918	12,059,588	12,451,369	13,575,569	Note 2
Total Amount						

Note 1: The preceding annual financial statements have been verified by CPAs.

Note 2: As of April 26, 2023, the 2022 surplus distribution has yet to be approved by the shareholders meeting.

Note 3: As of the publication date of this annual report, there is no 2023 first quarter financial statement information that has been verified by a CPA.

2. Condensed Statements of Comprehensive Income - Consolidated

Unit: NTD thousand

Item	Year	Financial Analysis Information for the Last five Years (Note)				
		2018	2019	2020	2021	2022
Operating revenue		27,160,517	25,600,708	20,547,713	24,226,194	26,257,340
Operating profit margin		2,352,024	2,359,199	2,144,695	2,649,150	3,279,736
Operating profit & loss		1,211,575	1,194,408	924,798	1,382,205	1,821,232
Non-operating income and expense		548,429	335,702	268,468	167,220	235,201
Net income before tax		1,760,004	1,530,110	1,193,266	1,549,425	2,056,433
Profit and loss of the period for subsisting business units		0	0	0	0	0
Loss from closed business units		0	0	0	0	0
Net income for the period (loss)		1,348,685	1,153,137	790,495	1,162,597	1,566,399
Other comprehensive profit (loss) for the current period (net after tax)		(434,647)	(452,321)	1,767	503,389	(214,222)
Total comprehensive income in the current period		914,038	700,816	792,262	1,665,986	1,352,177
Net profit attributable to the owners of the parent company		1,185,379	1,029,323	663,190	967,232	1,322,290
Net profit attributable to non-controlling interests		163,306	123,814	127,305	195,365	244,109
Net total comprehensive profit and loss attributable to the owners of the parent company		733,654	596,651	725,323	1,581,837	1,016,064
Total comprehensive profit and loss attributable to non-controlling interests		180,384	104,165	66,939	84,149	336,113
Basic earnings (loss) per share (NTD)		2.29	1.99	1.28	1.87	2.55

Note: All the annual financial statements listed above have been verified by a CPA, and as of the publication date of this annual report there is no 2023 first quarter financial statement information that has been verified by a CPA.

3. Condensed Balance Sheets - Parent Company Only

Unit: NTD thousand

Item	Year	Financial Analysis Information for the Last five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		7,047,452	5,819,114	4,386,760	5,690,312	5,554,963
Property, plant, and equipment		20,834	19,704	18,788	17,980	17,918
Intangible asset		0	0	0	0	0
Other assets		30,113	38,842	27,699	66,725	98,440
Total Assets		17,260,058	16,193,436	14,954,952	17,219,568	17,681,597
Current liability	Before distribution	6,172,730	5,060,438	3,624,232	4,629,312	4,571,946
	After distribution	6,742,911	5,578,784	3,961,157	5,147,658	Note 2
Non-current liabilities		154,986	174,186	164,931	178,914	210,586
Total liabilities	Before distribution	6,327,716	5,234,624	3,789,163	4,808,226	4,782,532
	After distribution	6,897,897	5,752,970	4,126,088	5,326,572	Note 2
Equity attributable to owners of the parent company			-	-	-	--
Share capital		5,183,642	5,183,462	5,183,462	5,183,462	5,183,462
Capital surplus		1,503,606	1,503,606	1,503,606	1,503,606	1,503,606
Retained earnings	Before distribution	5,128,479	5,584,018	5,828,445	6,796,708	7,597,205
	After distribution	4,558,298	5,065,672	5,491,520	6,278,362	Note 2
Other equities		(883,205)	(1,312,274)	(1,349,724)	(1,072,434)	(1,385,208)
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Shareholders' Equity	Before distribution	10,932,342	10,958,812	11,165,789	12,411,342	12,899,065
	After distribution	10,362,161	10,440,466	10,828,864	11,892,996	Note 2

Note 1: The preceding annual financial statements have been verified by CPAs.

Note 2: As of April 26, 2023, the 2022 surplus distribution has yet to be approved by the shareholders meeting.

Note 3: As of the publication date of this annual report, there is no 2023 first quarter financial statement information that has been verified by a CPA.

4. Condensed Comprehensive Income Statements - Parent Company Only

Unit: NTD thousand

Item	Year	Financial Analysis Information for the Last five Years (Note)				
		2018	2019	2020	2021	2022
Operating revenue		18,696,894	17,288,805	12,132,878	12,351,637	11,756,687
Operating profit margin		662,956	632,617	606,495	836,873	608,316
Operating profit & loss		482,232	456,390	451,231	676,090	448,190
Non-operating income and expense		876,542	697,931	307,484	470,657	1,045,140
Net income before tax		1,358,774	1,154,321	758,715	1,146,747	1,493,330
Profit and loss of the period for subsisting business units		0	0	0	0	0
Loss from closed business units		0	0	0	0	0
Net income for the period (loss)		1,185,379	1,029,323	663,190	967,232	1,322,290
Other comprehensive profit (loss) for the current period (net after tax)		(451,725)	(432,672)	62,133	614,605	(306,226)
Total comprehensive income in the current period		733,654	596,651	725,323	1,581,837	1,016,064
Net profit attributable to the owners of the parent company		0	0	0	0	0
Net profit attributable to non-controlling interests		0	0	0	0	0
Net total comprehensive profit and loss attributable to the owners of the parent company		0	0	0	0	0
Total comprehensive profit and loss attributable to non-controlling interests		0	0	0	0	0
Basic earnings (loss) per share (NTD)		2.29	1.99	1.28	1.87	2.55

Note: All the annual financial statements listed above have been verified by a CPA, and as of the publication date of this annual report there is no 2023 first quarter financial statement information that has been verified by a CPA.

II. Financial Analysis for the Last Five Years

(1) Consolidated Financial Analysis (Adopting International Financial Reporting Standards)

Analysis items		Year	Financial Analysis Information for the Last 5 Years				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt-to-asset ratio		45.77	42.00	38.16	42.05	41.86
	The ratio of long-term funds to real estate, plant, and equipment		675.53	747.56	765.45	654.64	549.76
Solvency (%)	Current ratio		166.31	184.42	203.58	186.19	189.24
	Quick ratio		137.15	152.87	175.03	134.12	149.72
	Interest coverage ratio		51.07	28.34	35.55	121.18	50.88
Management capacity	Turnover rate of accounts receivable (times)		3.32	3.33	3.42	4.19	3.75
	Average cash collection days		109.93	109.60	106.72	87.11	97.33
	Inventory turnover rate (times)		9.34	8.41	7.65	6.00	5.05
	Payable turnover rate (times)		4.07	3.86	3.81	4.14	3.84
	Average sales days		39.07	43.40	47.71	60.83	72.28
	Turnover rate of real estate, plant, and equipment (times)		14.33	14.48	12.26	12.67	10.85
	Turnover rate of total assets (times)		1.24	1.14	0.97	1.08	1.06
Profitability	Return on assets (%)		6.31	5.36	3.86	5.21	6.43
	Return on equity (%)		11.01	9.19	6.23	8.65	10.85
	Net profit before tax to paid-in capital ratio (%)		33.95	29.52	23.02	29.89	39.67
	Net profit rate (%)		4.97	4.50	3.85	4.80	5.97
	Basic earnings per share (NTD)		2.29	1.99	1.28	1.87	2.55
Cash flow	Cash flow ratio (%)		13.77	28.70	23.25	2.01	12.50
	Fund flow adequacy ratio (%)		71.86	79.52	117.68	65.26	78.92
	Cash reinvestment ratio (%)		5.93	11.30	7.13	(0.75)	3.82
Leverage	Operating leverage		1.00	1.00	1.00	1.00	1.00
	Financial leverage		1.03	1.05	1.04	1.01	1.02

Please explain the reasons for the changes in various financial ratios for the last 2 years. (exempt if the increase / decrease is lower than 20%)

1. Solvency:

The interest expense increased due to the interest rate hike for the current period, resulting in a decrease in the interest coverage ratio.

2. Profitability:

The after-tax profit and loss of the current period increased compared with the previous year, resulting in an increasing profitability ratio.

3. Cash flow:

The increase in profit and net cash inflow from operating activities during the current period have boosted the cash flow ratios.

Note: As of the publication date of this annual report, there is no 2023 first quarter financial statement information that has been verified by a CPA.

(2) Parent Company Only Financial Analysis (Adopting International Financial Reporting Standards)

Analysis items \ Year		Financial Analysis Information for the Last 5 Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt-to-asset ratio	36.66	32.33	25.34	27.92	27.05
	The ratio of long-term funds to real estate, plant, and equipment	52,473.56	55,617.19	59,430.43	69,028.60	71,989.42
Solvency (%)	Current ratio	114.17	114.99	121.04	122.92	121.50
	Quick ratio	95.35	99.73	116.67	96.47	112.56
	Interest coverage ratio	42.92	27.08	35.54	217.29	72.64
Management capacity	Turnover rate of accounts receivable (times)	3.85	3.82	3.71	4.70	3.78
	Average cash collection days	94.81	95.55	98.38	77.66	96.56
	Inventory turnover rate (times)	20.59	17.37	22.43	15.63	12.89
	Payable turnover rate (times)	4.99	4.75	4.47	4.53	3.89
	Average sales days	17.73	21.01	16.27	23.35	28.32
	Turnover rate of real estate, plant, and equipment (times)	886.61	852.97	630.41	671.87	655.01
	Turnover rate of total assets (times)	1.12	1.03	0.78	0.77	0.67
Profitability	Return on assets (%)	7.28	6.37	4.37	6.04	7.67
	Return on equity (%)	11.06	9.40	6.00	8.20	10.45
	Net profit before tax to paid-in capital ratio (%)	26.21	22.27	14.64	22.12	28.81
	Net profit rate (%)	6.34	5.95	5.47	7.83	11.25
	Earnings per share (NT\$)	2.29	1.99	1.28	1.87	2.55
Cash flow	Cash flow ratio (%)	3.57	14.26	37.61	20.24	(4.88)
	Fund flow adequacy ratio (%)	(10.61)	(17.50)	38.97	63.32	76.90
	Cash reinvestment ratio (%)	(1.73)	1.34	7.34	4.70	(5.58)
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00
	Financial leverage	1.07	1.11	1.05	1.01	1.05

Please explain the reasons for the changes in various financial ratios for the last 2 years. (exempt if the increase / decrease is lower than 20%)

1. Solvency:

The interest expense increased due to the interest rate hike for the current period, resulting in a decrease in the interest coverage ratio.

2. Operating ability:

The sales volume at the end of the current period increased, and the accounts receivable at the end of the period increased compared with last year, resulting in a decrease in the accounts receivable turnover rate and an increase in the average number of cash collection days. The cost of operation from the current period decreased slightly, resulting in a decrease in the inventory turnover rate and an increase in the average number of sales days.

3. Profitability:

The after-tax profit and loss of the current period increased compared with the previous year, resulting in an increasing profitability ratio.

4. Cash flow:

The decrease in net cash inflow from operating activities during the current period resulted in a decrease in the cash flow ratio and cash reinvestment ratio. In addition, the dividends paid in this period increased compared with the previous period, increasing the cash flow allowance ratio.

Note: As of the publication date of this annual report, there is no 2023 first quarter financial statement information that has been verified by a CPA.

1. Financial structure
 - (1) Liabilities to assets ratio = total liabilities / total assets.
 - (2) Long-term funds to fixed assets ratio = (net shareholders' equity + long term liabilities) / net fixed assets.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.
3. Management capacity
 - (1) Turnover rate for accounts receivable (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.
 - (2) Average number of days for cash collection = 365 / turnover rate for accounts receivable.
 - (3) Inventory turnover rate = cost of goods sold / average inventory value.
 - (4) Turnover rate for accounts payable (including accounts payable and bills payable due to businesses) = cost of goods sold / average balance of accounts payable (including accounts payable and bills payable due to businesses) for each period.
 - (5) Average number of sales days = 365 / inventory turnover rate.
 - (6) Fixed assets turnover rate = net sales / net fixed assets.
 - (7) Total assets turnover rate = net sales / total assets.
4. Profitability
 - (1) Return on assets = [after-tax profit and loss + interest expense \times (1 - tax rate)] / average total assets.
 - (2) Return on shareholders' equity = after-tax profit and loss / average net shareholders' equity.
 - (3) Net profit rate = after-tax profit and loss / net sales.
 - (4) Earnings per share = (net profit after tax - special stock dividends) / weighted average number of issued shares. (note 1)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = (net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years.
 - (3) Cash re-investment ratio = (net cash flow from operating activities - cash dividend) / (gross fixed assets + long-term investment + other assets + working capital). (Note 2)
6. Leverage:
 - (1) Operation balance = (net operating revenue - operating variable cost and expense) / operating income (Note 3).
 - (2) Financial balance = operating income / (operating income - interest expense).

Note 1: Please pay special attention to the following matters when assessing the aforesaid calculation formula of earnings per share.

1. The basis should be the weighted average number of common shares instead of the number of outstanding shares at the end of the year.
2. In case of cash capital increase or treasury stock trading, consider the circulation period and calculate the weighted average number of shares.
3. In case of surplus transfer to capital increase or capital reserve transfer to capital increase, retrospective adjustments should be made according to the ratio of capital increase when calculating earnings per share for the previous year and the previous six-month, and the capital increase issuance period need not be considered.
4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (whether issued or not) shall be deducted from the after-tax net profit, or the net loss after-tax should be increased. If the special stock is non-cumulative and if there is after-tax net profit, the dividend of the special stock shall be deducted from the after-tax net profit. No adjustment is necessary if there is a loss.

Note 2: Please pay special attention to the following matters when assessing the cash flow analysis:

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 from capital investment.

3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory is decreased at the end of the year, it shall be calculated as zero.
4. Cash dividends shall include cash dividends on ordinary shares and special shares.
5. Gross real estate, plant, and equipment refers to the total amount of real estate, plant, and equipment prior to the deduction of accumulated depreciation.

Note 3: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. If estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

III. Auditing Committee Review Report on Financial Statements of the most recent year

Audit Committee Review Report

The Board of Directors has prepared the Company's 2022 business report, financial statements and proposal for the earnings distribution. The Audit Committee has reviewed the aforementioned documents, and concluded that all information is presented fairly. We hereby submit this report in accordance with the provisions of Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

To:

Pan-International Industrial Corp. 2023 General Shareholders Meeting

Chairman of the Audit Committee: Wen-Rong Cheng

April 18, 2023

IV. Parent Company Only Financial Statements of the most recent year

Auditors' Report

(2023) Cai-Shen-Bao-Zi No. 22004012

To Pan-International Industrial Corp.

Audit Opinions

We have audited the Parent Company Only Balance Sheet of Pan-International Industrial Corp. of December 31, 2022 and 2021, and the Parent Company Only Comprehensive Income Statement, Parent Company Only Statement of Changes in Shareholders Equity, the Parent Company Only Statement of Cash Flows, and the Notes to Parent Company Only Financial Statements (including the summary of significant accounting policies) covering the period of January 1 to December 31, 2022 and 2021.

In our opinion, on the basis of the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these separate parent company only financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Therefore, they are able to properly express the separate financial position of Pan-International Industrial Corp. as of December 31, 2022 and 2021, and the parent company only financial performance and parent company only cash flows from January 1 to December 31, 2022 and 2021.

Basis of our opinions

We have conducted the audit according to the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Taiwan Standards on Auditing (TWSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Parent Company Only Financial Statements. We are independent of Pan-International Industrial Corp. according to the CPA Code of Professional Ethics of the Republic of China, and we have fulfilled our other ethical responsibilities according to these requirements. On the basis of the result of our audit and the audit reports presented by other certified public accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of Pan-International Industrial Corp. in 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in the 2022 Parent Company Only Financial Statements of Pan-International Industrial Corp. are specified below:

Assessment of the provision for valuation loss on inventory

Description

For information on the accounting policy of valuation of inventory, refer to Note 4 (13) of the Notes to Parent Company Only Financial Statements. The accounting estimate, and the uncertainty of assumption of the valuation of inventory is specified in Note 5 (2) of the Notes to Parent Company Only Financial Statements. The inventory items are specified in Note 6 (3) of the Notes to Parent Company Only Financial Statements. As of December 31, 2022, the balance of inventory and provision for valuation loss for Pan-International Industrial Corp. amounted to NT\$463,527 thousand and NT\$56,334 thousand, respectively. The balance of inventory and provision for evaluation loss as stated in the consolidated financial statements of the same date amounted to NT\$4,067,427 thousand and NT\$173,508 thousand, respectively.

The main product line marketed by Pan-International Industrial Corp. are cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allows for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Industrial Corp. and its subsidiaries measure the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Industrial Corp. and subsidiaries is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Industrial Corp. and its subsidiaries as key audit matter.

The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

1. Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.
2. Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.

3. Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

Appropriateness of Non-Standard Accounting Entries

Description

Accounting entries record the daily transactions that have occurred. They form the financial statement item balances and transaction amounts after posting, accumulating, and classifying. The accounting entries of Pan-International Industrial Corp. are mainly classified into two categories: standard entries and non-standard entries. Standard entries are based on the original transactions' operation processes and approval procedures through the front-end subsystems (sales, purchase, production, and inventory systems). The relevant transaction entries are transferred into the general ledger. For non-standard entries, the manual operation mode is used to directly record and approve other non-automatic transfer transactions into the general ledger.

Due to the variety and complexity of non-standard entries, which involve manual work and judgment, inappropriate accounting entries may lead to major financial statement misrepresentations. Therefore, the CPA believes that non-standard accounting entries have high inherent risks. Therefore, testing for non-standard accounting entries is one of the most critical items to check.

The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

1. Understand and evaluate the nature of non-standard accounting entries as well as the effectiveness of the entry generation process and control and the appropriateness of the division of rights and responsibilities for relevant personnel, including subjects such as inappropriate personnel, time, and accounting.
2. Based on the preceding understanding and evaluation, check the appropriateness of the relevant supporting documents and entries for non-standard entries that were identified as high-risk entries, and ensure they have been established and approved by the responsible personnel.

Other matters - Audits conducted by other certified public accountants

Some of the investee companies of Pan-International Industrial Corp. accounted for under the equity method were presented in the Parent Company Only Financial Statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, we presented an opinion on the above parent company only financial statements and the amount presented thereof is based on the auditors' report of the other certified public accountants. The investment of the above companies accounted for under the investment by equity method amounted to NT\$2,231,230 thousand and NT\$2,699,707 thousand as of December 31, 2022 and 2021, which accounted for 13% and 16% of the parent company only total assets, respectively. The comprehensive income recognized by the aforementioned companies in the period of January 1 to December 31, 2022 and 2021, amounted to NT\$477,447 thousand and NT\$372,751 thousand, and accounted for 47% and 24% of the parent company only comprehensive incomes, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements.

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements free from materials misstatement, whether due to fraud or error.

In preparing the parent company only financial statements., management is responsible for assessing the ability of Pan-International Industrial Corp. to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting, unless management either intends to liquidate Pan-International Industrial Corp. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Industrial Corp.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance refers to a high degree of assurance, but the audit performed according to the TWSA cannot guarantee that material misrepresentations in standalone financial statements will be detected. Misstatements can arise from fraud or error. These 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 parent company only financial statements.

The CPA has exercised professional judgment and skepticism when conducting audits under the TWSA. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 internal control of Pan-International Industrial Corp.
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 Pan-International Industrial Corp. and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Pan-International Industrial Corp. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the notes to the statements), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities within Pan-International Industrial Corp. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the separate audit, and we are responsible for forming an audit opinion on the parent company only financial statements.

(I) 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).

(II) 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).

(III) From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of Pan-International Industrial Corp. in 2022 and therefore are 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.

PwC Taiwan

Yung-Chien Hsu
Independent Auditors
Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan
Approval No.: (1995)Tai-Cai-Cheng-VI No. 13377
Former Securities and Futures Bureau, Financial
Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

March 14, 2023

Pan-International Industrial Corp.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Assets			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	6 (1)	\$ 1,675,829	9	\$ 1,570,109	9
1170	Net accounts receivable	6 (2)	1,006,522	6	1,035,702	6
1180	Accounts receivable - Related parties	7				
	net		2,389,378	14	1,783,997	10
1200	Other receivables	7	74,437	-	76,087	1
130X	Inventory	6 (3)	407,193	2	1,222,102	7
1479	Other current assets -others		1,604	-	2,315	-
11XX	Total current assets		5,554,963	31	5,690,312	33
Non-Current Assets						
1517	Financial assets measured at fair value through other comprehensive income - Non-current	6 (4)	895,629	5	1,694,849	10
1550	Investment by equity method	6 (5)	11,080,716	63	9,715,551	57
1600	Property, plant, and equipment	6 (6)	17,918	-	17,980	-
1760	Net investment property	6 (7)	33,931	-	34,151	-
1840	Deferred tax assets	6 (20)	18,794	-	18,076	-
1900	Other non-current assets	6 (10)	79,646	1	48,649	-
15XX	Total Non-Current Assets		12,126,634	69	11,529,256	67
1XXX	Total Assets		\$ 17,681,597	100	\$ 17,219,568	100

(To be Continued)

Pan-International Industrial Corp.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

LIABILITIES AND EQUITY			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current liability						
2100	Short-term borrowings	6 (8)	\$ 1,366,595	8	\$ 553,600	3
2130	Contractual liabilities - Current	6 (15)	148,107	1	628,363	4
2170	Accounts payable		740,457	4	1,484,688	9
2180	Accounts payable - Related parties	7	1,876,226	10	1,633,370	9
2200	Other payables	6 (9)	305,202	2	184,233	1
2230	Current tax liabilities	6 (20)	134,823	1	144,503	1
2399	Other current liabilities - Other		536	-	555	-
21XX	Total current liabilities		4,571,946	26	4,629,312	27
Non-current liabilities						
2570	Deferred tax liabilities	6 (20)	205,200	1	165,104	1
2640	Net defined benefit liabilities- noncurrent	6 (10)	-	-	8,624	-
2670	Other noncurrent liabilities - others		5,386	-	5,186	-
25XX	Total non-current liabilities		210,586	1	178,914	1
2XXX	Total liabilities		4,782,532	27	4,808,226	28
interests						
	Share capital	6 (11)				
3110	Common share capital		5,183,462	29	5,183,462	30
	Capital surplus	6 (12)				
3200	Capital surplus		1,503,606	9	1,503,606	8
	Retained earnings	6 (13)				
3310	Legal reserve		1,269,138	7	1,138,619	7
3320	Special reserve		1,072,435	6	1,349,724	8
3350	Undistributed earnings		5,255,632	30	4,308,365	25
	Other equities	6 (14)				
3400	Other equities		(1,385,208)	(8)	(1,072,434)	(6)
3XXX	Total equity		12,899,065	73	12,411,342	72
	Significant Contingent Liabilities and Unrecognized Commitments	9				
3X2X	Total liabilities and equity		\$ 17,681,597	100	\$ 17,219,568	100

The notes to parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp.
Parent Company Only Comprehensive Income Statement
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(except in NTD for earnings per share)

	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	6 (15) and 7	\$ 11,756,687	100	\$ 12,351,637	100
5000	Operating cost	6 (13) (18) and 7	(11,148,371)	(95)	(11,514,764)	(93)
5900	Operating profit margin		608,316	5	836,873	7
	Operating expenses	6 (18)				
6100	Selling and marketing expenses		(80,414)	(1)	(85,978)	(1)
6200	General and administrative expenses		(64,318)	-	(58,933)	(1)
6300	Research and development expenses		(17,255)	-	(13,935)	-
6450	Expected credit impairment benefit (loss)	12 (2)	1,861	-	(1,937)	-
6000	Total operating expenses		(160,126)	(1)	(160,783)	(2)
6900	Operating profit		448,190	4	676,090	5
	Non-operating income and expense					
7100	Interest income		8,442	-	6,276	-
7010	Other income	6 (16)	95,413	1	34,743	-
7020	Other gains and losses	6 (17)	(4,037)	-	7,488	-
7050	Financial costs	6 (19)	(20,846)	-	(5,302)	-
7070	The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method		966,168	8	427,452	4
7000	Total non-operating income and expenses		1,045,140	9	470,657	4
7900	Net income before tax		1,493,330	13	1,146,747	9
7950	Income tax expense	6 (20)	(171,040)	(2)	(179,515)	(1)
8200	Net income for the period		\$ 1,322,290	11	\$ 967,232	8
	Other comprehensive income (net)					
	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasured value of defined benefit plan	6 (10)	\$ 6,740	-	\$ 714	-
8316	Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (14)	(720,650)	(6)	470,002	4
8330	The other comprehensive income from subsidiaries, associates, and joint ventures accounted for under the equity method- items not reclassified as income	6 (21)	13,741	-	341,559	3
8349	Income tax related to items not reclassified	6 (20)	(1,349)	-	(143)	-
8310	Total of items not reclassified to profit or loss		(701,518)	(6)	812,132	7
	Items that may be reclassified subsequently to profit or loss:					
8361	Currency translation difference	6 (14)	395,292	4	(197,527)	(2)
8360	Total of items that may be reclassified subsequently to profit or loss:		395,292	4	(197,527)	(2)
8300	Other comprehensive income (net)		(\$ 306,226)	(2)	\$ 614,605	5
8500	Total comprehensive income in the current period		\$ 1,016,064	9	\$ 1,581,837	13
	Earnings per share (EPS)	6 (22)				
9750	Basic earnings per share		\$ 2.55		\$ 1.87	
9850	Diluted earnings per share		\$ 2.54		\$ 1.86	

The notes to parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp.
Parent Company Only Statement of Changes in Shareholders Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Note	Capital surplus				Retained earnings			Other equities		Total Equity
		Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Capital reserve - difference between the price and face value from the acquisition or disposal of equity with subsidiaries.	Legal reserve	Special reserve	Undistributed earnings	Currency translation difference	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
<u>2021</u>											
January 1		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 1,062,342	\$ 1,312,274	\$ 3,453,829	(\$ 1,163,132)	(\$ 186,592)	\$ 11,165,789
Net income for the period		-	-	-	-	-	-	967,232	-	-	967,232
Other comprehensive income recognized for the period 6 (14) (21)		-	-	-	-	-	-	1,128	(197,527)	811,004	614,605
Total comprehensive income in the current period		-	-	-	-	-	-	968,360	(197,527)	811,004	1,581,837
Earnings distribution and provisions for 2020:	6 (13)										
Provision of legal reserve		-	-	-	-	76,277	-	(76,277)	-	-	-
Provision of special reserve		-	-	-	-	-	37,450	(37,450)	-	-	-
Cash dividends		-	-	-	-	-	-	(336,925)	-	-	(336,925)
The invested company's capital reduction refund exceeded the book value		-	-	-	-	-	-	641	-	-	641
Equity instruments measured at fair value through other comprehensive income	6 (14)	-	-	-	-	-	-	336,187	-	(336,187)	-
December 31		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 1,138,619	\$ 1,349,724	\$ 4,308,365	(\$ 1,360,659)	\$ 288,225	\$ 12,411,342
<u>2022</u>											
January 1		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 1,138,619	\$ 1,349,724	\$ 4,308,365	(\$ 1,360,659)	\$ 288,225	\$ 12,411,342
Net income for the period		-	-	-	-	-	-	1,322,290	-	-	1,322,290
Other comprehensive income recognized for the period 6 (14) (21)		-	-	-	-	-	-	6,548	395,292	(708,066)	(306,226)
Total comprehensive income in the current period		-	-	-	-	-	-	1,328,838	395,292	(708,066)	1,016,064
Earnings distribution and provisions for 2021:	6 (13)										
Provision of legal reserve		-	-	-	-	130,519	-	(130,519)	-	-	-
Reversal of special reserve		-	-	-	-	-	(277,289)	277,289	-	-	-
Cash dividends		-	-	-	-	-	-	(518,346)	-	-	(518,346)
The invested company's capital reduction refund exceeded the book value		-	-	-	-	-	-	41	-	-	41
All changes in the subsidiaries' equities are recognized		-	-	-	-	-	-	(10,036)	-	-	(10,036)
December 31		\$ 5,183,462	\$ 1,402,318	\$ 98,543	\$ 2,745	\$ 1,269,138	\$ 1,072,435	\$ 5,255,632	(\$ 965,367)	(\$ 419,841)	\$ 12,899,065

The notes to parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp.
Parent Company Only Statement of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax		\$ 1,493,330	\$ 1,146,747
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (18)	643	1,403
Provision for anticipated credit impairment loss (gain on reversal)	12 (2)	(1,861)	1,937
Net benefits of financial assets and liabilities measured at fair value through the income	6 (17)	(2,680)	(11,188)
Interest expense	6 (19)	20,846	5,302
Interest income		(8,442)	(6,276)
Dividend income	6 (16)	(87,254)	(25,200)
The proportion of income from subsidiaries, associates, and joint ventures accounted for under the equity method		(966,168)	(427,452)
Unrealized exchange loss (gain)	6 (23)	82,895	(29,160)
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Financial assets and liabilities measured at fair value through the income		2,680	-
Net accounts receivable		35,382	(98,782)
Accounts receivable - Related parties net		(605,620)	(294,196)
Inventory		814,909	(1,065,828)
Other receivables		4,692	97,204
Other current assets		711	(7,200)
Net change in liabilities related to operating activities			
Accounts payable		(744,230)	822,815
Accounts payable - Related parties		242,855	333,572
Other payables		117,039	(7,034)
Contractual liabilities		(480,256)	586,077
Cash (outflow) inflow from operations		(80,529)	1,022,741
Income tax paid		(142,691)	(85,841)
Net cash inflow (outflow) from operating activities		(223,220)	936,900
<u>Cash flows from investing activities</u>			
Decrease of funds lend to related parties		-	284,800
Return of investment shares using the investment by equity method		-	110,000
Refund of capital investment in financial assets measured at fair value through other comprehensive income		78,570	9,060
Share capital returned from liquidation of the investee company		41	-
Purchase of property, plant and equipment	6 (6)	(216)	(88)
Increase in receivables from material procurement on behalf of a third party		(7,144)	(6,804)
Interest received		8,442	6,276
Dividend received		87,254	25,200
Acquisition of financial assets at fair value through profit or loss		-	(1,902)
Disposal of financial assets at fair value through profit or loss		-	5,846
Increase in other non-current assets		(28,915)	(48,687)
Net cash inflow from investment activities		138,032	383,701
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6 (23)	730,100	(784,280)
Interest paid		(20,846)	(5,302)
Cash dividend payment	6 (13)	(518,346)	(336,925)
Net cash inflow (outflow) from financing activities		190,908	(1,126,507)
Increase in cash and cash equivalents in the current period		105,720	194,094
Cash and cash equivalents at the beginning of the period		1,570,109	1,376,015
Cash and cash equivalents at the end of the period		<u>\$ 1,675,829</u>	<u>\$ 1,570,109</u>

The notes to parent company only financial statements attached constitute an integral part of the statements, please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp.
Notes to Parent Company Only Financial Statements
2022 and 2021

Unit: NTD thousand
(unless otherwise noted)

I. Organization and operations

Pan-International Industrial Corp. (hereinafter referred to as “the Company”) was established in the Republic of China. The principal business of the Company includes the development, manufacturing, and sale of electronic signal cables, connectors, electronic signal cable connectors, precision moulds, PCB and other computer peripherals.

II. The Authorization of Financial Reports

The Parent Company Only Financial Statements have been passed by the Board on March 14, 2023, for announcement.

III. Application of Newly Released and Revised Standards and Interpretations

(I) The impact of adopting the new and revised International Financial Reporting Standards (IFRS) recognized and promulgated by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of IFRS recognized and promulgated by the FSC for application in 2022:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IFRS 3 "Index to conceptual framework"	January 1, 2022
Amendment to IAS 16 "Property, plant and equipment: price before reaching intended use"	January 1, 2022
Amendment to IAS 37 "Loss contracts - Cost of performing contracts"	January 1, 2022
Annual improvement from 2018 to 2020	January 1, 2022

The Company has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Company.

(II) Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2023:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The Company has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Company.

(III) Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 "Asset sales or investments between investors and their associated enterprises or joint ventures"	To be decided by IASB
Amendment to IFRS 16 "Lease Liabilities for Sale and Leaseback"	January 1, 2024
IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 — Information Comparison”	January 1, 2023
Amendment to IAS 1 "Classification of current or non-current liabilities"	January 1, 2024
Amendment to IAS 1 "Non-current liabilities with contract terms and conditions"	January 1, 2024

The Company has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Company.

IV. Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of the parent company only financial statements are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Statement of compliance

The parent company only financial statements were compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. The parent company only financial statements were compiled on the basis of historical cost except for the following important items:
 - (1) Financial assets and liabilities (including derivatives) are measured at fair value through income.
 - (2) Financial assets measured at fair value through other comprehensive income.
 - (3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.
2. The preparation of financial reports in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcements (hereinafter referred to as IFRSs) recognized by the Financial Supervisory Commission requires the use of some important accounting estimates. In the application of the Company's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving parent company only financial statements. Please refer to note 5 for details.

(III) Foreign exchange conversion

1. The parent company only financial statements were presented in the functional currency of the Company, which is "NTD".
2. Foreign currency transactions and balances
 - (1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.
 - (2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.
 - (3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.
 - (4) All exchange gains and losses are reported in "other gains and losses" in the income statement.
3. Conversion of foreign operations
 - (1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:
 1. A. Assets and liabilities expressed on each balance sheet are converted at the closing exchange rate on that balance sheet date;

2. B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and

3. C. All exchange differences arising from the conversion are recognized in other comprehensive income.

(2) When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. If the Company still has the equity of the former subsidiaries in part but lost the control of the foreign operations, it should be treated as the disposal of the equity of the foreign operations in whole.

(3) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

(IV) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

(1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.

(2) Held mainly for trading purposes.

(3) Expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Company classified all the assets not conforming to the above conditions as noncurrent assets.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Those that are expected to be settled in the normal business cycle.

(2) Held mainly for trading purposes.

(3) Expected to be settled within 12 months after the balance sheet date.

(4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The Company classified all the liabilities not conforming to the above conditions as noncurrent assets.

(V) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

(VI) Financial assets at FVTPL

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.

2. The Company adopts the transaction day accounting on financial assets measured at fair value through profit and loss in conformity with trading practices.
3. The Company measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.
4. If the right to dividend has been determined, economic benefits related to the dividend may flow in, and when the amount of dividend can be measured with reliability, the Company recognizes dividend income in profit and loss.

(VII) Financial assets at FVTOCI

1. Financial assets at FVTOCI refer to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
 - (1) The financial asset is held under the business model to collect contractual cash flow and for sale.
 - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.
2. The Company adopts the transaction day accounting on financial assets measured at fair value through other comprehensive income in conformity with trading practices.
3. At initial recognition, the Company measured at fair value plus the cost of transactions, and measured at fair value in subsequent recognition:
 - (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. If the right to dividend has been determined, economic benefits related to the dividend may flow in, and when the amount of dividend can be measured with reliability, the Company recognizes dividend income in profit and loss.
 - (2) Changes in the fair value of debt instruments are recognized in other comprehensive income, while the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(VIII) Financial assets measured at after-amortization cost

1. Financial assets measured at after-amortization cost refer to those who meet the following conditions at the same time:
 - (1) Holding the financial asset under the business model to collect the contractual cash flow.
 - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.

2. The Company adopts the transaction day accounting on financial assets measured at amortized cost in conformity with trading practices.
3. The Company measures its fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.
4. Due to the short holding period, the fixed deposits held by the Company that do not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

(IX) Accounts and notes receivable

1. Accounts and notes receivable refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
2. For short-term accounts receivable and notes receivable without interest payment, the effect of discount is marginal, therefore the Company measures at the initial invoice amount.

(X) Impairment of financial assets

On each balance sheet date, the Company takes into account all reasonable and verifiable information (including forward-looking) for financial assets measured at amortized cost. If the credit risk does not increase significantly after the original recognition, the loss allowance is measured at 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components or contract assets, the loss allowance is measured according to the expected credit loss amount in the period.

(XI) Derecognition of financial assets

When the Company's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognized.

(XII) Lessor's lease transaction - Operating lease

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

(XIII) Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and the estimated costs necessary to make the sale.

(XIV)Investment by equity method/Subsidiaries and associates

1. Subsidiaries refer to parent company only entities (including structured parent company only entities) controlled by the Company. When the Company is exposed to or entitled to variable remuneration from participation in an parent company only entity, and can influence such remuneration through the power over the parent company only entity, the Company controls such an parent company only entity.
2. The unrealized income derived from the transactions between the Company and subsidiaries has been eliminated. Necessary changes in the accounting policies of the subsidiaries have been made for consistency with the accounting policies of the Company.
3. The share of income after the acquisition of the subsidiary by the Company is recognized as income in the current period. Other comprehensive income after the acquisition of the subsidiary is recognized as other comprehensive income. If the share of loss of the subsidiary recognized by the Company is greater than or equal to the equity of the subsidiary, the Company shall continue to recognize for loss in proportion to the holding of shares.
4. If the changes in the proportion of shareholding over the subsidiary do not result in the loss of control (transactions with non-controlling interests), it is processed as equity transaction and seen as transactions among owners. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.
5. Associates are entities over which the Company has significant influence but no control. In general, these are the entities where the Company directly or indirectly holds more than 20% of their shares with voting rights. The Company's investment in associates is treated with the equity method and recognized at cost when acquired.
6. The share of income after the acquisition of the associate by the Company shall be recognized as income in the current period. Other comprehensive income after the acquisition is recognized as other comprehensive income. If the share of loss from any of the associates of the Company is greater than or equal to the equity of the associate (including any other unsecured receivables), the Company will not recognize for further loss unless the Company has legal obligations, presumed obligations or has paid for the loss.
7. When there is a change in equity from a related company that is not profit or loss or other comprehensive profit or loss and does not affect the shareholding ratio of the related company, the Company shall recognize the change in ownership as a "capital reserve" based on the shareholding ratio.
8. The unrealized profit and loss from the transactions between the Company and associates shall be written off in proportion to the equity of the associate held by the Company; unless there is evidence indicating the assets transferred in the transaction have been impaired, the unrealized loss shall also be written off. Necessary changes in the accounting policies of the associates have been made for consistency with the accounting policies of the Company.

9. If the Company loses significant influence over an associate when disposing of it, the full amount related to the associate previously recognized as other comprehensive income shall be treated the same as the direct disposal of related assets or liabilities in accounting. In other words, the Company shall reclassify the disposed assets or liabilities as income or loss previously recognized as profit or loss under other comprehensive income. When losing significant influence over the associate, the profit or loss shall be reclassified as income from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.
10. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the income and other comprehensive income presented in the parent company only financial statements of the current period shall be identical with the share of income and other comprehensive income attributable to the parent company as presented in the separate financial statements of the current period. Likewise, the shareholders equity presented in the parent company only financial statements shall be the same as the shareholders equity attributable to the parent company presented in the separate financial statements.

(XV) Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent cost could be included as asset in the book value of assets or recognized as an independent asset only when the future economic benefit related to the cost of the item will likely flow into the Company in the future and the cost of the item can be reliably measured. The book value of the reset part should be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.
3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The Company will review the residual value, life span and depreciation method of all assets on the last day of each fiscal year. If the residual value and life span differs from the previous estimation, or the expected mode of depletion of the economic benefit inherent to the assets has changed significantly, it shall be handled in accordance with the provisions for changes in accounting estimates in IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” from the day of change. The service life of each asset is as follows:

Buildings	20 ~ 40 years
Equipment	2 ~ 10 years
Others	2 ~ 10 years

(XVI) Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

(XVII) Impairment of non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher.

(XVIII) Borrowings

Refers to short-term borrowings from a bank. The Company measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

(XIX) Accounts and notes payable

1. Notes payable and accounts payable refer to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the Company uses the original invoice amount to measure the value.

(XX) Derecognition of financial liabilities

The Company will derecognize financial liabilities if the contractual obligation has been performed, canceled or expired.

(XXI) The offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

(XXII) Employee welfare

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

2. Pension

(1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

(2) Defined benefit plan

- A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.
 - B. The remeasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.
 - C. Expenses related to cost of service of the previous period shall be recognized as profit or loss at once.
3. Employee remuneration and director's remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

(XXIII) Income tax

- 1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.
- 2. The Company calculates the income tax in the current period on the basis of the tax rate already legislated or actually in force in the country of operation or where payable tax is realized as of the balance sheet day. The management assesses the status of income tax returns regularly concerning the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed by the shareholders' meeting.
- 3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the parent company only balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and associates, the Company may control the time point for the reversal of the temporary difference, and does not recognize the temporary difference if it could not be reversed in the foreseeable future. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.
6. The portion of unused income tax deduction for deferred use generated from the procurement of equipment or technology, R&D spending and investment in equity shall be recognized as deferred income tax assets within the scope of using unused income tax deduction for taxation with a high probability in the future.

(XXIV)Dividend distribution

Dividends distributed to the company's shareholders are recognized in the financial reports when the company's shareholders' meeting decides to distribute such dividends. Cash dividends are recognized as liabilities, and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuing new shares.

(XXV)Revenue recognition

1. The Company manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, which is when the product is delivered to the buyer. The buyer has discretion over the price of the product, and the Company has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. After that, the Company has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.
2. The terms of payment for sale transactions are usually due 30 to 120 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year, the Company has not adjusted the transaction price to reflect the time value of the currency.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Company prepares the parent company only financial statements, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions:

(I) Important judgment for accounting policy adoption

Recognition of gross or net income

According to the type of transaction and its economic essence, the Company determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Company is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Company is the agent). When the Company controls a particular product or service before transferring it to a customer, the Company acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Company does not control the specific product or service before transferring it to customers, the Company acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The Company determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

(II) Important accounting estimates and assumptions

Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Company assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and writes off the cost of inventory to net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

VI. Note to important account titles

(I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	\$ 80	\$ 80
Time deposit	746,002	600,029
Time deposit	680,000	970,000
Cash equivalents - Bond repos	249,747	-
	<u>\$ 1,675,829</u>	<u>\$ 1,570,109</u>

The credit quality of the financial institutions with which the Company interacts is good, and the Company interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

(II) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 1,006,938	\$ 1,042,320
Less: Allowance for impairment loss	(416)	(6,618)
	<u>\$ 1,006,522</u>	<u>\$ 1,035,702</u>

1. The balance of accounts receivable on December 31, 2022 and 2021 are generated from customer contracts. As of January 1, 2021, the balance of accounts receivable from customer contracts amounted to NT\$943,538.
2. Without considering the collateral held or other credit enhancements, the exposure amount that best represents the Company's accounts receivable in 2022 and December 31, 2021, with the largest credit risk being the book value of each type of accounts receivable.
3. The Company does not hold any collateral.
4. Please refer to note 12(2) for details of relevant credit risk information.

(III) Inventory

	December 31, 2022		
	Cost	Allowance for valuation losses	Book value
Raw materials	\$ 5,907	(\$ 642)	\$ 5,265
Finished products	457,620	(55,692)	401,928
	<u>\$ 463,527</u>	<u>(\$ 56,334)</u>	<u>\$ 407,193</u>

	December 31, 2021		
	Cost	Allowance for valuation losses	Book value
Raw materials	\$ 3,665	(\$ 43)	\$ 3,622
Finished products	1,262,681	(44,201)	1,218,480
	<u>\$ 1,266,346</u>	<u>(\$ 44,244)</u>	<u>\$ 1,222,102</u>

Cost of inventory recognized by the Company as expense losses in current period:

	2022	2021
Cost of inventory sold	\$ 11,136,281	\$ 11,521,496
Inventory valuation loss (rebound profit)	12,090	(6,732)
	<u>\$ 11,148,371</u>	<u>\$ 11,514,764</u>

Because the Company got rid off part of the inventory of which the net realizable value fell below the cost in 2021, the net realizable value of inventory rebounded.

(IV) Financial assets measured at fair value through other comprehensive income - Non-current

Item	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Listed and OTC stocks	\$ 827,081	\$ 1,621,037
Non-public offering company stocks	68,548	73,812
Total	<u>\$ 895,629</u>	<u>\$ 1,694,849</u>

1. The Company has elected to classify its strategic equity investments as financial assets at fair value through other comprehensive profit or loss.
2. The Company has recognized the changes in fair values as other comprehensive income in 2022 and 2021, and the detail is specified in Note 6 (14), other equities.
3. The Company did not pledge any of the financial assets measured at fair value through other comprehensive income on December 31, 2022 and 2021.

(V) Investment by equity method

	December 31, 2022	December 31, 2021
PAN GLOBAL HOLDING CO., LTD. (PGH)	\$ 10,654,946	\$ 9,332,889
PAN-INTERNATIONAL ELECTRONICS INC.(PIU)	223,008	194,544
Yann-Yang Investments Corp. (Yann-Yang)	202,762	188,118
	<u>\$ 11,080,716</u>	<u>\$ 9,715,551</u>

For information on the subsidiaries of the Company, refer to Note 4 (3) of the 2022 consolidated financial statements of the Company.

(VI) Property, plant, and equipment

	Land	Buildings	Equipment	Others	Total
January 1, 2022					
Cost	\$ 17,567	\$ 15,943	\$ 173,515	\$ 19,486	\$ 226,511
Cumulative depreciation	-	(15,943)	(173,375)	(19,213)	(208,531)
	<u>\$ 17,567</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 273</u>	<u>\$ 17,980</u>
<u>2022</u>					
January 1	\$ 17,567	\$ -	\$ 140	\$ 273	\$ 17,980
Addition	-	-	-	216	216
Depreciation expenses	-	-	(73)	(205)	(278)
December 31	<u>\$ 17,567</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 284</u>	<u>\$ 17,918</u>
December 31, 2022					
Cost	\$ 17,567	\$ 15,943	\$ 173,515	\$ 19,702	\$ 226,727
Cumulative depreciation	-	(15,943)	(173,448)	(19,418)	(208,809)
	<u>\$ 17,567</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 284</u>	<u>\$ 17,918</u>
	Land	Buildings	Equipment	Others	Total
January 1, 2021					
Cost	\$ 17,567	\$ 15,943	\$ 179,374	\$ 19,544	\$ 232,428
Cumulative depreciation	-	(15,943)	(178,828)	(18,869)	(213,640)
	<u>\$ 17,567</u>	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 675</u>	<u>\$ 18,788</u>
<u>2021</u>					
January 1	\$ 17,567	\$ -	\$ 546	\$ 675	\$ 18,788
Addition	-	-	-	88	88
Depreciation expenses	-	-	(406)	(490)	(896)
December 31	<u>\$ 17,567</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 273</u>	<u>\$ 17,980</u>
December 31, 2021					
Cost	\$ 17,567	\$ 15,943	\$ 173,515	\$ 19,486	\$ 226,511
Cumulative depreciation	-	(15,943)	(173,375)	(19,213)	(208,531)
	<u>\$ 17,567</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 273</u>	<u>\$ 17,980</u>

(VII) Investment property

	Land	Buildings	Total
January 1, 2022			
Cost	\$ 32,413	\$ 43,647	\$ 76,060
Cumulative depreciation and impairment	-	(41,909)	(41,909)
	<u>\$ 32,413</u>	<u>\$ 1,738</u>	<u>\$ 34,151</u>
<u>2022</u>			
January 1	\$ 32,413	\$ 1,738	\$ 34,151
Depreciation expenses	-	(220)	(220)
December 31	<u>\$ 32,413</u>	<u>\$ 1,518</u>	<u>\$ 33,931</u>
December 31, 2022			
Cost	\$ 32,413	\$ 43,647	\$ 76,060
Cumulative depreciation and impairment	-	(42,129)	(42,129)
	<u>\$ 32,413</u>	<u>\$ 1,518</u>	<u>\$ 33,931</u>

	Land	Buildings	Total
January 1, 2021			
Cost	\$ 32,413	\$ 43,647	\$ 76,060
Cumulative depreciation and impairment	-	(41,689)	(41,689)
	<u>\$ 32,413</u>	<u>\$ 1,958</u>	<u>\$ 34,371</u>
<u>2021</u>			
January 1	\$ 32,413	\$ 1,958	\$ 34,371
Depreciation expenses	-	(220)	(220)
December 31	<u>\$ 32,413</u>	<u>\$ 1,738</u>	<u>\$ 34,151</u>
December 31, 2021			
Cost	\$ 32,413	\$ 43,647	\$ 76,060
Cumulative depreciation and impairment	-	(41,909)	(41,909)
	<u>\$ 32,413</u>	<u>\$ 1,738</u>	<u>\$ 34,151</u>

1. Rental income and direct operating expenses of investment property:

	2022	2021
Rental income of investment property	<u>\$ 5,533</u>	<u>\$ 4,398</u>
Direct operating expenses of investment property that generate rental income in the current period	<u>(\$ 220)</u>	<u>\$ 220</u>

2. The fair value of the investment property held by the Company on December 31, 2022 and 2021, amounted to \$205,209 and \$205,209, respectively, which was obtained from the evaluation from public information announced by the government. The result indicated Level 3 fair value.

(VIII) Short-term borrowings

Nature of the borrowings	December 31, 2022	Interest Rate	Collateral
Bank loans - Credit loans	<u>\$ 1,366,595</u>	5.2%~5.39%	None.

Nature of the borrowings	December 31, 2022	Interest Rate	Collateral
Bank loans - Credit loans	<u>\$ 553,600</u>	0.50%	None.

(IX) Other payables

	December 31, 2022	December 31, 2021
Salary, bonus, and employee remuneration payable	\$ 153,457	\$ 151,647
Others	151,745	32,586
	<u>\$ 305,202</u>	<u>\$ 184,233</u>

(X) Pension

1. Measures for defined retirement benefits

- (1) The Company has instituted measures for defined benefit retirement in accordance with the provisions of the "Labor Standards Act", which apply to the seniority of service of formal employees prior to the enactment of the "Labor Pension Act" on July 1, 2005, and to the seniority of service for employees who choose to continue to adopt the seniority of service defined by the Labor Standards Act after the enactment of the "Labor Pension Act". If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company appropriates 6% of the total salary to the retirement fund every month which is deposited with the Trust Department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the above. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph.

- (2) The amount recognized at the balance sheet is specified below:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 74,650	\$ 76,024
Fair value of plan assets	(76,877)	(67,400)
Net defined benefit liabilities	<u>(\$ 2,227)</u>	<u>\$ 8,624</u>
"Other non-current assets" listed in the table	<u>\$ 2,227</u>	<u>\$ -</u>
"Other non-current liabilities" listed in the table	<u>\$ -</u>	<u>\$ 8,624</u>

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2022			
Balance on January 1	\$ 76,024	(\$ 67,400)	\$ 8,624
Cost of service in current period	548	-	548
Interest expense (income)	456	(405)	51
	<u>77,028</u>	<u>(67,805)</u>	<u>9,223</u>
Remeasurement:			
Return on plan assets (Note)	-	(5,175)	(5,175)
Impact of demographic assumption changes	(2)	-	(2)
Effect of the change in financial assumption	(2,393)	-	(2,393)
Experience adjustment	830	-	830
	<u>(1,565)</u>	<u>(5,175)</u>	<u>(6,740)</u>
Appropriation of pension reserve	-	(3,897)	(3,897)
Payment of pension	(813)	-	(813)
Balance on December 31	<u>\$ 74,650</u>	<u>(\$ 76,877)</u>	<u>(\$ 2,227)</u>

(Note) This does not include the amount contained in interest income or expense

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance on January 1	\$ 74,917	(\$ 62,458)	\$ 12,459
Cost of service in current period	630	-	630
Interest expense (income)	214	(179)	35
	<u>75,761</u>	<u>(62,637)</u>	<u>13,124</u>
Remeasurement:			
Return on plan assets (Note)	-	(977)	(977)
Effect of the change in financial assumption	(1,594)	-	(1,594)
Experience adjustment	1,857	-	1,857
	<u>263</u>	<u>(977)</u>	<u>(714)</u>
Appropriation of pension reserve	-	(3,786)	(3,786)
Balance on December 31	<u>\$ 76,024</u>	<u>(\$ 67,400)</u>	<u>\$ 8,624</u>

(Note) This does not include the amount contained in interest income or expense

(4) The defined pension plan assets of the Company fall within the ratio and scope of items entrusted to the Bank of Taiwan in using the plan for investment in the year under appointment pursuant to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (deposits in domestic and foreign financial institutions, investments in domestic and foreign listed or OTC equity securities or through private placement, and investments in domestic and foreign products through securitization of real estate). The Labor Pension Fund Supervisory Committee is responsible for the supervision of the use of the fund. In using the fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are insufficiencies, the national treasury shall make up the difference after approval by the competent authority. Because the Company has no right to participate in the operation and management of the fund, it cannot disclose the categories of the plan assets at fair value under IAS 19 and IAS 142. The fair value forming the total assets of the fund as of December 31, 2022 and 2021, is stated in the labor pension fund utilization report announced by the government for the respective years.

(5) The actuarial assumption of pension fund is specified below:

	2022	2021
Discount rate	<u>1.20%</u>	<u>0.65%</u>
Salary increase rate in the future	<u>2.00%</u>	<u>2.00%</u>

The assumption of the mortality rate in the future is based on the statistics released by relevant countries and estimation by experience.

The analysis of the change in the principal actuarial assumption and the influence on the present value of defined benefit obligation is shown below:

	Discount rate		Salary increase rate in the future	
	Increase by	Decrease by	Increase by	Decrease by
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on the present value of defined benefit obligations	(\$ 1,043)	\$ 1,070	\$ 1,059	(\$ 1,037)
December 31, 2021				
Effect on the present value of defined benefit obligations	(\$ 1,150)	\$ 1,182	\$ 1,163	(\$ 1,138)

The aforementioned sensitivity analysis is under the assumption that all other assumptions remain unchanged, in order to analyze the effect of a change in a single assumption. In practice, changes in several assumption could be linked. The sensitivity analysis is consistent with the method adopted for the net pension liabilities presented in the balance sheet. The method and assumption adopted for the sensitivity analysis in current period is identical with the previous period.

(6) The Company expected to appropriate NT\$1,553 for payment to the pension plan in 2023.

(7) As of December 31, 2022, the weighted average duration of the pension plan was 5 years.

2. Measures for defined retirement allocation

- (1) Since July 1, 2005, the Company instituted the regulations for the appropriation of pension fund in accordance with the “Labor Pension Act”, which applies for Taiwanese employees. For employees choosing the labor pension system under the “Labor Pension Act”, the Company appropriates 6% of the monthly salary for contribution to the personal accounts of the employees as pension fund at the Labor Insurance Bureau. The payment of pension to employees will be made monthly or in lump sum from the personal pension special account and the accumulated return to the accounts.
- (2) In 2022 and 2021, the Company recognized the cost of pension of NT\$1,508 and NT\$1,403 under the above pension fund regulations, respectively.

(XI) Share capital

As of December 31, 2022, the authorized capital of the Company comprised 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds); 518,346,282 shares were outstanding with a par value of NT\$10 per share.

(XII) Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

(XIII) Retained earnings

1. According to the articles of association of the Company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the Company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.
2. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses that shall be distributed, capital surplus, or legal reserves in cash, which shall be approved through a resolution by more than half of the directors present at a Board meeting attended by more than two-thirds of all directors, and the rule that a resolution by a shareholders' meeting is required as in the preceding paragraph shall not apply.
3. The Company is in a growth stage, and the dividend distribution policy shall be based on the Company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget, and other factors, while taking into account the shareholders' interests and the Company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.

4. The legal reserve shall not be used except to make up for the Company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
5. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.
6. The shareholders resolved to pass distribution of 2021 and 2020 earnings during the meetings held on June 15, 2022 and July 15, 2021; details are as follows:

	2021		2020	
	Amount	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)
Legal reserve	\$ 130,519		\$ 76,277	
Special reserve	(277,289)		37,450	
Cash dividends	518,346	\$ 1.00	336,925	\$ 0.65
	<u>\$ 371,576</u>		<u>\$ 450,652</u>	

(XIV) Other equities

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2022	\$ 288,225	(\$ 1,360,659)	(\$ 1,072,434)
Unrealized gain or loss of financial products:			
-The Company	(720,650)	-	(720,650)
-Subsidiary	12,584	-	12,584
Evaluation adjustment transferred to retained earnings:			
-Subsidiary	-	-	-
Tax on transfer of valuation adjustment to retained earnings			
-Subsidiary	-	-	-
Foreign currency exchange difference:			
-The Company	-	395,292	395,292
December 31, 2022	<u>(\$ 419,841)</u>	<u>(\$ 965,367)</u>	<u>(\$ 1,385,208)</u>

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2021	(\$ 186,592)	(\$ 1,163,132)	(\$ 1,349,724)
Unrealized gain or loss of financial products:			
-The Company	470,002	-	470,002
-Subsidiary	341,002	-	341,002
Evaluation adjustment transferred to retained earnings:			
-Subsidiary	(373,072)	- (373,072)	
Tax on transfer of valuation adjustment to retained earnings			
-Subsidiary	36,885	-	36,885
Foreign currency exchange difference:			
-The Company	-	(197,527)	(197,527)
December 31, 2021	<u>\$ 288,225</u>	<u>(\$ 1,360,659)</u>	<u>\$ (1,072,434)</u>

(XV) Operating revenue

	2022	2021
Revenue from customer contracts	<u>\$ 11,756,687</u>	<u>\$ 12,351,637</u>

1. Details of revenue from customer contracts

The revenue of the Company came from the transfer of merchandise at a particular point in time and the revenue could be allocated to the following major product lines:

	2022	Electronic Components	Consumer Electronics and Computer Peripherals	Total
Segment Revenue		<u>\$ 8,458,027</u>	<u>\$ 3,298,660</u>	<u>\$ 11,756,687</u>
	2021	Electronic Components	Consumer Electronics and Computer Peripherals	Total
Segment Revenue		<u>\$ 7,767,287</u>	<u>\$ 4,584,350</u>	<u>\$ 12,351,637</u>

2. Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Company are as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Contractual liabilities	<u>\$ 148,107</u>	<u>\$ 628,363</u>	<u>\$ 42,286</u>

Recognized income of contract liabilities at the beginning of the period:

	2022	2021
Opening balance of contract liabilities recognized as income in the current period	<u>\$ 624,547</u>	<u>\$ 42,286</u>

(XVI) Other income

	2022	2021
Dividend income	\$ 87,254	\$ 25,200
Rental income	5,533	4,398
Other income - Other	2,626	5,145
	<u>\$ 95,413</u>	<u>\$ 34,743</u>

(XVII) Other gains and losses

	2022	2021
Net gain from financial assets and liabilities measured at fair value through income	\$ 2,680	\$ 11,188
Net foreign currency conversion loss	(6,497)	(3,480)
Others	(220)	(220)
	<u>(\$ 4,037)</u>	<u>\$ 7,488</u>

(XVIII) Employee benefit, depreciation and amortization expenses

	2022			
	Attributable to cost of operation	Attributable to operating expense	Attributable to non-operating expense	Total
Employee benefits expense				
Salary expenses (Note)	\$ 8,567	\$ 76,571	\$ -	\$ 85,138
Labor and national health insurance expenses	567	5,864	-	6,431
Pension expenses	350	1,757	-	2,107
Remuneration to the Directors	-	8,981	-	8,981
Other HR expenses	842	5,432	-	6,274
	<u>\$ 10,326</u>	<u>\$ 98,605</u>	<u>\$ -</u>	<u>\$ 108,931</u>
Depreciation expenses	<u>\$ 73</u>	<u>\$ 205</u>	<u>\$ 220</u>	<u>\$ 498</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 145</u>	<u>\$ -</u>	<u>\$ 145</u>

Note: Including salary expenses and remuneration to employees.

2021				
	Attributable to cost of operation	Attributable to operating expense	Attributable to non-operating expense	Total
Employee benefits expense				
Salary expenses (Note)	\$ 8,734	\$ 64,067	\$ -	\$ 72,801
Labor and national health insurance expenses	658	5,088	-	5,746
Pension expenses	370	1,698	-	2,068
Remuneration to the Directors	-	7,147	-	7,147
Other HR expenses	1,097	5,476	-	6,573
	<u>\$ 10,859</u>	<u>\$ 83,476</u>	<u>\$ -</u>	<u>\$ 94,335</u>
Depreciation expenses	<u>\$ 406</u>	<u>\$ 490</u>	<u>\$ 220</u>	<u>\$ 1,116</u>
Amortization expenses	<u>\$ -</u>	<u>\$ 287</u>	<u>\$ -</u>	<u>\$ 287</u>

Note: Including salary expenses and remuneration to employees.

1. The average monthly number of employees for the current year and the previous year was 51 and 48, respectively. Among them, the number of directors who were not concurrently employees was 4.
2. The average employee benefit expenses in 2022 and 2021 were NT\$2,127 and NT\$1,982, respectively. The average salary expenses of employees were NT\$1,811 and NT\$1,655, respectively. The average salary expense adjustment of employees was 9.43%.
3. The Company has established an audit committee, so there is no supervisor's remuneration.
4. The Remuneration Committee established the salary and remuneration policies for the Directors and the Managers with routine review of the performance in regards to the policy, standard, and structure of the remuneration. The evaluation of the performance of Directors and Managers, and the salary structure was made with reference to the overall performance of the operation, the future industrial operation trends, while also considering the industry level, individual contributions and achievements. The Remuneration Committee will present the result of the review to the Board for approval. The policy for salaries and remuneration to employees was made with reference to the industry level. Bonuses will be granted with reference to the overall performance of the Company, individual performance and contribution.
5. According to the articles of association of the Company, if the Company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the Board of Directors, and shall be reported to the shareholders' meeting. However, where the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first.

6. The Company's remuneration to employees in 2022 and 2021 was estimated at NT\$79,012 and NT\$60,674, respectively. The remuneration to the Directors was estimated at NT\$7,901 and NT\$6,067, respectively. The aforementioned amount was presented as salary expense in the book.

2022 was estimated based on the profit for the current period (in the current year). The Company's board of directors passed a resolution on March 14, 2022, to distribute the employees' remuneration of NT\$79,012 and the directors' remuneration of NT\$7,901 for 2022 in cash. There is no difference between the preceding allocation amounts and the amounts stated as expenses by the Company in 2022.

The 2021 employee, director, and supervisor remunerations approved by the board of directors are consistent with the amounts recognized in the 2021 annual financial report.

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

(XIX) Financial costs

	2022	2021
Interest expense - bank loans	\$ 20,846	\$ 5,302

(XX) Income tax

1. Income tax expense

(1) Components of income tax expenses:

	2022	2021
Income tax for the current period:		
Income tax arising from current income	\$ 88,446	\$ 128,908
Extra tax on undistributed earnings	46,681	15,606
Income tax under (over) estimates of previous years	(2,116)	7,951
Total income tax for the current period	133,011	152,465
Deferred income tax:		
The original value and reversal of temporary differences	38,029	27,050
Income tax expense	\$ 171,040	\$ 179,515

(2) Other comprehensive income related income tax amount:

	2022	2021
Remeasurement of defined benefit obligation	\$ 1,349	\$ 143

2. Relation between income tax expense and accounting profit

	2022	2021
Calculation of income tax on earnings before taxation at the mandatory tax rate	\$ 298,666	\$ 229,349
Income exempted from taxation under the tax law	(18,211)	(4,833)
Temporary difference not recognized as deferred income tax liabilities	(153,980)	(68,558)
Extra tax on undistributed earnings	46,681	15,606
Income tax under (over) estimates of previous years	(2,116)	7,951
Income tax expense	171,040	179,515
The original value and reversal of temporary differences	(38,029)	(27,050)
Income tax (under) over estimates of previous years	2,116	(7,951)
Amount of temporary payment and withheld tax	(304)	(11)
Tax liabilities for the current period	<u>\$ 134,823</u>	<u>\$ 144,503</u>

3. Deferred income tax assets or liabilities under temporary difference and taxation loss are specified as follows:

	2022			
	January 1	Recognized as income	Recognized as other comprehensive net income	December 31
Temporary difference:				
-Deferred income tax assets:				
Provision for valuation loss on inventory	\$ 8,849	\$ 2,418	\$ -	\$ 11,267
Pension reserve pending on appropriation	1,920	(351)	(1,349)	220
Others	7,307	-	-	7,307
	<u>\$ 18,076</u>	<u>\$ 2,067</u>	<u>(\$ 1,349)</u>	<u>\$ 18,794</u>
-Deferred tax liabilities:				
Return on foreign investment accounted for under the equity method	(\$ 164,426)	(\$ 38,494)	\$ -	(\$ 202,920)
Unrealized foreign exchange gain	(678)	(1,602)	-	(2,280)
	<u>(\$ 165,104)</u>	<u>(\$ 40,096)</u>	<u>\$ -</u>	<u>(\$ 205,200)</u>

2021				
	January 1	Recognized as income	Recognized as other comprehensive income	December 31
Temporary difference:				
-Deferred income tax assets:				
Provision for valuation loss on inventory	\$ 10,195	(\$ 1,346)	\$ -	\$ 8,849
Pension reserve pending on appropriation	2,492	(429)	(143)	1,920
Unrealized exchange loss	7,457	(7,457)	-	-
Others	7,307	-	-	7,307
	<u>\$ 27,451</u>	<u>(\$ 9,232)</u>	<u>(\$ 143)</u>	<u>\$ 18,076</u>
-Deferred tax liabilities:				
Return on foreign investment accounted for under the equity method	(\$ 147,286)	(\$ 17,140)	\$ -	(\$ 164,426)
Unrealized foreign exchange gain	-	(678)	-	(678)
	<u>(\$ 147,286)</u>	<u>(\$ 17,818)</u>	<u>\$ -</u>	<u>(\$ 165,104)</u>

4. The Company evaluated the taxable temporary difference of some investee companies on December 31, 2022 and 2021, and expected no reversal in the foreseeable future, and therefore recognized as deferred income tax liabilities in full value. Temporary difference of deferred income tax liabilities amounted to NT\$6,258,068 and NT\$5,159,680, respectively.

5. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2020.

(XXI) The share of other comprehensive income of subsidiaries, associates, and joint ventures recognized under the equity method.

	2022	2021
Subsidiaries and associates:		
- Evaluation adjustment of equity instruments	\$ 12,584	\$ 341,002
- Remeasured value of defined benefit plan	1,157	557
	<u>\$ 13,741</u>	<u>\$ 341,559</u>

(XXII)Earnings per share (EPS)

	2022		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period	<u>\$ 1,322,290</u>	518,346	<u>\$ 2.55</u>
<u>Diluted earnings per share</u>			
Net income for the period	1,322,290		
Dilutive effects of the potential common shares			
-Employee remuneration	<u>-</u>	<u>2,603</u>	
The effect of net income for the period inherent to common shares	<u>\$ 1,322,290</u>	<u>520,949</u>	<u>\$ 2.54</u>

	2021		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period	<u>\$ 967,232</u>	518,346	<u>\$ 1.87</u>
<u>Diluted earnings per share</u>			
Net income for the period	967,232		
Dilutive effects of the potential common shares			
-Employee remuneration	<u>-</u>	<u>1,733</u>	
The effect of net income for the period inherent to common shares	<u>\$ 967,232</u>	<u>520,079</u>	<u>\$ 1.86</u>

(XXIII)Changes in liabilities from financing activities

	Short-term borrowings	
	2022	2021
January 1	\$ 553,600	\$ 1,367,040
Changes in financing cash flow	730,100	(784,280)
Effect of exchange rate changes	<u>82,895</u>	<u>(29,160)</u>
December 31	<u>\$ 1,366,595</u>	<u>\$ 553,600</u>

VII. Related Party Transactions

(I) Related party's name and relationship

Related Party Name	Relationship with the Company
Pan-International Precision Electronic Co., Ltd.	Subsidiary of the Company
PAN GLOBAL HOLDING CO.,LTD.	Subsidiary of the Company
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the Company
Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)	Significant influence over the Company
Sharp Corporation and subsidiaries (Sharp and subsidiaries)	Other related parties
Foxconn Technology Co., Ltd. and subsidiaries (FTC and subsidiaries)	Other related parties
GENERAL INTERFACE SOLUTION LIMITED	Other related parties
Cyber TAN Technology, Inc and Subsidiaries	Other related parties
Chery Holding Group and Subsidiaries	Other related parties (Note 1)
Long Time Tech. Co., Ltd.	Affiliates

(Note 1) Listed as non-related party in September 2022

(II) Major transactions with related parties

1. Operating revenue

	2022	2021
Product sales:		
Significant influence over the Company		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 4,965,112	\$ 4,226,619
Subsidiary	528,809	554,728
Other related parties	402,544	165,928
	<u>\$ 5,896,465</u>	<u>\$ 4,947,275</u>

The price and credit period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Company's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Company's period of payment for the related parties ranged from 30 to 120.

2. Purchase

	2022	2021
Product purchases:		
Significant influence over the Company		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 938,655	\$ 1,177,390
Subsidiary		
- Honghuasheng Precision Electronics (Yantai) Co., Ltd.	5,151,125	3,919,384
- Pan-International Precision Electronic Co., Ltd.	1,021,693	1,313,473
- Others	62,098	52,895
Other related parties	63	(951)
	<u>\$ 7,173,634</u>	<u>\$ 6,462,191</u>

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Company to related parties ranged from 30 to 90 days on monthly settlement of open account

3. Receivables from related parties

	December 31, 2022	December 31, 2021
Receivables from related parties:		
Significant influence over the Company		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 2,150,039	\$ 1,520,605
Subsidiary	80,385	137,054
Other related parties - others	159,913	127,058
	2,390,337	1,784,717
Less: Allowance for impairment loss	(959)	(720)
	<u>\$ 2,389,378</u>	<u>\$ 1,783,997</u>

Receivables from related parties are mainly from sales. The payment term ranged from 30 to 120 days. The receivables are not secured and not interest bearing.

4. Other receivables

	December 31, 2022	December 31, 2021
Other receivables from related parties:		
Subsidiary		
—		
PANGLOBALHOLDINGCO.,LTD.	\$ 66,232	\$ 52,681
- Others	7,286	14,834
	<u>\$ 73,518</u>	<u>\$ 67,515</u>

Other receivables from related parties are mostly the receivables of advance payment for the related parties.

5. Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable to related parties:		
Significant influence over the Company		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 244,933	\$ 414,016
Subsidiary		
- Honghuasheng Precision Electronics (Yantai) Co., Ltd.	1,449,202	982,154
- Pan-International Precision Electronic Co., Ltd.	165,036	210,740
- Others	<u>17,055</u>	<u>26,460</u>
	<u>\$ 1,876,226</u>	<u>\$ 1,633,370</u>

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

(III) Information on compensation for the key management

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and other short-term employee benefit	\$ 14,599	\$ 13,902
Post-employment benefits	<u>240</u>	<u>240</u>
	<u>\$ 14,839</u>	<u>\$ 14,142</u>

VIII. Pledged Assets

None.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contingent matters

The Company has no contingent liabilities for material legal claims arising from daily operating activities.

(II) Commitments

On November 30, 2021, the Company's Board of Directors approved the purchase of pre-sale factory buildings. The total transaction amount is NT\$488,880 and paid in 5 installments. As of December 31, 2022, the outstanding payment is \$410,660.

X. Major Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

- (I) The Company has adopted relevant measures in response to the outbreak of COVID-19. The spread of disease did not have a material impact on the Company's operations and business performance in 2022.

(II) Capital management

The objective of capital management of the Company is to ensure the sustainable operation of the Company, maintaining the best capital structure to reduce the cost of capital, and to provide returns to the shareholders. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the Company uses the net debt ratio which is calculated by dividing net debt by total net worth. The net debt is calculated as total loans (including the “current and noncurrent loans” as stated in the parent company only balance sheet) net of cash and cash equivalents. Total net value is calculated by subtracting total intangible assets from “equity” as stated in the parent company only balance sheet.

The Company’s strategy for 2022 is the same as that in 2021, both of which are committed to maintaining the net debt ratio below 70%.

(III) Financial instrument

1. Types of financial instruments

The book amounts of the Company's financial assets classified as measured at amortized cost under IFRS 9 in 2022 and on December 31, 2021 (including cash and cash equivalents, accounts receivable [including related parties], and other receivables) were NT\$5,146,166 and NT\$4,465,895, respectively. The book amounts of financial assets’ financial liabilities classified as amortized costs (including short-term loans, accounts payable [including related parties], and other payables) were NT\$4,288,480 and NT\$3,855,891, respectively. For additional information on the book value classified as financial assets measured at fair value through comprehensive income, refer to Note 6 (4).

2. Risk management Policy

(1) Types of risks

The Company adopts a comprehensive financial risk management and control system for the clear identification, measurement and control of all forms of financial risks to the Company, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.

(2) Management objectives

- A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.
- B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation, and process, with due consideration of the overall external trend, internal operating conditions, and the actual impact of market fluctuations.

- C. The overall risk management policy of the Company is focused on unanticipated events in the financial market, to seek and reduce the potential unfavorable influence on the financial position and performance.

(3) Management system

- A. The Finance Department of the Company is charged with the task of risk management in accordance with the policies approved by the Board. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.
- B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

3. Nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

- A. Nature: The Company is a multinational OEM electronics manufacturer and most of the exchange rate risk from operating activities comes from:

- a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large.
- b. In addition to the commercial transactions (operating activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

- B. Management

- a. The Company has made policies to deal with this kind of risk that requires all Group companies to manage the exchange rate risk corresponding to their functional currency.
- b. The exchange rate risk deriving from respective functional currencies on the functional currency used in the Parent Company Only Financial Statements will be coordinated and managed by the Group's Financial Division.

- C. Intensity

The business of the Company involves many non-functional currencies (the functional currency of the Company is NTD), therefore it is exposed to fluctuations of exchange rates. Assets and liabilities denominated in foreign currencies that are exposed to the effects of significant fluctuations of the exchange rate are as follows:

December 31, 2022					
	Foreign currency (thousand)	Exchange rate	Book value (NT\$)	Sensitivity analysis	
				Range of change	Impact on profit and loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary item</u>					
USD: NTD	\$ 132,287	30.71	\$ 4,062,534	5%	\$ 203,127
<u>Non-monetary items</u>					
USD: NTD	354,215	30.71	10,877,954		
<u>Financial liabilities</u>					
<u>Monetary item</u>					
USD: NTD	133,405	30.71	4,096,868	5%	204,843
December 31, 2021					
	Foreign currency (thousand)	Exchange rate	Book value (NT\$)	Sensitivity analysis	
				Range of change	Impact on profit and loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary item</u>					
USD: NTD	\$ 122,304	27.68	\$ 3,385,375	1%	\$ 33,854
<u>Non-monetary items</u>					
USD: NTD	344,199	27.68	9,527,433		
<u>Financial liabilities</u>					
<u>Monetary item</u>					
USD: NTD	132,443	27.68	3,666,022	1%	36,660

D. Nature

The Company's currency items were under significant influence of exchange rate fluctuations in 2022 and 2021, with recognition of exchange income (including realized and unrealized items) amounting to a loss of NT\$6,497 and NT\$3,480, respectively.

Price risk

- A. The equity instruments of the Company exposed to price risk are financial assets measured at fair value through other comprehensive incomes. The Company diversified its investment portfolio to manage the price risk of investment in equity instruments. The method of diversification was based on the limits set forth by the Company.
- B. The Company mainly invested in equity instruments offered by domestic companies. The prices of these equity instruments are affected by the uncertainty of the future values of these investment objects. If there is an upward or downward adjustment of the equity instruments by 1% with all other factors remaining unchanged, the influence on other comprehensive income of gains or losses of financial assets classified as measured at fair value through other comprehensive income would increase or decrease by \$8,956, and \$16,948 in 2022 and 2021, respectively.

Cash flow and fair value interest rate risk

The interest rate risk to the Company mainly comes from short-term borrowings. Borrowings at fixed interest rates exposed the Company to interest rate risk at fair value. After assessment, there is no significant interest rate risk to the Company.

(2) Credit risk

- A. The credit risk to the Company mainly comes from the failure of customers or counterparties of financial instruments to perform contractual obligations resulting in financial losses for the Company. This mainly comes from the inability of counterparties to repay the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at amortized cost.
- B. The credit policy of the Company explicitly states that each new customer of the operating entities within the Company shall be subject to credit management and credit risk analysis before proposing the terms and conditions for payment and delivery of goods. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.
- C. The basis for the Company to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:

When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- D. If the contract amount is overdue for more than 90 days under the conditions of payment, the Company shall deem it a breach of contract.
- E. The Company classified notes and accounts receivable of customers according to the characteristics of the customer rating, and adopted the simple method of loss rate to estimate expected credit loss.
- F. The indicators used by the Company for determining credit impairment of the debt instruments are shown below:

- (A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;
- (B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;
- (C) The issuer delays or fails to pay the interest or principal;
- (D) Adverse changes in national or regional economic conditions leading to issuer default.

G. Aging analysis of accounts receivable (including related parties):

	December 31, 2022	December 31, 2021
Not Past Due	\$ 3,343,713	\$ 2,808,613
Less than 90 days	53,562	12,496
91 ~ 180 days	-	-
More than 181 days	-	5,928
	<u>\$ 3,397,275</u>	<u>\$ 2,827,037</u>

The above is an aging analysis based on the number of overdue days.

H. Other receivables (including related parties):

The other receivables of the Company are mainly receivable tax rebates, and receivable advance payments for a third party. There is no concern for material breach of contract or declined payment. Therefore, the Company recognized provision for loss on the basis of the amount of expected credit loss in a period of 12 months. In 2022 and as of December 31, 2021, the Company recognized a provision for loss amounting to \$0.

- I. The Company classified the accounts receivable of the customers according to the characteristics of the credit rating of the customers, and considered the adjustment of rate of loss on the basis of historical information and information at present time with foresight to estimate the provision for loss from accounts receivable. The method for estimating the loss rate on December 31, 2022 and 2021 is as follows:

	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2022</u>					
Expected loss rate	0.04%	0.04%	0.09%	0.03%	
Total Book value	<u>\$3,131,859</u>	<u>\$ 262,979</u>	<u>\$ -</u>	<u>\$ 2,437</u>	<u>\$3,397,275</u>
Allowance for loss	<u>\$ 1,253</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 1,375</u>
	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2021</u>					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	<u>\$2,471,385</u>	<u>\$ 347,379</u>	<u>\$ -</u>	<u>\$ 8,273</u>	<u>\$2,827,037</u>
Allowance for loss	<u>\$ 989</u>	<u>\$ 139</u>	<u>\$ -</u>	<u>\$ 6,210</u>	<u>\$ 7,338</u>

- Group 1: Rated A by Standard & Poor's, Fitch, or Moody's, or rated A by the credit rating standard of the Company in the absence of rating by external institutions.
- Group 2: Rated BBB by Standard & Poor's or Fitch, Baa by Moody's, or rated B or C by the credit rating standard of the Company in the absence of rating by external institutions.
- Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.
- Group 4: No rating by external institutions, but customers rated non-A, B, or C by the credit rating standard of the Company.

J. The Company's table showing the changes in the provision for loss from accounts receivable and other receivables using a simplified method is as follows:

	2022	2021
January 1	\$ 7,338	\$ 5,401
(Reversed) recognized impairment loss	(1,861)	1,937
Irrecoverable amount written off	(4,102)	-
December 31	<u>\$ 1,375</u>	<u>\$ 7,338</u>

K. All the Company's investments in debt instruments measured at amortized cost as were at low credit risk as of December 31, 2022 and 2021. Therefore, the book value was measured on the basis of the expected credit loss in a period of 12 months after the balance sheet day.

(3) Liquidity risk

- A. The cash flow forecast is carried out by each operating entity within the Company, and aggregated by the Company's Finance Department. The Finance Department monitors and tracks the forecast of working capital requirements to assure adequate funding for operations, and maintains sufficient unspent loan commitments at all times so that the Company will not exceed the relevant borrowing limits or violate the terms. The forecast is based on the debt financing plan, compliance with debt terms, conformity with the targeted financial ratios of the balance sheet, and external regulatory requirements such as foreign exchange control.
- B. When the remaining cash held by the Company exceeds the requirement for the management of working capital, the Finance Department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits and securities, and the instruments selected to have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity, and it is expected that cash flow will be generated immediately for the management of liquidity risk.
- C. The non-derivative financial liabilities of the Company will mature in the year ahead.

(IV) Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. They include the fair value of the listed or OTC stock investments invested by the Company.

Level 2: The input value of assets or liabilities is directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the Company belongs to this level.

Level 3: The input value of assets or liabilities is unobservable. The equity instruments invested by the Company without an active market belong to this level.

2. Financial instruments not measured at fair value

The book value of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, other current assets, payables, other payables, and other current liabilities) reasonably approximates the fair value.

3. The Company's financial and non-financial instruments measured at fair value will be classified according to the nature, specific features, risks, and fair value of the assets and liabilities. Relevant information is as follows:

- (1) Classification according to the nature of the assets and liabilities, relevant information is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Repetitive fair value</u>				
Financial assets at				
FVTOCI				
- Equity securities				
	<u>\$ 827,081</u>	<u>\$ -</u>	<u>\$ 68,548</u>	<u>\$ 895,629</u>

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
<u>Repetitive fair value</u>				
Financial assets at				
FVTOCI				
- Equity securities				
	<u>\$1,621,037</u>	<u>\$ -</u>	<u>\$ 73,812</u>	<u>\$1,694,849</u>

(2) The methods and assumptions adopted by the Company for measurement at fair value is as specified below:

- A. The Company adopts market quotation as the input value of fair value (i.e., Level 1), and divides them as follows according to specific features:

	Listed and OTC stocks	Open-end funds
Market quotation	Closing price	Net value
B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. Fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including the use of models to calculate market information available on the separate balance sheet date.		
C. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the Company's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the separate balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.		
D. The Company has incorporated credit risk assessment adjustments into its calculation for the fair values of financial instruments and non-financial instruments in order to reflect counterparty credit risks and the Company's credit quality, respectively.		

4. There were no transfers between Level 1 and Level 2 in 2022 and 2021.

5. The following table shows the changes in Level 3 in 2022 and 2021:

	Equity securities	Equity securities
	2022	2021
January 1	\$ 73,812	\$ 67,112
Profit (loss) recognized in other comprehensive income	(5,264)	6,700
Amounts bought in the current period	-	1,902
Transfer to Level 3	-	(1,902)
December 31	\$ 68,548	\$ 73,812

6. Since InnoCare Optoelectronics Corp. was listed on the GTSM in November 2021 and the trading volume in the market has increased steadily, sufficient observable market information can be obtained. Therefore, the Company transferred the fair value used from Level 3 to Level 1 at the end of the event occurring month. In 2022, there was no transfer in or out of Level 3.

7. For the fair value of Level 3 instruments of the Company, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. Through independent sources of information, the evaluation results approximate market conditions, and the data sources are confirmed to be independent, reliable, consistent with other resources, and to represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

8. The quantitative information about the significant unobservable input value of the evaluation model used for Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

	Fair value on December 31, 2022	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non- OTC stocks	\$ 68,548	Comparable public company approach	Price-to-book ratio	1.29	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.
	Fair value on December 31, 2021	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non- OTC stocks	\$ 73,812	Comparable public company approach	Price-to-book ratio	1.41	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

9. The Company carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 31, 2022	Price-to-book ratio	±1%	\$ 531	(\$ 531)
		Lack of market liquidity discount	±1%	\$ 857	(\$ 857)
Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 30, 2021	Price-to-book ratio	±1%	\$ 523	(\$ 523)
		Lack of market liquidity discount	±1%	\$ 923	(\$ 923)

XIII. Notes disclosure

(I) Information about significant transactions

- Loans to others: Please refer to Table 1.
- Endorsements/guarantees provided: Please refer to Table 2.
- Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.
- The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
- The cumulative amount of property acquired reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
- The cumulative amount of property disposal reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
- Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: Please refer to Table 4.
- Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 5.

9. Engagement in derivatives trading: Please refer to Note 6 (2) of the consolidated financial statements.

10. Significant Inter-company Transactions during the Reporting Period: Please refer to Table 6.

(II) Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

(III) Information on investments in mainland China

1. Basic information: Please refer to Table 8.

2. Major transactions directly with investee companies in the mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5 and 6.

(IV) Information on major shareholders

Information of major shareholders: Please refer to Table 9.

XIV. Operating Departments Information

Not applicable.

Pan-International Industrial Corp.
Loans to others
January 1 to December 31, 2022

Table 1

Unit: NTD thousand
(unless otherwise noted)

Serial No. (Note 1)	Loan extending company	Borrower	Dealing items (Note 2)	Whether a related party	Maximum amount of the period (Note 3)	Ending balance (Note 8)	Transaction Amounts	Interest Rate	Loan nature (Note 4)	Business Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Provision for allowance for loss for bad debt	Collateral		Loans limits for individual entities (Note 7)	Total loan limit (Note 7)	Remarks
													Name	Value			
1	Pan-International Precision Electronic Co., Ltd.	CJ Electric Systems Co., Ltd.	Other receivables - related parties	Yes	\$ 222,750	\$ 44,080	\$ 44,080	4.00%	Short-term financing	\$ -	Operating turnover	\$ -	None.	None.	\$ 2,717,086	\$ 5,434,172	
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	CJ Electric Systems Co., Ltd.	Other receivables - related parties	Yes	268,380	264,480	264,480	3.70%	Short-term financing	-	Operating turnover	-	None.	None.	7,606,520	15,213,040	

Note 1: The explanation of the number column is as follows:

- (1). Fill in 0 for the issuer.
- (2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: The total amount of funds lending from the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 400% of the lender's net worth, and the limit for an individual entity shall not exceed 200% of the lender's net worth.

Note 8: If a public company submits its lending to the Board of Directors' meeting for resolution case by case in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the Board of Directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out; if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.

Pan-International Industrial Corp.
Endorsement/guarantee provided
January 1 to December 31, 2022

Table 2

Unit: NTD thousand (unless otherwise noted)														
Serial No. (Note 1)	Name of company of the endorsement/guarantee	Guaranteed Party		Endorsement/guarantee limit for a single enterprise (Note 3)	Maximum endorsement/guarantee balance of the period (Note 4)	Endorsement/guarantee balance of the period (Note 5)	Transaction Amounts (Note 6)	Amount of endorsement/guarantee backed by assets	Ratio of the cumulative endorsement/guarantee amount to the net value in the latest financial report	Endorsement/guarantee limit (Note 3)	Endorsement/guarantee from the parent company to subsidiary (note 7)	Endorsement/guarantee from subsidiary to parent company (note 7)	Endorsement/guarantee to entities in the Mainland China (Note 7)	Remarks
		Company name	Relation (Note 2)											
1	P.I.E INDUSTRIAL BERHAD	PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	2	\$ 1,885,746	\$ 1,236,344	\$ 1,191,184	\$ 620,553	\$ -	9.23	\$ 3,771,491	Y	N	N	
1	P.I.E INDUSTRIAL BERHAD	PAN-INTERNATIONAL WIRE&CABLE(M) SDN.BHD.	2	1,885,746	92,646	91,298	4,245	-	0.71	3,771,491	Y	N	N	

Note 1: The explanation of the number column is as follows:

- (1). Fill in 0 for the issuer.
- (2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:

- (1). A company with business relations.
- (2). A company with more than 50% of its voting shares is directly or indirectly held by the company.
- (3). A company directly or indirectly holding more than 50% of the voting shares of the company.
- (4). A company with more than 90% of its voting shares is directly or indirectly held by the company.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.
- (6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.
- (7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The total amount of external endorsements/guarantees shall not exceed 100% of the Company's net value, and the limit of endorsements/guarantees for a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company and its subsidiaries to others shall not exceed 100% of the Company's net value; the total amount of endorsements/guarantees by the Company and its subsidiaries to a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors' meeting shall be filled in. However, if the Board of Directors' meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp.
Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).
December 31, 2022

Table 3

Unit: NTD thousand
(unless otherwise noted)

Holding Company Name	Type of marketable securities	Name of marketable securities	Relationship with the Holding Company	Financial report Account	Period end				
					Number of shares/beneficiary certificates	Book value	Shares Ratio	Fair value	Remarks
Pan-International Industrial Corp.	Common share	Innolux Corporation	None.	Financial assets measured at fair value through other comprehensive income - Non-current	74,848,918	\$ 827,081	0.78	\$ 827,081	
Pan-International Industrial Corp.	Common share	Syntrend Creative Park Co., Ltd.	The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd.	Financial assets measured at fair value through other comprehensive income - Non-current	12,831,500	68,548	5.23	68,548	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	EASTSPRING INVESTMENTS ISLAMIC INCOME FUND	None.	Financial assets measured at fair value through income - Current	23,362	86	-	86	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG AHMAN MONEY MARKET FUND I	None.	Financial assets measured at fair value through income - Current	540,584	2,067	-	2,067	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG USD CASH FUND	None.	Financial assets measured at fair value through income - Current	255,342	8,086	0.60	8,086	
Yann-Yang Investments Corp.	Common share	Lico Technology Corporation	None.	Financial assets measured at fair value through income - Non-current	3,400,000	-	2.73	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	UER HOLDINGS CORPORATION	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through income - Non-current	1,781,979	-	8.22	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	FSK HOLDINGS LIMITED	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	50,400,000	34,478	17.50	34,478	
PAN GLOBAL HOLDING CO., LTD.	B share	CYBERTAN TECHNOLOGY CORP.	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	28,498,993	822,248	16.87	822,248	

Table 3 page 1

Pan-International Industrial Corp.
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.
December 31, 2022

Table 4

Unit: NTD thousand
(unless otherwise noted)

						Differences in transaction terms from those of general transactions and reasons				Note/Accounts Receivable (Payable)		Remarks
			Transaction Details									
Buyer/Seller	Related Party	Relation	Purchase (Sale)	Amount	Percentage over total purchase (sale)	Credit period	Unit Price	Credit period	Balance	Percentage over total notes and accounts receivable (payable)		
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 1,064,599	9	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	\$ 623,025	18		
Pan-International Industrial Corp.	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,840,669	16	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	822,526	24		
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	673,647	6	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	213,027	6		
Pan-International Industrial Corp.	FIH (Hong Kong) Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	830,238	7	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	182,941	5		
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd.	Other related parties	Sales	349,214	3	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	142,108	4		
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	Subsidiary of the Company's indirect reinvestment	Sales	369,362	3	Monthly settlement 120 days T/T	No sale to other customers with no basis for comparison	No significant difference	43,221	1		
Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	5,151,125	47	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(1,449,202)	(55)		
Pan-International Industrial Corp.	Pan-International Precision Electronic Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	1,021,693	9	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(165,036)	(6)		
Pan-International Industrial Corp.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	938,490	9	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(244,933)	(9)		
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,433,746	99	Monthly settlement 60 days T/T	No sale to other customers with no basis for comparison	No significant difference	639,744	100		
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties	Sales	2,052,186	26	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	767,948	35		
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Foxconn Technology Co., Ltd	Other related parties	Purchase	1,492,187	21	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(452,220)	(40)		
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Purchase	309,687	4	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	(64,207)	(6)		
Tekcon Electronics Corporation	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	874,419	89	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	(426,362)	(89)		
Pan-International Precision Electronic Co., Ltd.	Hong-qi Mechatronics (Anhui) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	318,194	18	Monthly settlement 90 days	No sale to other customers with no basis for comparison	No significant difference	187,364	37		
CJ Electric Systems Co., Ltd.	Chery Automobile Co., Ltd. Ordos Branch	Other related parties	Sales	218,301	7	Monthly settlement of 30 days	Negotiated Price is Adopted	No significant difference	-	-	Note 1	
CJ Electric Systems Co., Ltd.	Wuhu Chery Automobile Purchasing Co Ltd.	Other related parties	Sales	1,113,002	37	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	-	-	Note 1	
Tekcon Huizhou Electronics Co., Ltd.	Huaian Fulitong Trade Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	128,811	43	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	(148,152)	(70)		
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Fugion Material Technology (Shenzhen) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	204,295	5	Monthly settlement 90 days	Negotiated Price is Adopted	No significant difference	(73,770)	(8)		

Note 1: Listed as non-related party in September 2022

Table 4 page 1

Pan-International Industrial Corp.
Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.
December 31, 2022

Table 5

Unit: NTD thousand (unless otherwise noted)									
Company Name	Related Party	Relation	Balance of accounts receivable from related parties (Note 1)		Turnover Rate	Overdue		Accounts receivable from related parties recovered after the period	Provision for bad debt
						Amount	Actions Taken		
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	\$	213,027	2.83	\$ -	Payment received after the period	\$ 58,988	\$ 85
Pan-International Industrial Corp.	FIH (Hong Kong) Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		182,941	3.07	-	Payment received after the period	-	73
Pan-International Industrial Corp.	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		822,526	3.54	25,540	Payment received after the period	-	329
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	A company that evaluates the Company by the equity method		623,025	2.34	-	Payment received after the period	-	249
Pan-International Industrial Corp.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the company by the equity method		105,147	6.17	3,157	Payment received after the period	10,985	42
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd.	Other related parties		142,108	2.65	-	Payment received after the period	40,096	57
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company		1,449,202	4.24	-	Payment received after the period	-	579
Pan-International Precision Electronic Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company		165,036	5.44	-	Payment received after the period	90,647	-
Pan-International Precision Electronic Co., Ltd.	Hong-qi Mechatronics (Anhui) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		187,364	3.40	8,210	Payment received after the period	39,448	75
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		639,744	2.18	-	Payment received after the period	29,237	256
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties		767,948	3.71	-	Payment received after the period	524,660	-

Note 1: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT\$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp.
Significant Inter-company Transactions during the Reporting Period
December 31, 2022

Table 6

Unit: NTD thousand
(unless otherwise noted)

Serial No. (Note 1)	Transaction Company	Counterparty	Relationship with the transaction parties (Note 2)	Description of Transactions (note 4 and note 7)			Percentage over consolidated total revenue or total assets (note 3)
				Account	Amount	Transaction Terms	
0	Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	1	Purchase	\$ 5,151,125	Note 6	20
0	Pan-International Industrial Corp.	Pan-International Precision Electronic Co., Ltd.	1	Purchase	1,021,693	Note 6	4
0	Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	1	Sales	369,362	Note 5	1
1	Pan-International Precision Electronic Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable	165,036	Note 6	1
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable	1,449,202	Note 6	6

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

- (1) Fill in 0 for the parent company.
- (2) Subsidiaries are numbered in sequence in each company type starting numerically from 1.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if a parent company discloses a transaction with a subsidiary, the subsidiary does not have to repeat the disclosure of the transaction; if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the transaction again):

- (1) Parent company with a subsidiary.
- (2) A subsidiary with the parent company.
- (3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT\$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is monthly settlement 90 days.

Note 7: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT\$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp.

The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)

January 1 to December 31, 2022

Table 7

Unit: NTD thousand
(unless otherwise noted)

Investor	Investor Company	Location	Main Businesses and Products	Original Investment Amount		Shares held as at end of the period			Net income (loss) of the Investee for current period	Investment gains and losses recognized in the current period	Remarks
				End of the period	End of last year	Shares	Ratio	Book value			
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD.	The British Virgin Islands	Holding company	\$ 3,472,484	\$ 3,472,484	\$ 12,220	100	\$ 10,654,946	\$ 955,410	\$ 955,410	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.	USA	Sale of electronic products	73,142	73,142	28,000	100	223,008	6,955	6,955	
Pan-International Industrial Corp.	Yann-Yang Investments Corp.	Taiwan	Investment company	363,997	363,997	33,316,236	100	202,762	3,803	3,803	
Yann-Yang Investments Corp.	Tekcon Electronics Corporation	Taiwan	Manufacturing and sale of connectors for electronic signal cables	393,898	393,898	21,960,504	83.58	193,989	4,580	3,828	
PAN GLOBAL HOLDING CO., LTD.	P.I.E. INDUSTRIAL BERHAD (PIB)	Malaysia	Holding company	42,840	42,840	197,459,985	51.42	1,939,301	474,418	243,946	Note 1
PAN GLOBAL HOLDING CO., LTD.	GREAT HAVEN HOLDINGS LTD. (GHH)	The British Virgin Islands	Holding company	-	612,775	-	100	-	7	7	Note 2
PAN GLOBAL HOLDING CO., LTD.	BEYOND ACHIEVE ENTERPRISE LTD. (BAE)	The British Virgin Islands	Holding company	294,816	294,816	9,600,000	100	687,937	38,813	38,813	Note 3
PAN GLOBAL HOLDING CO., LTD.	TEAM UNION INTERNATIONAL LTD. (TUI)	Hong Kong	Holding company	503,644	503,644	3,120,001	100	1,358,541	276,210	276,210	Note 4
PAN GLOBAL HOLDING CO., LTD.	EAST HONEST HOLDINGS LIMITED (EHH)	Hong Kong	Holding company	3,292,646	3,292,646	665,799,420	100	3,803,892	548,488	548,488	Note 5
PAN GLOBAL HOLDING CO., LTD.	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	646,000	646,000	20,187,500	16.93	529,010	(3,538)	(6,202)	
Tekcon Electronics Corporation	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	250,000	250,000	7,812,500	5.48	204,721	(3,538)	(2,401)	

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company's sub-subsidiary GHH was de-registered in November 2022.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Pan-International Precision Electronic Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp.
Mainland China investment information - Basic information
January 1 to December 31, 2022

Table 8

Unit: NTD thousand
(unless otherwise noted)

Name of the investee in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investments (Note 2)	Cumulative outward remittance of investment amount from Taiwan at the beginning of the period	Investment Flows of current period		Cumulative outward remittance of the investment amount from Taiwan in the period end	Net income (loss) of the Investee for current period	% Ownership of Direct or Indirect Investment	Investment gains and losses recognized in the current period (Note 3)	Book value of the investment at the end of the period	Investment gains repatriated as of the end of the period	Remarks
					Outward	Inward							
Pan-International Precision Electronic Co., Ltd.	Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.	\$ 503,644	2	\$ 383,875	\$ -	\$ -	\$ 383,875	\$ 276,210	100	\$ 276,210	\$ 1,358,543	\$ -	Note 6
Fuyu Property (Shanghai) Co., Ltd.	Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio- visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above.	5,164,082	2	836,848	-	-	836,848	90,773	16.87	-	822,248	-	Note 8
New Ocean Precision Component (Jiangxi) Co., Ltd.	Manufacturing and operation of various types of plugs and sockets and telecommunications.	294,816	2	-	-	-	-	38,813	100	38,813	687,935	-	
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Production and sale of hard single (double) side printed circuit boards, hard multi- layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards	2,634,918	2	2,717,835	-	-	2,717,835	608,931	100	608,931	3,803,260	-	Note 4

Company name	The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6)	Investment amount approved by the Investment Commission, MOEA	In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7).
Pan-International Industrial Corp.	\$ 4,354,402	\$ 6,216,914	\$ -

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: The field of investment gains and losses recognized in the current period is recognized under the audited financial statements.

Note 4: In the first quarter of 2012, the company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: The following are the investment withdrawal cases approved by the Investment Commission, MOEA as of December 31, 2022:

Date	Approval letter No.	Investor Company	Original investment amount remitted from Taiwan	
September 5, 2003	0920028972	Dongguan Junwang Technology Co., Ltd.	USD	91 thousand
December 9, 2010	09900496780	Saibo Digital Technology (Guangzhou) Co., Ltd.		476 thousand
May 30, 2011	10000205680	Yunnan Saibo Digital Technology Co., Ltd.		190 thousand
May 30, 2011	10000205690	Chongqing Saibotel Digital Square Co., Ltd.		454 thousand
May 30, 2011	10000205700	Nanchong Saibo Digital Square Co., Ltd.		58 thousand
March 22, 2017	10600038030	UER Battery Technology (Shenzhen) Co., Ltd.		1,100 thousand
May 9, 2017	10630024870	Ganchuang International Trade (Shenzhen) Co., Ltd.		8,650 thousand
			USD	11,019 thousand

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: In November 2011, the Company was granted a document, IC(II) No. 10000518690 by the Investment Commission, MOEA, that approved the rescission of the unexecuted investment amount of US\$500 thousand for Pan-International Precision Electronic Co., Ltd.

On October 30, 2014, the Company was granted a document, IC(II) No. 10300233110 by the Investment Commission, MOEA that approved the transferring of Cyberport Digital Tech (Qingdao) Co., Ltd. and 42 other companies to Le Zhiwan Ranch Holding Investment Ltd. (Samoa);

In March 2017, the Company was granted a document, IC(II) No. 10600038030 by the Investment Commission, MOEA that approved the rescission of unexecuted investment amount of US\$5.2 million for UER Battery Technology (Shenzhen) Co., Ltd..

Note 7: The Company received a letter from the Industrial Development Bureau, MOEA referenced Jing-Shou-Gong-Zi No. 10820432920 in December 2019 certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 31, 2022.

Note 8: The Company's subsidiary Pan Global Holding Co., Ltd. sold 16.87% of its-owned Class A shares of CYBERTAN TECHNOLOGY CORP. in the second quarter of 2021. The reinvestment business Fuyu Property (Shanghai) Co., Ltd. was indirectly disposed of. As of December 31, 2022, the Company indirectly held 16.87% of Class B shares of its reinvestment business Fuyu Property (Shanghai) Co., Ltd.

Pan-International Industrial Corp.
Information on major shareholders
December 31, 2022

Table 9

Name of major shareholders	Share	
	Number of shares held	Shares Ratio
Hon Hai Precision Industry Co., Ltd.	107,776,254	20.79%

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed dematerialized registration and delivery (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.

Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).

Pan-International Industrial Corp.
Cash and cash equivalents
December 31, 2022

Subsidiary Ledger 1

Unit: NTD thousand

Item	Summary				Amount
Petty cash					\$ 80
Time deposit	NTD	55,865	Thousand		55,865
	USD	21,504	Thousand	Exchange rate 30.7100	660,392
	RMB	206	Thousand	Exchange rate 4.4080	909
	HKD	7,304	Thousand	Exchange rate 3.3980	28,762
	JPY	317	Thousand	Exchange rate 0.2405	74
Time deposit	NTD	680,000	Thousand		680,000
Cash equivalents - Bond repos	NTD	249,747	Thousand		<u>249,747</u>
					<u>\$ 1,675,829</u>

Pan-International Industrial Corp.
Net accounts receivable
December 31, 2022

Subsidiary Ledger 2

Unit: NTD thousand

Item	Summary	Amount	Remarks
<u>Non-related Parties</u>			
Skwentex International Corporation		\$ 361,869	
Others		645,069	The balance of each sporadic account falls below 5% of the total under this title.
Less: Allowance for impairment loss	(	416)	
		1,006,522	
<u>Related Parties</u>			
Hongfujin Precision Electronics (Yantai) Co., Ltd.		\$ 822,526	
Hongfutai Precision Electronics (Yantai) Co., Ltd.		623,025	
Hongfujin Precision Electronics (Wuhan) Co., Ltd.		213,027	
FIH (Hong Kong) Limited		182,941	
Others		548,818	The balance of each sporadic account falls below 5% of the total under this title.
Less: Allowance for impairment loss	(	959)	
		<u>2,389,378</u>	
		<u>\$ 3,395,900</u>	

Pan-International Industrial Corp.
Inventory
December 31, 2022

Subsidiary Ledger 3

Unit: NTD thousand

		<u>Amount</u>		
<u>Item</u>	<u>Summary</u>	<u>Cost</u>	<u>Net realizable value</u>	<u>Remarks</u>
Raw materials		\$ 5,907	\$ 5,861	Net realizable value as market price
Finished products		<u>457,620</u>	<u>469,992</u>	”
		463,527	<u>\$ 475,853</u>	
		(<u>56,334</u>)		
Less: provision for valuation loss of inventory		<u>\$ 407,193</u>		

Pan-International Industrial Corp.
Financial assets measured at fair value through other comprehensive income - noncurrent
January 1 to December 31, 2022

Subsidiary Ledger 4

Unit: NTD thousand

Name	At beginning of period		Increase in current period (Note 1)		Decrease in current period (Note 2)		Period end		Guarantee or pledge	Remarks
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Innolux Corporation	82,705,987	\$ 1,621,037	-	\$ 715,386	(7,857,069)	(\$ 1,509,342)	74,848,918	\$ 827,081	None.	
Syntrend Creative Park Co., Ltd.	12,831,500	<u>73,812</u>	-	<u>5,264</u>	-	(<u>10,528</u>)	12,831,500	<u>68,548</u>	"	
		<u>\$ 1,694,849</u>		<u>\$ 720,650</u>		<u>(\$ 1,519,870)</u>		<u>\$ 895,629</u>		

Note 1: The increase in current period is the adjustment of the unrealized valuation gain/loss of financial assets measured at fair value through other comprehensive income.

Note 2: The decrease in current period is the adjustment of the unrealized gain/loss, the proceeds from disposals and refund of investment of financial assets at fair value through other comprehensive income.

Pan-International Industrial Corp.
Changes in long-term equity investment accounted for under the equity method
January 1 to December 31, 2022

Subsidiary Ledger 5

Unit: NTD thousand

Name	Balance at the beginning of the period		Increase in current period (Note)		Decrease in current period (Note)		Ending balance			Net value of equity		Guarantee or pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding (%)	Amount	Unit price (\$)	Total	
PAN GLOBAL HOLDING CO., LTD.	12,220	\$ 9,332,889	-	\$ 1,332,095	-	(10,038)	12,220	100	10,654,946	\$ -	\$ 10,654,946	None.
PAN-INTERNATIONAL ELECTRONICS INC.	28,000	194,544	-	28,464	-	-	28,000	100	223.008	-	223.008	"
Yann-Yang Investments Corp.	33,316,236	188,118	-	14,644	-	-	33,316,236	100	202.762	-	202.762	"
		<u>\$ 9,715,551</u>		<u>\$ 1,375,203</u>		<u>(\$ 10,038)</u>			<u>\$ 11,080,716</u>		<u>\$ 11,080,716</u>	

Note: The amount of increase and decrease in the current period includes the share of profits and losses of subsidiaries, affiliates, and joint ventures using the equity method; currency exchange differences arising from foreign operating agency financial statements; actuarial gains and losses of defined benefit plans; unrealized gains and losses of the investee company's financial assets measured at fair value through other comprehensive gains and losses; and changes in the net worth of the investee company's equity and the return of the share capital due to the capital reduction of the investee company.

Pan-International Industrial Corp.
Short-term borrowings
December 31, 2022

Subsidiary Ledger 6

Unit: NTD thousand

Lending bank	Loan type	Ending balance	Contract term	Interest Rate	Credit limit	Guarantee or pledge	Remarks
Taipei Fubon Bank	Credit lending	\$ 614,200	2022/9/12~2023/1/13	5.39%	\$ 1,000,000	None.	
CTBC Bank	Credit lending	<u>752,395</u>	2022/11/25~2023/1/13	5.20%	<u>800,000</u>	"	
		<u>\$ 1,366,595</u>			<u>\$ 1,800,000</u>		

Pan-International Industrial Corp.

Accounts payable

December 31, 2022

Subsidiary Ledger 7

Unit: NTD thousand

<u>Name of supplier</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
<u>Non-related Parties:</u>			
Innolux Corporation		\$ 176,671	
CHANPION ASIA INTERNATIONAL ELECTRONIC LIMITED		166,329	
Others		397,457	The balance of each sporadic supplier does not exceed 5% of the total amount of the subject
		<u>740,457</u>	
<u>Related Parties</u>			
Honghuasheng Precision Electronics (Yantai) Co., Ltd.		\$1,449,202	
Foxconn Interconnect Technology Limited		244,933	
Pan-International Precision Electronic Co., Ltd.		165,036	
Others		17,055	The balance of each sporadic supplier does not exceed 5% of the total amount of the subject
		1,876,226	
		<u>\$2,616,683</u>	

Pan-International Industrial Corp.
Operating revenue
January 1 to December 31, 2022

Subsidiary Ledger 8

Unit: NTD thousand

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Electronic Components	Note	\$ 8,458,679	
Computers and peripherals	"	3,298,766	
		11,757,445	
Less: sale return and discount		(758)	
		<u>\$ 11,756,687</u>	

Note: The products for sale come in a great variety and the pricing per unit also differs, as such the quantity is not specified here.

Pan-International Industrial Corp.
Operating cost
January 1 to December 31, 2022

Subsidiary Ledger 9

Unit: NTD thousand

Item	Amount
Inventory at beginning of period	\$ 1,266,346
Add: purchase in current period	10,317,579
Inventory at the end of period	(463,527)
Other cost of operation	15,883
Inventory valuation loss	<u>12,090</u>
	<u>\$ 11,148,371</u>

Item	Selling and marketing expenses	Administrative and general affairs expense	Research and development expenses	Expected credit impairment gain	Total	Remarks
Salary expense	\$ 34,798	\$ 36,891	\$ 13,863	\$ -	\$ 85,552	
Import and export fee	20,499	7	-	-	20,506	
Professional service charge	2,045	7,377	-	-	9,422	
Commission expense	9,106	-	-	-	9,106	
Employee welfare	1,431	2,86	773	-	5,090	
Freight costs	7,226	36	24	-	7,286	
Expected credit impairment gain	-	-	-	(1,861)	(1,861)	
Others	<u>5,309</u>	<u>17,121</u>	<u>2,595</u>	<u>-</u>	<u>25,025</u>	The balance of each sporadic title falls below 5% of the total under this title
	<u>\$ 34,798</u>	<u>\$ 64,318</u>	<u>\$ 17,255</u>	<u>(\$ 1,861)</u>	<u>\$ 160,126</u>	

V. Company's Consolidated Financial Statements of the Most Recent Year Certified by CPAs

Auditors' Report

(2023) Cai-Shen-Bao-Zi No. 22004992

To Pan-International Industrial Corp.

Audit Opinions

We have audited the consolidated balance sheet of December 31, 2022 and December 31, 2021, the consolidated comprehensive income sheet, consolidated statement of changes in equity, consolidated statement of cash flows from January 1 to December 31, 2022 and 2021, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Pan-International Industrial Corp. and its subsidiaries (hereinafter "Pan-International Group").

In our opinion, based on the result of our audit and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these consolidated financial statements are in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations, and interpretation announcements recognized and promulgated by the Financial Supervisory Commission (FSC). Therefore, they are able to properly express the consolidated financial status of Pan-International Group in 2022 and as of December 31, 2021, and the consolidated financial performance and consolidated cash flows in 2022 and from January 1 2021 to December 31, 2021.

Basis of our opinions

We have conducted the audit according to the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Taiwan Standards on Auditing (TWSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements. We are independent of Pan-International Group in accordance with the CPA Code of Professional Ethics of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. On the basis of the result of our audit and the audit reports presented by other certified public accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group in 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the consolidated financial statements of the year 2022 of Pan-International Group are as follows:

Assessment of the provision for valuation loss on inventory

Description

For additional information on the accounting policy of inventory valuation, refer to Note 4 (14) of the consolidated financial statements. For information on the uncertainty of accounting estimates and assumptions for inventory valuation, refer to Note 5 (2) of the consolidated financial statements. For a description of the inventory items, refer to Note 6 (4) of the consolidated financial statements. As of December 31, 2022, Pan-International Group recognized inventory loss and provision for valuation loss of inventory amounting to NT\$4,067,427 thousand and NT\$173,508 thousand, respectively.

Pan-International Group mainly produces cables for electronic signals, connectors, PCB and computer peripherals manufactured by subsidiaries. Rapid changes in the technological environment allow for only a short life cycle of the inventory. In addition, the inventory is highly vulnerable to price fluctuations in the market. The result is devaluation due to falling prices of inventory, or the risk of phase out is higher. Pan-International Group measures the normal sale of inventory using the lower of the cost or the net realizable value. The above provision for the valuation of inventory loss is mainly based on obsolete items or damaged items of inventory. The net realizable value is based on the experience of handling obsolete items of inventory in the estimation. Because the amount of inventory of Pan-International Group is significant and the inventory covers a great variety of items, it requires human judgment in sorting out the obsolete or damaged items from the inventory. This requires further judgment in the audit. We therefore listed the provision for valuation loss of inventory of Pan-International Group as key audit matter.

The appropriate audit procedure

We have conducted the following audit procedures on the provision for valuation loss of obsolete or damaged inventory:

1. Assess to determine if the policies for recognizing the provision for valuation loss of inventory in the financial statement period is consistent and reasonable.
2. Examine if the logic of the system of the inventory aging table for the valuation of inventory used by the management is appropriate, in order to confirm that the information presented in the financial statements is congruent with the policies.
3. Assess to determine if the provision for valuation loss of inventory is reasonable on the basis of the discussion with the management on the valuation of the net realizable value of the obsolete and damaged items of inventory and the supporting documents obtained.

Appropriateness of Non-Standard Accounting Entries

Description

Accounting entries record the daily transactions that have occurred. They form the financial statement item balances and transaction amounts after posting, accumulating, and classifying. The accounting entries of Pan-International Group are mainly classified into two categories: standard entries and non-standard entries. Standard entries are based on the original transactions' operation processes and approval procedures through the front-end subsystems (sales, purchase, production, and inventory systems). The relevant transaction entries are transferred into the general ledger. For non-standard entries, the manual operation mode is used to directly record and approve other non-automatic transfer transactions into the general ledger.

Due to the variety and complexity of non-standard entries, which involve manual work and judgment, Inappropriate accounting entries may lead to major financial statement misrepresentations. Therefore, the CPA believes that non-standard accounting entries have high inherent risks. Therefore, testing for non-standard accounting entries is one of the most critical items to check.

The appropriate audit procedure

The audit procedure used and the general summary is specified as follows:

1. Understand and evaluate the nature of non-standard accounting entries as well as the effectiveness of the entry generation process and control and the appropriateness of the division of rights and responsibilities for relevant personnel, including subjects such as inappropriate personnel, time, and accounting.
2. Based on the preceding understanding and evaluation, check the appropriateness of the relevant supporting documents and entries for non-standard entries that were identified as high-risk entries, and ensure they have been established and approved by the responsible personnel.

Additional information - audits conducted by other auditors

Some of the investee companies of Pan-International Group accounted for under the equity method were presented in the consolidated financial statements. We did not audit the financial statements of these companies. These financial statements were audited by other certified public accountants, and we have made adjustments to these financial statements to make them consistent in accounting policy and conducted necessary examination procedures. Therefore, the opinions on the aforementioned consolidated financial statements regarding the amount presented in the aforementioned financial statements of these companies before adjustment were based on the Auditors' Report of other certified public accountants. The total assets of the aforementioned companies (including the investment by equity method) as of December 31, 2022 and 2021, amounted to NT\$6,461,095 thousand and NT\$6,473,851 thousand, respectively, accounting for 25% and 27% of the consolidated total assets, respectively. Revenue for the years ended December 31, 2022 and 2021, amounted to NT\$7,918,143 thousand and NT\$7,356,134 thousand, respectively, accounting for 30% and 30% of the consolidated net operating revenue, respectively.

Additional information - Issuance of Auditors' Report on Parent Company Only Financial Statements

Pan-International Industrial Corp. has prepared the parent company only financial statements of 2022 and 2021. We have audited these statements and issued an unqualified opinion and additional information. Auditors' Reports issued by other accountants are on record for reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRS, IAS, IFRIC and SIC recognized and promulgated by the FSC and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Auditing Committee) are responsible for overseeing the financial reporting process of Pan-International Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance refers to a high degree of assurance, but the audit performed according to the TWSA cannot guarantee that material misrepresentations in the Consolidated Financial Statements will be detected. Misstatements can arise from fraud or error. These 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.

The CPA has exercised professional judgment and skepticism when conducting audits under the TWSA. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Pan-International Group.
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 Pan-International Group and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Pan-International Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes to the statements), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and we are responsible for forming an audit opinion on the Group.

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 consolidated financial statements of Pan-International Group in 2022 and therefore are 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.

PwC Taiwan

Yung-Chien Hsu
Independent Auditors
Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan
Approval No.: (1995)Tai-Cai-Cheng-VI No. 13377
Former Securities and Futures Bureau, Financial
Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

March 14, 2023

Pan-International Industrial Corp. and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Unit: NTD thousand

			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Assets						
Current Assets						
1100	Cash and cash equivalents	6 (1)	\$ 6,713,571	27	\$ 6,241,785	26
1110	Financial assets at FVTPL - Current	6 (2)	10,239	-	11,336	
1150	Net notes receivable	6 (3)	35,075	-	5,707	-
1170	Net accounts receivable	6 (3)	3,555,291	14	2,917,801	12
1180	Accounts receivable - Related parties	7				
	net		4,173,927	16	3,305,089	13
1200	Other receivables	6 (5)	742,484	3	706,222	3
130X	Inventory	6 (4)	3,893,919	15	4,852,387	20
1470	Other current assets	8	126,203	1	267,069	1
11XX	Total Current Assets		19,250,709	76	18,307,396	75
Non-Current Assets						
1517	Financial assets measured at fair value through other comprehensive income - Non-current	6 (5)	1,752,355	7	2,406,698	10
1550	Investment by equity method	6 (6) and 8	733,731	3	742,334	3
1600	Property, plant, and equipment	6 (7) and 8	2,686,495	11	2,152,912	9
1755	Right-of-use assets	6 (8) and 8	385,399	1	319,099	2
1760	Net investment property	6 (9) and 8	100,319	-	214,527	1
1780	Intangible asset	6 (10)	37,072	-	36,218	-
1840	Deferred tax assets	6 (24)	71,071	-	73,568	-
1900	Other non-current assets	6 (13) and 8	387,352	2	69,672	-
15XX	Total non-current assets		6,153,794	24	6,015,028	25
1XXX	Total Assets		\$ 25,404,503	100	\$ 24,322,424	100

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Unit: NTD thousand

LIABILITIES AND EQUITY			December 31, 2022		December 31, 2021	
			Note	Amount	%	Amount
Current liability						
2100	Short-term borrowings	6 (11)	\$ 2,101,238	8	\$ 1,028,206	4
2130	Contractual liabilities - Current	6 (19) and 7	273,608	1	939,066	4
2150	Notes payable		356,341	2	64,745	-
2170	Accounts payable		3,839,452	15	4,883,276	20
2180	Accounts payable - Related parties	7	1,511,347	6	1,312,672	6
2200	Other payables	6 (12)	1,642,799	7	1,246,495	5
2230	Current tax liabilities		335,586	1	252,298	1
2280	Lease liabilities - Current	7	89,159	-	79,991	-
2399	Other current liabilities - Other		23,204	-	25,990	-
21XX	Total current liabilities		10,172,734	40	9,832,739	40
Non-current liabilities						
2570	Deferred tax liabilities	6 (24)	346,399	1	290,552	1
2580	Lease liabilities - Non-current	7	99,595	1	86,182	1
2600	Other non-current liabilities	6 (13)	16,408	-	19,036	-
25XX	Total non-current liabilities		462,402	2	395,770	2
2XXX	Total liabilities		10,635,136	42	10,228,509	42
Equity attributable to owners of the parent company						
	Share capital	6 (14)				
3110	Common share capital		5,183,462	21	5,183,462	21
	Capital surplus	6 (15)				
3200	Capital surplus		1,503,606	6	1,503,606	6
	Retained earnings	6 (16)				
3310	Legal reserve		1,269,138	5	1,138,619	5
3320	Special reserve		1,072,435	4	1,349,724	6
3350	Undistributed earnings		5,255,632	21	4,308,365	18
	Other equities	6 (17)				
3400	Other equities		(1,385,208)	(6)	(1,072,434)	(5)
31XX	Total equity attributable to owners of the parent company		12,899,065	51	12,411,342	51
36XX	Non-controlling interests	6 (18)	1,870,302	7	1,682,573	7
3XXX	Total equity		14,769,367	58	14,093,915	58
	Significant Contingent Liabilities and Unrecognized Commitments	9				
3X2X	Total liabilities and equity		\$ 25,404,503	100	\$ 24,322,424	100

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(except in NTD for earnings per share)

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6 (19) and 7	\$ 26,257,340	100	\$ 24,226,194	100
5000 Operating cost	6 (4) (22) And 7	(22,977,604)	(87)	(21,577,044)	(89)
5900 Operating profit margin		3,279,736	13	2,649,150	11
Operating expenses	6 (22)				
6100 Selling and marketing expenses		(305,104)	(1)	(265,656)	(1)
6200 General and administrative expenses		(737,376)	(3)	(650,827)	(3)
6300 Research and development expenses		(416,502)	(2)	(346,780)	(1)
6450 Expected credit impairment benefit (loss)	12 (3)	478	-	(3,682)	-
6000 Total operating expenses		(1,458,504)	(6)	(1,266,945)	(5)
6900 Operating profit		1,821,232	7	1,382,205	6
Non-operating income and expense					
7100 Interest income		95,027	-	84,741	-
7010 Other income	6 (20)	184,276	1	122,932	1
7020 Other gains and losses	6 (21)	5,732	-	34,659	-
7050 Financial costs	6 (23)	(41,231)	-	(12,892)	-
7060 Share of profits and losses of affiliated companies and joint ventures recognized by the equity method	6 (6)	(8,603)	-	(62,220)	-
7000 Total non-operating income and expenses		235,201	1	167,220	1
7900 Net income before tax		2,056,433	8	1,549,425	7
7950 Income tax expense	6 (24)	(490,034)	(2)	(386,828)	(2)
8200 Net income for the period		\$ 1,566,399	6	\$ 1,162,597	5

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD thousand
(except in NTD for earnings per share)

			2022		2021	
Item		Note	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss						
8311	Remeasured value of defined benefit plan	6 (13)	\$ 8,470	-	\$ 1,547	-
8316	Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (17)	(708,066)	(3)	847,889	3
8349	Income tax related to items not reclassified	6 (24)	(1,695)	-	(37,195)	-
8310	Total of items not reclassified to profit or loss		(701,291)	(3)	812,241	3
Items that may be reclassified subsequently to profit or loss:						
8361	Currency translation difference	6 (17) (18)	487,069	2	(308,852)	(1)
8360	Total of items that may be reclassified subsequently to profit or loss:		487,069	2	(308,852)	(1)
8300	Other comprehensive income (net)		(\$ 214,222)	(1)	\$ 503,389	2
8500	Total comprehensive income in the current period		\$ 1,352,177	5	\$ 1,665,986	7
NET PROFIT ATTRIBUTABLE TO:						
8610	Owners of the parent company		\$ 1,322,290	5	\$ 967,232	4
8620	Non-controlling interests		244,109	1	195,365	1
			\$ 1,566,399	6	\$ 1,162,597	5
Total comprehensive income attributable to:						
8710	Owners of the parent company		\$ 1,016,064	4	\$ 1,581,837	7
8720	Non-controlling interests		336,113	1	84,149	-
			\$ 1,352,177	5	\$ 1,665,986	7
Earnings per share (EPS) 6 (25)						
9750	Basic earnings per share		\$ 2.55		\$ 1.87	
9850	Diluted earnings per share		\$ 2.54		\$ 1.86	

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Changes Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Equity attributable to owners of the parent company												
		Capital surplus		Retained earnings			Other equities					
								Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income		Non-controlling interests	Total Equity	
	Note	Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Legal reserve	Special reserve	Undistributed earnings	Currency translation difference	Total			
<u>2021</u>												
Balance on January 1		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,062,342	\$ 1,312,274	\$ 3,453,829	(\$ 1,163,132)	(\$ 186,592)	\$ 11,165,789	\$ 1,622,505	\$ 12,788,294
Net income for the period		-	-	-	-	-	967,232	-	-	967,232	195,365	1,162,597
Other comprehensive income recognized for the period	6 (17)	-	-	-	-	-	1,128	(197,527)	811,004	614,605	(111,216)	503,389
Total comprehensive income in the current period		-	-	-	-	-	968,360	(197,527)	811,004	1,581,837	84,149	1,665,986
Earnings distribution and provisions for 2020:6 (16)												
Provision of legal reserve		-	-	-	76,277	-	(76,277)	-	-	-	-	-
Provision of special reserve		-	-	-	-	37,450	(37,450)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(336,925)	-	-	(336,925)	-	(336,925)
Decrease in non-controlling interests	6 (18)	-	-	-	-	-	-	-	-	-	(24,081)	(24,081)
The refund of share payments from the investee's capital reduction exceeds the book value		-	-	-	-	-	641	-	-	641	-	641
Equity instruments measured at fair value through other comprehensive income	6 (5) (17)	-	-	-	-	-	336,187	-	(336,187)	-	-	-
Balance on December 31		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,138,619	\$ 1,349,724	\$ 4,308,365	(\$ 1,360,659)	\$ 288,225	\$ 12,411,342	\$ 1,682,573	\$ 14,093,915
<u>2022</u>												
Balance on January 1		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,138,619	\$ 1,349,724	\$ 4,308,365	(\$ 1,360,659)	\$ 288,225	\$ 12,411,342	\$ 1,682,573	\$ 14,093,915
Net income for the period		-	-	-	-	-	1,322,290	-	-	1,322,290	244,109	1,566,399
Other comprehensive income recognized for the period	6 (17)	-	-	-	-	-	6,548	395,292	(708,066)	(306,226)	92,004	(214,222)
Total comprehensive income in the current period		-	-	-	-	-	1,328,838	395,292	(708,066)	1,016,064	336,113	1,352,177
Earnings distribution and provisions for 2021:6 (16)												
Provision of legal reserve		-	-	-	130,519	-	(130,519)	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(277,289)	277,289	-	-	-	-	-
Cash dividends		-	-	-	-	-	(518,346)	-	-	(518,346)	-	(518,346)
Decrease in non-controlling interests	6 (18)	-	-	-	-	-	-	-	-	-	(86,844)	(86,844)
The share capital returned from liquidation of the investee company exceeds the book value		-	-	-	-	-	41	-	-	41	-	41
All changes in equities of subsidiaries are recognized	6 (26)	-	-	-	-	-	(10,036)	-	-	(10,036)	(61,540)	(71,576)
Balance on December 31		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,269,138	\$ 1,072,435	\$ 5,255,632	(\$ 965,367)	(\$ 419,841)	\$ 12,899,065	\$ 1,870,302	\$ 14,769,367

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		\$ 2,056,433	\$ 1,549,425
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (22)	603,492	417,290
Expected credit impairment (benefit) loss	12 (3)	(478)	3,682
Net benefits of financial assets and liabilities measured at fair value through the income	6 (21)	(33,930)	(29,210)
Interest expense	6 (23)	41,231	12,892
Interest income		(95,027)	(84,741)
Dividend income	6 (20)	(87,266)	(25,416)
Income from rental reduction		-	(3,123)
Share of profits and losses of affiliated companies recognized by the equity method	6 (6)	8,603	62,220
Gain on disposal of investments	6 (21)	-	(14,520)
Net loss from the disposal of property, plant and equipment	6 (21)	25,387	4,955
Unrealized exchange loss (gain)		82,895	(29,160)
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Financial assets and liabilities measured at fair value through the income		35,518	58,548
Net notes receivable		(10,168)	(20,641)
Net accounts receivable		(561,481)	(392,468)
Accounts receivable - Related parties net		(828,967)	(345,508)
Other receivables		50,989	24,185
Inventory		1,075,026	(2,510,368)
Other current assets		145,650	(93,717)
Net change in liabilities related to operating activities			
Contractual liabilities		(665,458)	543,444
Notes payable		291,829	(54,870)
Accounts payable		(1,109,377)	1,557,708
Accounts payable - Related parties		167,830	(31,598)
Other payables		408,412	85,959
Other current liabilities		(3,597)	(8,414)
Other non-current liabilities		(2,628)	(5,452)
Cash inflow from operations		1,594,918	622,732
Income tax paid		(323,690)	(424,956)
Net cash inflow from operating activities		1,271,228	197,776
Cash flows from investing activities			
Acquisition of financial assets at fair value through profit or loss		-	(1,902)
Disposal of financial assets at fair value through profit or loss		-	5,846
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	6 (5)	-	239,883
Refund of capital investment in financial assets measured at fair value through other comprehensive income		78,570	9,060
Share capital returned from liquidation of the investee company		41	-
Acquisition of subsidiaries (deducting cash acquired)	6 (28)	-	(100,004)
Purchase property, plant and equipment assets	6 (28)	(958,816)	(624,820)
Proceeds from disposal of property, plant and equipment		8,273	13,594
Decrease (increase) in refundable deposits		(284,930)	3,368
Increase in other non-current assets		(39,137)	(61,523)
Interest received		95,027	84,741
Dividend received		87,266	25,416
Net cash outflow from investment activities		(1,013,706)	(406,341)
Cash flows from financing activities			
Increase in short-term borrowings	6 (29)	961,159	(493,359)
Lease principal repayment		(66,104)	(59,263)
Cash dividend payment	6 (16)	(518,346)	(336,925)
Interest paid		(41,231)	(12,892)
Number of cash dividends paid to non-controlling interests	6 (18)	(86,844)	(61,002)
Acquisition of stock options in subsidiaries	6 (26)	(71,576)	-
Net cash inflow (outflow) from financing activities		177,058	(963,441)
Impact of changes in the exchange rate on cash and cash equivalents		37,206	(130,451)
Increase (decrease) in cash and cash equivalents in the current period		471,786	(1,302,457)
Cash and cash equivalents at the beginning of the period		6,241,785	7,544,242
Cash and cash equivalents at the end of the period		\$ 6,713,571	\$ 6,241,785

The attached notes to the consolidated financial report are part of this consolidated financial report. Please refer to them, too.

Chairman:
Song-Fa Lu

Manager:
Song-Fa Lu

Accounting supervisor:
Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries
Notes to consolidated financial reports
2022 and 2021

Unit: NTD thousand
(unless otherwise noted)

I. Organization and operations

Pan-International Industrial Corp. (hereinafter referred to as "the Company") was established in the Republic of China. The main business activities of the company and its subsidiaries (hereinafter referred to as "the group") are the development, manufacturing and sales of computer peripheral products and components such as electronic signal cables, connectors, electronic signal cables with connectors, precision molds, and printed circuit boards.

II. The Authorization of Financial Reports

This Consolidated Financial Statement has been passed by the Board for announcement on March 14, 2023.

III. Application of Newly Released and Revised Standards and Interpretations

(I) The impact of adopting the new and revised International Financial Reporting Standards (IFRS) recognized and promulgated by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of IFRS recognized and promulgated by the FSC for application in 2022:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IFRS 3 "Index to conceptual framework"	January 1, 2022
Amendment to IAS 16 "Property, plant and equipment: price before reaching intended use"	January 1, 2022
Amendment to IAS 37 "Loss contracts - Cost of performing contracts"	January 1, 2022
Annual improvement from 2018 to 2020	January 1, 2022

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(II) Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2023:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(III) Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

New issued/amended/revised standards and interpretations	Effective date of the release of the International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 "Asset sales or investments between investors and their associated enterprises or joint ventures"	To be decided by IASB
Amendment to IFRS 16 "Lease Liabilities for Sale and Leaseback"	January 1, 2024
IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 — Information Comparison”	January 1, 2023
Amendment to IAS 1 "Classification of current or non-current liabilities"	January 1, 2024
Amendment to IAS 1 "Non-current liabilities with contract terms and conditions"	January 1, 2024

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

IV. Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of this consolidated financial report are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Statement of compliance

The consolidated financial statements are compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, SIC and IFRIC (hereinafter collectively referred to as IFRSs) recognized by the FSC.

(II) Basis of preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:
 - (1) Financial assets and liabilities (including derivatives) are measured at fair value through income.
 - (2) Financial assets measured at fair value through other comprehensive income.
 - (3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.
2. The preparation of financial reports in accordance with IFRSs requires the use of some important accounting estimates. In the application of the Group's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving consolidated financial reports. Please refer to note 5 for details.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial reports
 - (1) All subsidiaries of the Group are included in the individual entities of the consolidated financial reports. Subsidiaries refer to individual entities (including structured individual entities) controlled by the group. When the group is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the group controls such an individual entity. Subsidiaries are included in the consolidated financial reports from the date when the Group obtains their control, and the merger is terminated from the date of loss of control.
 - (2) Intra-group transactions, balances, and unrealized gains and losses have been eliminated. Necessary adjustments have been made to the accounting policies of the subsidiaries which are consistent with the policies adopted by the Group.
 - (3) The components of profit and loss and other comprehensive income are attributable to the owners and non-controlling interests of the parent company; the total amount of comprehensive income is also attributable to the owners and non-controlling interests of the parent company, even if it results in a loss of the balance of non-controlling interests.
 - (4) If the changes in the proportion of shareholding over the subsidiary do not result in the loss of control (transactions with non-controlling interests), it is processed as equity transaction and seen as transactions among owners. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.
 - (5) When the Group loses control over a subsidiary, the remaining investment in this subsidiary is re-measured at fair value and is regarded as the fair value of the originally recognized financial assets or the cost on initial recognition of the associate or joint venture. Any difference between the fair value and the book value is recognized as the current profit and loss. All amounts previously recognized in other comprehensive income related to the subsidiary are reclassified as profit and loss.

2. Subsidiaries listed in the consolidated financial reports:

Investor	Investee	Main Business	% of Ownership		Explanation
			December 31, 2022	December 31, 2021	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.(PIU)	Engaged in the import and sales of various electronic products.	100	100	(4) (5)
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD. (PGH)	Engaged in reinvestment in the Asia Pacific and mainland China businesses, and production and manufacturing of electronic signal cables, connectors, and computer peripheral products.	100	100	(2) (3) (4) (5)
Pan-International Industrial Corp.	Yann-Yang Investments Corp.	Engaged in the domestic investment business.	100	100	(1) (4) (5)

(1) New Ocean Precision Components (Ganzhou) Co., Ltd., a 2nd-tier subsidiary of Yann-Yang Investments Corp., was resolved in April 2021.

(2) Pan-International Precision Electronic Co., Ltd., a 2nd-tier subsidiary of PGH, acquired an 80% equity in CJ Electric Systems Co., Ltd. in June 2021. Hence the new investee was included in this consolidated financial report. Pan-International Precision Electronic Co., Ltd. acquired an additional 20% shares in circulation of CJ Electric Systems Co., Ltd. in September 2022 worth \$71,576 in cash. The book value of non-controlling interests of CJ Electric Systems Co., Ltd. was \$61,540 as of the date of acquisition. For the specific transaction, non-controlling interests lost were worth \$61,540.

(3) PGH's subsidiary GREAT HAVEN HOLDINGS LTD. was de-registered in November 2022.

(4) Please refer to Schedule 8 for the detailed disclosure of information on the indirect reinvestment by the subsidiary above in mainland China companies.

(5) The financial information of individual subsidiaries included in the consolidated financial statements of the Group in 2022 and 2021 has been audited.

3. Subsidiaries not included in the consolidated financial reports: No such situation.

4. Different adjustment and treatment methods of subsidiary accounting period: No such situation.

5. Major limitation: No such situation.

6. Subsidiaries with significant non-controlling interests in the Group.

The total uncontrolled equity of the Group as of December 31, 2022 and 2021 amounted to NT\$1,870,302 and NT\$1,682,573, respectively. The following is the information about the significant non-controlling interests of the Group and its subsidiaries:

Investee	Main business location	Non-controlling interests			
		December 31, 2022		December 31, 2021	
		Amount	Shareholding percentage	Amount	Shareholding percentage
P.I.E. INDUSTRIAL BERHAD	Malaysia	\$ 1,832,190	49	\$ 1,600,134	49

Summary financial information of subsidiaries:

Balance sheet

	December 31, 2022	December 31, 2021
Current Assets	\$ 4,702,333	\$ 4,226,988
Non-Current Assets	1,334,687	1,113,530
Current liability	(2,204,321)	(1,997,828)
Non-current liabilities	(61,208)	(48,878)
Net total assets	<u>\$ 3,771,491</u>	<u>\$ 3,293,812</u>

Comprehensive Income Statement

	2022	2021
Income	\$ 7,903,462	\$ 6,931,817
Net income before tax	550,858	484,971
Income tax expense	(76,440)	(103,710)
Net income for the period	474,418	381,261
Other comprehensive income (after tax)	184,932	(221,991)
Total comprehensive income in the current period	<u>\$ 659,350</u>	<u>\$ 159,270</u>
Total comprehensive profit and loss attributable to non-controlling interests	<u>\$ 320,312</u>	<u>\$ 77,373</u>

Cash Flow Statement

	2022	2021
Net Cash inflow (outflow) from operating activities	\$ 149,676	(\$ 176,491)
Net cash outflow from investment activities	(310,767)	(401,504)
Net cash inflow (outflow) from financing activities	56,396	150,317
Effects of exchange rate changes on the balance of cash and cash equivalents	24,651	(65,413)
Decrease in cash and cash equivalents in the current period	(80,044)	(493,091)
Cash and cash equivalents at the beginning of the period	518,935	1,012,026
Cash and cash equivalents at the end of the period	<u>\$ 438,891</u>	<u>\$ 518,935</u>

(IV) Foreign exchange conversion

1. The presentation currency of this consolidated financial report is the functional currency of the Company, "NTD".
2. Foreign currency transactions and balances
 - (1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.
 - (2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.
 - (3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.
 - (4) All exchange gains and losses are reported in "other gains and losses" in the income statement.
3. Conversion of foreign operations
 - (1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:

- A. Assets and liabilities expressed on each balance sheet are converted at the closing exchange rate on that balance sheet date;
 - B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and
 - C. All exchange differences arising from the conversion are recognized in other comprehensive income.
- (2) When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. However, if the Group still retains part of its interest in the aforementioned subsidiary, but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the rights and interests of the foreign operation.
 - (3) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

(V) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:

- (1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.
- (2) Held mainly for trading purposes.
- (3) Expected to be realized within 12 months after the balance sheet date.
- (4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Those that are expected to be settled in the normal business cycle.
- (2) Held mainly for trading purposes.
- (3) Expected to be settled within 12 months after the balance sheet date.
- (4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The group classifies all liabilities that do not meet the above conditions as non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

(VII) Financial assets at FVTPL

- 1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.

2. The group adopts transaction day accounting for financial assets measured at fair value through income in compliance with trading practices.
3. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.
4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(VIII) Financial assets at FVTOCI

1. Financial assets at FVTOCI refer to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
 - (1) The financial asset is held under the business model to collect contractual cash flow and for sale.
 - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.
2. The Group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.
3. The Group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:
 - (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.
 - (2) Changes in the fair value of debt instruments are recognized in other comprehensive income, while the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(IX) Financial assets measured at after-amortization cost

1. Financial assets measured at after-amortization cost refer to those who meet the following conditions at the same time:
 - (1) Holding the financial asset under the business model to collect the contractual cash flow.
 - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.
2. The Group adopts transaction day accounting for financial assets measured at after-amortization cost in accordance with trading practices.

3. The Group measures its fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.
 4. Due to the short holding period, the fixed deposits held by the Group that does not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.
- (X) Accounts and notes receivable
1. Accounts and notes receivable refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
 2. For short-term accounts and notes receivable with unpaid interest, as they have little effect on discount, the Group measures them based on the original invoice amount.
- (XI) Impairment of financial assets
- On each balance sheet date, the Group takes into account all reasonable and verifiable information (including forward-looking) for financial assets measured at amortized cost. If the credit risk does not increase significantly after the original recognition, the loss allowance is measured at 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components or contract assets, the loss allowance is measured according to the expected credit loss amount in the period.
- (XII) Derecognition of financial assets
- When the group's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognised.
- (XIII) Lessor's lease transaction - Operating lease
- Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.
- (XIV) Inventory
- Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and the estimated costs necessary to make the sale.
- (XV) Investment by equity method - Affiliated enterprises
1. Affiliated enterprises refer to all individual entities in which the Group has a significant influence on them but has no control over them. Generally, the Group directly or indirectly holds more than 20% of its voting rights. The Group's investment in affiliated enterprises is treated with the equity method and recognized at cost when acquired.

2. The Group recognizes the share of profit or loss of the affiliated enterprise as the current income and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the group's share of loss in any affiliated enterprise is equal to or exceeds its interest in the associated enterprise (including any other unsecured receivables), the group does not recognize any further loss, unless the group has a legal or constructive obligation to the associated enterprise or has made payments on its behalf.
3. When there is a change in equity from a related company that is not profit or loss or other comprehensive profit or loss and does not affect the shareholding ratio of the related company, the Group shall recognize the change in ownership as a "capital reserve" based on the shareholding ratio.
4. The unrealized gains and losses arising from the transactions between the Group and its affiliated enterprises have been written off in proportion to the equity in the affiliated enterprises; unless there is evidence showing that the assets transferred by the transaction have been impaired, the unrealized losses will also be eliminated. Necessary adjustments have been made to the accounting policies of affiliated enterprises which are consistent with the policies adopted by the Group.
5. When the Group disposes of an associate, if there is a loss of significant influence over the associate, the accounting treatment of all amounts previously recognized in other comprehensive income related to the associate is the same as if the Group directly disposes of the relevant assets or liabilities, that is, if the interests or losses previously recognized as other comprehensive income will be reclassified as profit and loss when disposing of related assets or liabilities, then if there is a loss of significant influence over the associate, the profit or loss will be reclassified as profit or loss from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

(XVI) Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the project can be measured reliably. The book value of the reset part should be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.
3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The Group reviews the residual value, service life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value or service life is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, then from the date of the change, it shall be handled in accordance with the provisions of the International Accounting Standard No. 8 "Accounting Policies, Changes and Errors in Accounting Estimates." The service life of each asset is as follows:

Buildings	20 ~ 40 years
Equipment	2 ~ 10 years
Others	2 ~ 10 years

(XVII) Lessee's lease transaction - Right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease at the discounted current value of the group's incremental borrowing rate. Lease payments include fixed payments, less any lease incentives receivable.

Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes but not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.

3. The right-of-use assets are recognized at cost on the lease start date, and the cost is measured based on the original amount of the lease liability.

The subsequent measurement is based on the cost model, and the depreciation expense is calculated when the service life of the right-of-use assets expire or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, any re-measurement of the lease liabilities will be adjusted in the right-of-use assets.

(XVIII) Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

(XIX) Intangible asset

Goodwill is generated by corporate acquisition based on the purchase method.

(XX) Impairment of non-financial assets

1. The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.
2. The recoverable amount of goodwill is regularly estimated. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.

3. Goodwill is allocated to cash-generating units for impairment testing. This allocation is based on the identification of the operating department, and goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the corporate merger that generates goodwill.

(XXI) Borrowings

Refers to short-term borrowings from a bank. The group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

(XXII) Notes payable and accounts payable

1. Notes payable and accounts payable refer to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the Group uses the original invoice amount to measure the value.

(XXIII) Financial liabilities measured at fair value through the income

1. It refers to financial liabilities that are incurred for the primary purpose of repurchasing in the near term and derivatives held for trading other than those designated as hedging instruments under hedging accounting.
2. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXIV) Derecognition of financial liabilities

The Group will derecognize financial liabilities if the specified contractual obligation has been performed, canceled, or expired.

(XXV) The offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

(XXVI) Non-hedging derivatives and embedded derivatives

Non-hedging derivatives at the time of original recognition are measured at the fair value on the contract signing date, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXVII) Employee welfare

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

2. Pension

(1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

(2) Defined benefit plan

- A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.
- B. The remeasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.

3. Employee remuneration and director's remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

(XXVIII) Income tax

- 1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.
- 2. The group calculates the current income tax based on the tax rate enacted or substantively enacted on the balance sheet date by the country where the group operates and the taxable income is generated. The management assesses the status of income tax returns regularly concerning the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed by the shareholders' meeting.

3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the consolidated balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and affiliated enterprises, the group can control the reversal time point of the temporary difference, and the temporary difference is likely to not be reversed in the foreseeable future, then it will not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.
4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.
6. The portion of unused income tax deduction for deferred use generated from the procurement of equipment or technology, R&D spending and investment in equity shall be recognized as deferred income tax assets within the scope of using unused income tax deduction for taxation with a high probability in the future.

(XXIX) Dividend distribution

Cash dividends distributed to the Company's shareholders are recognized as liabilities in the financial reports when the Company's board of directors resolves a decision to distribute dividends. Stock dividends distributed to the Company's shareholders are recognized as stock dividends to be distributed in the financial reports when the Company's shareholders' meeting resolves a decision to distribute stock dividends, and reclassified to ordinary shares on the record date of the issue of new shares.

(XXX) Revenue recognition

1. The Group manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the buyer, the buyer has discretion over the price of the product, and the Group has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.

2. The terms of payment for sale transactions are usually due 30 to 120 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year, the Group has not adjusted the transaction price to reflect the time value of the currency.

(XXXI) Government subsidy

Government subsidy is recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidy and will receive the subsidy. If the nature of the government subsidy is to compensate for the expenses incurred by the Group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

(XXXII) Business combination

1. The Group accounts for business combinations using the acquisition method. Consideration of business combination is determined based on the fair value of assets transferred, the fair value of liabilities created or borne, and the fair value of equity instruments issued. The amount of consideration includes the fair value of any asset or liability given rise by contingent consideration. Acquisition-related costs are expensed at the time incurred. Identifiable assets acquired and liabilities borne in a business combination are measured at fair value as of the acquisition date. The Group accounts for acquisitions on a transaction-by-transaction basis. Components of non-controlling interests that represent shareholders' current ownership and shareholders' proportional entitlement to a business' net assets in the event of liquidation are measured at fair value or based on the percentage of non-controlling interests relative to the acquirer's net identifiable assets as of the acquisition date; all other components of non-controlling interests are measured at fair value as of the acquisition date.
2. If the sum of consideration, acquiree's non-controlling interests, and fair value of acquiree's equity currently held exceeds the fair value of identifiable assets acquired and liabilities borne from the acquisition, the excess is recognized as goodwill on the acquisition date; if the fair value of identifiable assets acquired and liabilities borne from the acquisition exceeds the sum of consideration, acquiree's non-controlling interests, and fair value of acquiree's equity currently held, the shortfall is recognized through current profit and loss on the acquisition date.

(XXXIII) Operating departments

The Group's operating departments information is reported consistently with the internal management reports provided to major operational decision-makers. Major operational decision-makers are responsible for allocating resources to operating departments and assessing their performance.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Group prepares the consolidated financial reports, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions:

(I) Important judgment for accounting policy adoption

Recognition of gross or net income

According to the type of transaction and its economic essence, the Group determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Group is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Group is the agent). When the Group controls a particular product or service before transferring it to a customer, the Group acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Group does not control the specific product or service before transferring it to customers, the Group acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The Group determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

(II) Important accounting estimates and assumptions

Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Group assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

VI. Summary of Significant Accounting Items

(I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	\$ 741	\$ 584
Checking and demand deposit accounts	4,607,881	4,752,828
Time deposit	1,855,202	1,488,373
Bond repos	249,747	-
	<u>\$ 6,713,571</u>	<u>\$ 6,241,785</u>

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.
2. The bank deposits pledged by the Group as of December 31, 2022 and 2021 are classified as other current assets and other non-current assets. Please refer to Note 8 for details.

(II) Financial assets at FVTPL

Item	December 31, 2022	December 31, 2021
Current items:		
Mandatory financial assets measured at fair value through income		
Open-end funds	\$ 10,239	\$ 9,224
Foreign exchange forward contracts	-	2,112
	<u>\$ 10,239</u>	<u>\$ 11,336</u>

1. The financial products held by the Group in 2022 and 2021 were recognized as net gains amounting to NT\$33,930 and NT\$29,210, respectively.
2. The transaction and contract information of non-hedging derivative financial assets are explained as follows:

Derivative financial assets	December 31, 2021	
	Contract amount (Nominal principal) (NT\$ thousand)	Contract period
Current items:		
Foreign exchange forward contracts	RMB (BUY) 321,135 USD (SELL) 50,000	December 2021 - March 2022

Foreign exchange forward contracts

The foreign exchange forward transactions entered into by the Group are US dollar forward transactions (selling USD to buy RMB) to avoid the exchange rate risk of working capital, but hedge accounting is not applicable. As of December 31, 2022, the foreign exchange forward transactions above have been squared and settled.

3. The group has not pledged financial assets measured at fair value through income.

(III) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Note receivable	\$ 35,075	\$ 5,707
Accounts receivable	3,560,514	2,927,776
Less: Allowance for impairment loss	(5,223)	(9,975)
	<u>\$ 3,590,366</u>	<u>\$ 2,923,508</u>

1. The Group does not hold any collateral.
2. The balance of accounts receivable and notes receivable as of December 31, 2022 and 2021 were generated from customer contracts. The balance of accounts and notes receivable from customer contracts on January 1, 2021, amounted to NT\$2,570,473.

3. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of notes and accounts receivable of the Group as of December 31, 2022 and 2021, is the book value of each type of notes and accounts receivable.

4. Please refer to note 12(2) for details of relevant credit risk information.

(IV) Inventory

	December 31, 2022		
	Cost	Allowance for valuation losses	Book value
Raw materials	\$ 1,410,711	(\$ 23,541)	\$ 1,387,170
Work in process	993,314	(19,990)	973,324
Finished products	1,663,402	(129,977)	1,533,425
	<u>\$ 4,067,427</u>	<u>(\$ 173,508)</u>	<u>\$ 3,893,919</u>
	December 31, 2021		
	Cost	Allowance for valuation losses	Book value
Raw materials	\$ 1,494,871	(\$ 45,798)	\$ 1,449,073
Work in process	1,035,532	(26,019)	1,009,513
Finished products	2,498,723	(104,922)	2,393,801
	<u>\$ 5,029,126</u>	<u>(\$ 176,739)</u>	<u>\$ 4,852,387</u>

The cost of inventory recognized as expense losses by the Group in the current period:

	2022	2021
Cost of inventory sold	\$ 23,046,535	\$ 21,628,992
Inventory valuation loss	26,679	6,245
Income from sales of scrap materials	(95,610)	(58,193)
	<u>\$ 22,977,604</u>	<u>\$ 21,577,044</u>

(V) Financial assets measured at fair value through other comprehensive income - Non-current

Item	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Listed and OTC stocks	\$ 827,081	\$ 1,621,037
Non-listed, OTC, or emerging stocks	925,274	785,661
Total	<u>\$ 1,752,355</u>	<u>\$ 2,406,698</u>

1. For information on changes in fair value recognized in other comprehensive income of the Group in 2022 and 2021, refer to Note 6 (17), other equities.

2. The fair value of equity instruments sold by the Group in 2021 was NT\$761,284, and the

accumulated disposal benefits were NT\$336,187, which were transferred from other equity to undistributed earnings. According to the agreement, the sale price of the preceding equity transaction shall be collected within 18 months after the closing date. As of December 31, 2023, the Group has not received the sale price of NT\$521,401, which is listed as other receivables. The other receivables mentioned above have already been recovered on March 14, 2023, amounted to NT\$268,933.

3. The Group did not pledge any of the financial assets measured at fair value through other comprehensive income on December 31, 2022 and 2021.

(VI) Investment by equity method

	December 31, 2022	December 31, 2021
Long Time Tech. Co., Ltd.	\$ <u>733,731</u>	\$ <u>742,334</u>

1. The investment of the Group accounted for investment by equity method in 2021 was based on the evaluation of the audited financial statements of these associates covering the same period.
2. The share of operating results of the Group's significant affiliated companies is summarized as follows:

	2022	2021
Current net loss of continuing business units	(\$ <u>8,603</u>)	(\$ <u>62,220</u>)
Total comprehensive income in the current period	(\$ <u>8,603</u>)	(\$ <u>62,220</u>)

3. The Group's subsidiaries Pan Global Holding Co., Ltd. and Tekcon Electronics Corporation hold 22.41% of the equity of Long Time Tech. Co., Ltd., but they do not include Long Time Tech as consolidated entity because they don't acquire the control of the company.
4. Please refer to Note 8 for details on investment by equity method that the Group had placed as collateral for contractual liabilities.

(VII) Property, plant, and equipment

	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2022						
Cost	\$ 23,211	\$ 656,219	\$ 5,110,913	\$ 789,034	\$ 235,854	\$ 6,815,231
Cumulative depreciation	-	(394,779)	(3,681,747)	(585,793)	-	(4,662,319)
	<u>\$ 23,211</u>	<u>\$ 261,440</u>	<u>\$ 1,429,166</u>	<u>\$ 203,241</u>	<u>\$ 235,854</u>	<u>\$ 2,152,912</u>
<u>2022</u>						
January 1	\$ 23,211	\$ 261,440	\$ 1,429,166	\$ 203,241	\$ 235,854	\$ 2,152,912
Addition	-	20,930	681,673	115,849	95,918	914,370
Disposal	-	-	(28,530)	(5,085)	(45)	(33,660)
Re-classification	-	87,376	125,511	5,680	(129,134)	89,433
Depreciation expenses	-	(25,326)	(396,986)	(75,827)	-	(498,139)
Net exchange difference	406	13,380	35,917	2,129	9,747	61,579
December 31	<u>\$ 23,617</u>	<u>\$ 357,800</u>	<u>\$ 1,846,751</u>	<u>\$ 245,987</u>	<u>\$ 212,340</u>	<u>\$ 2,686,495</u>
December 31, 2022						
Cost	\$ 23,617	\$ 811,024	\$ 5,735,467	\$ 881,950	\$ 212,340	\$ 7,664,398
Cumulative depreciation	-	(453,224)	(3,888,716)	(635,963)	-	(4,977,903)
	<u>\$ 23,617</u>	<u>\$ 357,800</u>	<u>\$ 1,846,751</u>	<u>\$ 245,987</u>	<u>\$ 212,340</u>	<u>\$ 2,686,495</u>
	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2021						
Cost	\$ 24,010	\$ 577,238	\$ 4,673,728	\$ 687,857	\$ 28,766	\$ 5,991,599
Cumulative depreciation	-	(348,789)	(3,425,163)	(546,963)	-	(4,320,915)
	<u>\$ 24,010</u>	<u>\$ 228,449</u>	<u>\$ 1,248,565</u>	<u>\$ 140,894</u>	<u>\$ 28,766</u>	<u>\$ 1,670,684</u>
<u>2021</u>						
January 1	\$ 24,010	\$ 228,449	\$ 1,248,565	\$ 140,894	\$ 28,766	\$ 1,670,684
Addition	-	18,920	407,035	101,010	229,493	756,458
Acquisition through business combination	-	35,954	69,078	4,936	-	109,968
Disposal	-	(632)	(9,307)	(4,513)	(4,097)	(18,549)
Transfer	-	11,128	-	2,099	(13,227)	-
Depreciation expenses	-	(19,049)	(262,747)	(41,295)	-	(323,091)
Net exchange difference	(799)	(13,330)	(23,458)	110	(5,081)	(42,558)
December 31	<u>\$ 23,211</u>	<u>\$ 261,440</u>	<u>\$ 1,429,166</u>	<u>\$ 203,241</u>	<u>\$ 235,854</u>	<u>\$ 2,152,912</u>
December 31, 2021						
Cost	\$ 23,211	\$ 656,219	\$ 5,110,913	\$ 789,034	\$ 235,854	\$ 6,815,231
Cumulative depreciation	-	(394,779)	(3,681,747)	(585,793)	-	(4,662,319)
	<u>\$ 23,211</u>	<u>\$ 261,440</u>	<u>\$ 1,429,166</u>	<u>\$ 203,241</u>	<u>\$ 235,854</u>	<u>\$ 2,152,912</u>

1. Please refer to Note 6 (27) for detailed explanation on increases in property, plant and equipment following the business combination in the 2nd quarter of 2021.
2. Please refer to note 8 for details of the Group's pledged property, plant and equipment.

(VIII) Lease transaction - Lessee

1. The underlying lease assets of the Group include land, plants and buildings, and the terms of the lease contracts usually range from 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.
2. The lease term of office equipment and transportation equipment leased by the Group does not exceed 12 months.
3. The book value and recognized depreciation expense information of the right-of-use assets are as follows:

	December 31, 2022	December 31, 2021
	Book value	Book value
Land	\$ 202,154	\$ 158,973
Houses	183,245	160,126
	<u>\$ 385,399</u>	<u>\$ 319,099</u>
	2022	2021
	Depreciation expenses	Depreciation expenses
Land	\$ 7,636	\$ 3,335
Houses	87,328	77,615
	<u>\$ 94,964</u>	<u>\$ 80,950</u>

4. Increases in right-of-use assets in 2022 and 2021, were reported at NT\$134,446 and NT\$115,822, respectively. The NT\$79,535 increase in right-of-use assets in 2021 was the result of business combination. Please refer to Note 6 (27) for details.
5. The information on profit and loss items related to leasing contracts is as follows:

	2022	2021
Items affecting current profit and loss		
Interest expenses on lease liabilities	\$ 8,501	\$ 5,425
Expenses of short-term lease contracts	16,086	12,848

6. The total cash outflow of the Group's leases in 2022 and 2021 amounted to NT\$90,691 and NT\$77,536, respectively.
7. Please refer to Note 8 for details of the Group's right-of-use assets pledged as collateral.

(IX) Investment property

	Land	Buildings	Total
January 1, 2022			
Cost	\$ 105,386	\$ 211,248	\$ 316,634
Cumulative depreciation and impairment	-	(102,107)	(102,107)
	<u>\$ 105,386</u>	<u>\$ 109,141</u>	<u>\$ 214,527</u>
<u>2022</u>			
January 1	\$ 105,386	\$ 109,141	\$ 214,527
Transfer	(27,147)	(87,376)	(114,523)
Depreciation expenses	-	(5,943)	(5,943)
Net exchange difference	868	5,390	6,258
December 31	<u>\$ 79,107</u>	<u>\$ 21,212</u>	<u>\$ 100,319</u>
December 31, 2022			
Cost	\$ 79,107	\$ 108,215	\$ 187,322
Cumulative depreciation and impairment	-	(87,003)	(87,003)
	<u>\$ 79,107</u>	<u>\$ 21,212</u>	<u>\$ 100,319</u>
	Land	Buildings	Total
January 1, 2021			
Cost	\$ 112,596	\$ 221,048	\$ 333,644
Cumulative depreciation and impairment	-	(99,086)	(99,086)
	<u>\$ 112,596</u>	<u>\$ 121,962</u>	<u>\$ 234,558</u>
<u>2021</u>			
January 1	\$ 112,596	\$ 121,962	\$ 234,558
Depreciation expenses	-	(5,926)	(5,926)
Net exchange difference	(7,210)	(6,895)	(14,105)
December 31	<u>\$ 105,386</u>	<u>\$ 109,141</u>	<u>\$ 214,527</u>
December 31, 2021			
Cost	\$ 105,386	\$ 211,248	\$ 316,634
Cumulative depreciation and impairment	-	(102,107)	(102,107)
	<u>\$ 105,386</u>	<u>\$ 109,141</u>	<u>\$ 214,527</u>

1. Rental income and direct operating expenses of investment property:

	2022	2021
Rental income of investment property	\$ 35,979	\$ 39,333
Direct operating expenses of investment property that generate rental income in the current period	\$ 5,943	\$ 5,926

2. The fair value of the investment property held by the Group on December 31, 2022 and 2021, amounted to NT\$419,829 and NT\$520,052, respectively, which was obtained from the evaluation from public information announced by the government. The result indicated Level 3 fair value.

3. Please refer to note 8 for details of the Group's pledged investment property.

(X) Intangible assets - Goodwill

	December 31, 2022	December 31, 2021
Balance at the beginning of the period	\$ 36,218	\$ 36,963
Net exchange difference	854	(745)
Ending balance	\$ 37,072	\$ 36,218

The above-mentioned intangible assets - goodwill was mainly generated by the group's merger with East Honest Holdings Limited by the acquisition method in 2012, and the indirect acquisition of its reinvested mainland China subsidiary Honghuasheng Precision Electronics (Yantai) Co., Ltd.

(XI) Short-term borrowings

Nature of the borrowings	December 31, 2022	Interest Rate	Collateral
Bank loans - Credit loans	\$ 2,101,238	2.41%-5.39%	None.
Nature of the borrowings	December 31, 2021	Interest Rate	Collateral
Bank loans - Credit loans	\$ 1,028,206	0.50%-0.66%	None.

As of December 31, 2023, the Group had an undrawn limit of NT\$7,675,351.

(XII) Other payables

	December 31, 2022	December 31, 2021
Salary, bonus, and employee remuneration payable	\$ 596,849	\$ 542,179
Equipment payment payable	194,860	235,818
Consumables payable	148,760	66,976
Repair expenses payable	76,253	57,563
Utility fees payable	63,263	39,702
Others	562,814	304,257
	\$ 1,642,799	\$ 1,246,495

(XIII) Pension

1. Measures for defined retirement benefits

(1) The Company and Tekcon Electronics Corporation (hereinafter referred to as Tekcon) have in place measures for defined benefit retirement in accordance with the provisions of the "Labor Standards Act", which applies to the service years of all regular employees before the implementation of the "Labor Pension Act" on July 1, 2005, and the subsequent service years of employees who choose to continue to apply the Labor Standards Act after the implementation of the "Labor Pension Act." If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company and Tekcon respectively allocate 6% and 2% of the total salary to the retirement fund every month which is deposited with the trust department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the above. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph.

(2) The amount recognized at the balance sheet is specified below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 86,252	\$ 88,252
Fair value of plan assets	<u>(91,357)</u>	<u>(80,492)</u>
Net defined benefit (asset) liabilities	<u>(\$ 5,105)</u>	<u>\$ 7,760</u>
"Other non-current assets" listed in the table	<u>\$ 5,105</u>	<u>\$ 864</u>
"Other non-current liabilities" listed in the table	<u>\$ -</u>	<u>\$ 8,624</u>

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
2022			
Balance on January 1	\$ 88,252	(\$ 80,492)	\$ 7,760
Cost of service in current period	548	-	548
Interest expense (income)	540	(496)	44
	<u>89,340</u>	<u>(80,988)</u>	<u>8,352</u>
Remeasurement:			
Return on plan assets (Note)	-	(6,195)	(6,195)
Impact of demographic assumption changes	(2)	-	(2)
Effect of the change in financial assumption	(3,047)	-	(3,047)
Experience adjustment	774	-	774
	<u>(2,275)</u>	<u>(6,195)</u>	<u>(8,470)</u>
Appropriation of pension reserve	-	(4,174)	(4,174)
Payment of pension	(813)	-	(813)
Balance on December 31	<u>\$ 86,252</u>	<u>(\$ 91,357)</u>	<u>(\$ 5,105)</u>
2021			
Balance on January 1	\$ 87,952	(\$ 75,243)	\$ 12,709
Cost of service in current period	630	-	630
Interest expense (income)	253	(218)	35
	<u>88,835</u>	<u>(75,461)</u>	<u>13,374</u>
Remeasurement:			
Return on plan assets (Note)	-	(1,164)	(1,164)
Impact of demographic assumption changes	14	-	14
Effect of the change in financial assumption	(2,091)	-	(2,091)
Experience adjustment	1,694	-	1,694
	<u>(383)</u>	<u>(1,164)</u>	<u>(1,547)</u>
Appropriation of pension reserve	-	(4,067)	(4,067)
Payment of pension	(200)	200	-
Balance on December 31	<u>\$ 88,252</u>	<u>(\$ 80,492)</u>	<u>\$ 7,760</u>

(Note) This does not include the amount contained in interest income or expense

- (4) The defined benefit pension plan assets of the Company and Tekcon Electronics Corporation fall within the ratio and scope of items entrusted to the Bank of Taiwan in using the plan for investment in the year under appointment pursuant to Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (deposits in domestic and foreign financial institutions, investments in domestic and foreign listed or OTC equity securities or through private placement, and investments in domestic and foreign products through securitization of real estate). The Labor Pension Fund Supervisory Committee is responsible for the supervision of the use of the fund. In using the fund, the minimum return from annual account settlement shall not fall below the return from interest paid by local banks on 2-year time deposits. If there are insufficiencies, the national treasury shall make up the difference after approval by the competent authority. The Company and Tekcon Electronics Corporation have no right to participate in the operation and management of the fund, they cannot disclose the categories of the plan assets at fair value under IAS 19 and IAS 142. The fair value forming the total assets of the fund as of December 31, 2022 and 2021, is stated in the labor pension fund utilization report announced by the government for the respective years.
- (5) The actuarial assumption of pension fund is specified below:

	2022	2021
<u>The Company</u>		
Discount rate	<u>1.20%</u>	<u>0.65%</u>
Salary increase rate in the future	<u>2.00%</u>	<u>2.00%</u>
<u>Tekcon Electronics Corporation</u>		
Discount rate	<u>1.30%</u>	<u>0.7%</u>
Salary increase rate in the future	<u>2.00%</u>	<u>2.0%</u>

The assumption of the mortality rate in the future is based on the statistics released by relevant countries and estimation by experience.

The analysis of the change in the principal actuarial assumption and the influence on the present value of defined benefit obligation is shown below:

	Discount rate		Salary increase rate in the future	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2022				
Effect on the present value of defined benefit obligations	<u>(\$ 1,300)</u>	<u>\$ 1,337</u>	<u>\$ 1,323</u>	<u>(\$ 1,293)</u>
December 31, 2021				
Effect on the present value of defined benefit obligations	<u>(\$ 1,449)</u>	<u>\$ 1,493</u>	<u>\$ 1,469</u>	<u>(\$ 1,434)</u>

The aforementioned sensitivity analysis is under the assumption that all other assumptions remain unchanged, in order to analyze the effect of a change in a single assumption. In practice, changes in several assumption could be linked. The sensitivity analysis is consistent with the method adopted for the net pension liabilities presented in the balance sheet.

The method and assumption adopted for the sensitivity analysis in current period is identical with the previous period.

- (6) The Group expected to appropriate \$1,701 for payment to the retirement plan in 2023.
- (7) As of December 31, 2022, the weighted average duration of the pension plans of the Company and Tekcon Electronics Corporation were 5 years and 9 years, respectively.

2. Measures for defined retirement allocation

- (1) Since July 1, 2005, the Company and Tekcon have formulated measures for defined retirement allocation in accordance with the “Labor Pension Act” which applies to employees of Taiwan nationality. For employees of the Company and Tekcon who choose to apply the labor retirement pension system of the “Labor Pension Act,” 6% of their monthly salary is allocated as labor pension to the employee's personal account at the Bureau of Labor Insurance. The payment of labor pension shall be based on the balance of the employee's pension account and the number of accumulated benefits and shall be paid in the form of monthly pension or lump sum pension payment.
- (2) The subsidiaries listed in the consolidated statements do not have their own retirement measures. PAN-INTERNATIONAL ELECTRONICS INC., P.I.E. Industrial Berhad and its subsidiaries in mainland China shall allocate a certain percentage of their total salary to the mandatory provident fund in accordance with the local government's mandatory regulations, and be deposited in the independent account of each employee, and the pension of each employee is managed and arranged by the government. The companies mentioned above have no further obligations except for the monthly allocation.
- (3) In 2022 and 2021, the Group recognized pension cost amounting to NT\$155,293 and NT\$140,467, respectively, in accordance with the above regulations governing the recognition of pension fund.

(XIV) Share capital

As of December 31, 2022, the authorized capital of the Company comprised 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds); 518,346,282 shares were outstanding with a par value of NT\$10 per share.

(XV) Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

(XVI) Retained earnings

1. According to the articles of association of the Company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the Company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.
2. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses that shall be distributed, capital surplus, or legal reserves in cash, which shall be approved through a resolution by more than half of the directors present at a Board meeting attended by more than two-thirds of all directors, and the rule that a resolution by a shareholders' meeting is required as in the preceding paragraph shall not apply.
3. The Company is in a growth stage, and the dividend distribution policy shall be based on the Company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget, and other factors, while taking into account the shareholders' interests and the Company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.
4. The legal reserve shall not be used except to make up for the Company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
5. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.
6. The shareholders resolved to pass distribution of 2021 and 2020 earnings during the meetings held on June 15, 2022 and July 15, 2021; details are as follows:

	2021		2020	
	Amount	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)
Legal reserve	\$ 130,519		\$ 76,277	
Special reserve	(277,289)		37,450	
Cash dividends	518,346	\$ 1.00	336,925	\$ 0.65
	<u>\$ 371,576</u>		<u>\$ 450,652</u>	

(XVII) Other items of equity

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2022	\$ 288,225	(\$ 1,360,659)	(\$ 1,072,434)
Unrealized profit or loss of financial products - Group	(708,066)	-	(708,066)
Currency conversion difference - Group	-	395,292	395,292
December 31, 2022	<u>(\$ 419,841)</u>	<u>(\$ 965,367)</u>	<u>(\$ 1,385,208)</u>

	Financial assets at FVTOCI	Adjustment for currency conversion	Total
January 1, 2021	(\$ 186,592)	(\$ 1,163,132)	(\$ 1,349,724)
Unrealized profit or loss of financial products - Group	811,004	-	811,004
Transfer of valuation adjustment to retained earnings -Group	(373,072)	-	(373,072)
Tax on transfer of valuation adjustment to retained earnings - Group	36,885	-	36,885
Currency conversion difference - Group	-	(197,527)	(197,527)
December 31, 2021	<u>\$ 288,225</u>	<u>(\$ 1,360,659)</u>	<u>(\$ 1,072,434)</u>

(XVIII) Non-controlling interests

	2022	2021
January 1	\$ 1,682,573	\$ 1,622,505
Share of non-controlling interest:		
Net income for the period	244,109	195,365
Business combination	-	36,921
Remeasured value of defined benefit plan	227	109
Conversion difference from the conversion of financial statements of a foreign operation	91,777	(111,325)
Cash dividend payment	(86,844)	(61,002)
Decrease in non-controlling interests	(61,540)	-
December 31	<u>\$ 1,870,302</u>	<u>\$ 1,682,573</u>

(XIX) Operating revenue

	2022	2021
Revenue from customer contracts	<u>\$ 26,257,340</u>	<u>\$ 24,226,194</u>

The revenue of the Group is derived from goods and services transferred at a certain time point. Please refer to Note 14 for details of revenue.

Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Contractual liabilities	<u>\$ 273,608</u>	<u>\$ 939,066</u>	<u>\$ 395,622</u>

Recognized income of contract liabilities at the beginning of the period:

	2022	2021
Opening balance of contract liabilities recognized as income in the current period	\$ 660,280	\$ 67,176
(XX) <u>Other income</u>		
	2022	2021
Dividend income	\$ 87,266	\$ 25,416
Rental income	45,927	48,643
Subsidy income	44,221	38,760
Other income - Other	6,862	10,113
	<u>\$ 184,276</u>	<u>\$ 122,932</u>
(XXI) <u>Other gains and losses</u>		
	2022	2021
Net gains of financial assets and liabilities measured at fair value through the income	\$ 33,930	\$ 29,210
Losses from the disposal of property, plant and equipment	(25,387)	(4,955)
Net foreign currency conversion gain	3,854	1,616
Gain on disposal of investments	-	14,520
Others	(6,665)	(5,732)
	<u>\$ 5,732</u>	<u>\$ 34,659</u>
(XXII) <u>Employee benefit, depreciation and amortization expenses</u>		
By nature	2022	2021
Employee benefits expense		
Salary expenses	\$ 2,933,295	\$ 2,455,212
Labor and national health insurance expenses	76,851	74,084
Pension expenses	155,885	141,132
Other HR expenses	222,384	279,184
	<u>\$ 3,388,415</u>	<u>\$ 2,949,612</u>
Depreciation expenses	<u>\$ 599,046</u>	<u>\$ 409,967</u>
Amortization expenses	<u>\$ 4,446</u>	<u>\$ 7,323</u>

1. According to the articles of association of the Company, if the Company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the Board of Directors, and shall be reported to the shareholders' meeting. However, if the Company still has a cumulative loss, it shall reserve the amount of compensation in advance.
2. The Company's remuneration to employees in 2022 and 2021 was estimated at NT\$79,012 and NT\$60,674, respectively. The remuneration to the Directors was estimated at NT\$7,901 and NT\$6,067, respectively. The aforementioned amount was presented as salary expense in the book.

The years 2022 and 2021 are based on the profit status as of the current period. It is estimated according to the proportion specified in the articles of association of the Company.

The 2021 employee and director remunerations approved by the board of directors are consistent with the amounts recognized in the 2021 annual financial report.

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

(XXIII) Financial costs

	2022	2021
Interest expenses on bank loans	\$ 30,356	\$ 7,127
Interest expenses on lease liabilities	8,501	5,425
Other financial costs	2,374	340
	<u>\$ 41,231</u>	<u>\$ 12,892</u>

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expenses:

	2022	2021
Income tax for the current period:		
Income tax arising from current income	\$ 432,668	\$ 329,260
Extra tax on undistributed earnings	46,681	15,606
Income tax under (over)estimates of previous years	(44,744)	4,604
Total income tax for the current period	<u>434,605</u>	<u>349,470</u>
Deferred income tax:		
The original value and reversal of temporary differences	55,429	37,358
Income tax expense	<u>\$ 490,034</u>	<u>\$ 386,828</u>

(2) Other comprehensive income related income tax amount:

	2022	2021
Remeasurement of defined benefit obligation	\$ 1,695	\$ 310
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	36,885
	<u>\$ 1,695</u>	<u>\$ 37,195</u>

2. Relation between income tax expense and accounting profit

	2022	2021
Calculation of income tax on earnings before taxation at the mandatory tax rate	\$ 618,461	\$ 464,120
Expenses to be removed under the tax law	(46,832)	(41,696)
Income exempted from taxation under the tax law	-	(5,438)
Temporary difference not recognized as deferred income tax liabilities	(82,094)	(49,695)
Extra tax on undistributed earnings	46,681	15,606
Effect of investment deduction on income tax	(1,438)	(673)
Income tax under (over)estimates of previous years	<u>(44,744)</u>	<u>4,604</u>
Income tax expense	<u>\$ 490,034</u>	<u>\$ 386,828</u>

3. Deferred income tax assets or liabilities under temporary difference and taxation loss are specified as follows:

	2022				
	January 1	Recognized as income	Recognized as other comprehensive net income	Effect on foreign currency exchange differences	December 31
Deferred income tax assets:					
-Temporary difference:					
Provision for valuation loss on inventory	\$ 25,929	\$ 289	\$ -	\$ 710	\$ 26,928
Pension reserve pending on appropriation	1,920	(350)	(1,349)	-	221
Accrued salaries at end of period	19,179	(139)	-	625	19,665
Others	<u>26,540</u>	<u>(2,581)</u>	<u>-</u>	<u>298</u>	<u>24,257</u>
	<u>\$ 73,568</u>	<u>(\$ 2,781)</u>	<u>(\$ 1,349)</u>	<u>\$ 1,633</u>	<u>\$ 71,071</u>
-Deferred tax liabilities:					
Return on foreign investment accounted for under the equity method	(\$ 216,284)	(\$ 41,027)	\$ -	\$ -	(\$ 257,311)
Taxation difference in depreciations	(72,577)	(9,711)	-	(3,805)	(86,093)
Unrealized currency exchange gains or losses	(678)	(1,601)	-	-	(2,279)
Others	<u>(1,013)</u>	<u>(309)</u>	<u>(346)</u>	<u>952</u>	<u>(716)</u>
	<u>(\$ 290,552)</u>	<u>(\$ 52,648)</u>	<u>(\$ 346)</u>	<u>(\$ 2,853)</u>	<u>(\$ 346,399)</u>

2021					
	January 1	Recognized as income	Recognized as other comprehensive net income	Effect on foreign currency exchange differences	December 31
Deferred income tax assets:					
-Temporary difference:					
Provision for valuation loss on inventory	\$ 37,602	(\$ 10,351)	\$ -	(\$ 1,322)	\$ 25,929
Pension reserve pending on appropriation	2,492	(429)	(143)	-	1,920
Accrued salaries at end of period	23,282	(1,196)	-	(2,907)	19,179
Others	26,890	(346)	-	(4)	26,540
	<u>\$ 90,266</u>	<u>(\$ 12,322)</u>	<u>(\$ 143)</u>	<u>(\$ 4,233)</u>	<u>\$ 73,568</u>
-Deferred tax liabilities:					
Return on foreign investment accounted for under the equity method	(\$ 196,708)	(\$ 19,576)	\$ -	\$ -	(\$ 216,284)
Taxation difference in depreciations	(72,125)	(5,072)	-	4,620	(72,577)
Unrealized currency exchange gains or losses	-	(678)	-	-	(678)
Others	(1,138)	290	(167)	2	(1,013)
	<u>(\$ 269,971)</u>	<u>(\$ 25,036)</u>	<u>(\$ 167)</u>	<u>\$ 4,622</u>	<u>(\$ 290,552)</u>

4. As of December 31, 2022 and 2021, the Company assessed that the temporary difference of tax payable on some of the subsidiaries will not be reversed in the foreseeable future, and recognized all these differences as deferred income tax liabilities. The unrecognized temporary difference of deferred income tax liabilities amounted to NT\$6,317,727 and NT\$5,159,680, respectively.
5. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2020.

(XXV) Earnings per share (EPS)

2022			
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	\$ 1,322,290	518,346	\$ 2.55
<u>Diluted earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	1,322,290	518,346	
Effect of potentially dilutive common shares: Employee remuneration	-	2,603	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	\$ 1,322,290	520,949	\$ 2.54
2021			
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	\$ 967,232	518,346	\$ 1.87
<u>Diluted earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	967,232	518,346	
Effect of potentially dilutive common shares: Employee remuneration	-	1,733	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	\$ 967,232	520,079	\$ 1.86

(XXVI) Transactions with non-controlling interests

Pan-International Precision Electronic Co., Ltd., a 2nd-tier subsidiary of the Company, acquired an additional 20% shares in circulation of CJ Electric Systems Co., Ltd. in the third quarter of 2022 worth RMB 16,000 thousand in cash. The book value of non-controlling interests of CJ Electric Systems Co., Ltd. was \$61,540 as of the date of acquisition. For the specific transaction, non-controlling interests lost were worth \$61,540 and equity attributable to owners of the parent company dropped by \$10,036. Impacts of the changes in the equity of CJ Electric Systems Co., Ltd. for the fourth quarter of 2022 on the equity attributable to the owners of the parent company are as follows:

	2022
Book value of acquired non-controlling interests	\$ 61,540
Consideration paid to non-controlling interests	(71,576)
Retained earnings - All changes in equities of subsidiaries are recognized	(\$ 10,036)

(XXVII) Business combination

1. Pan-International Precision Electronic Co., Ltd., one of the Company's 2nd-tier subsidiaries, acquired an 80% equity in CJ Electric Systems Co., Ltd. (referred to as "CJ Electric" below) on June 1, 2021 for a sum of RMB 34,054 thousand, and gained controlling interest over CJ Electric. Business registrations were completed on June 1, 2021, and the new entity has since been included in the consolidated report. CJ Electric is mainly involved in the manufacturing of wiring harnesses for automobiles. The purpose of the acquisition is to integrate the resources of the two parties, which in turn creates synergy and expands automobile product lines for the Group.
2. Information on the consideration paid for the acquisition of CJ Electric, the fair value of assets acquired and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date is as follows:

	June 1, 2021
Consideration for acquisition - cash	\$ 147,548
Fair value of non-controlling interests	36,921
	\$ 184,469
Fair value of identifiable assets acquired and liabilities borne	
Cash	\$ 47,544
Accounts receivable	244,038
Inventory	460,705
Other receivables	63,428
Other current assets	15,680
Property, plant, and equipment	109,968
Right-of-use assets	79,535
Other non-current assets	864
Accounts payable	(683,599)
Other payables	(119,136)
Current tax liabilities	(3,359)

Lease liabilities	(	22,688)
Other current liabilities	(	7,190)
Other non-current liabilities	(	1,321)
Total net identifiable assets		<u>184,469</u>
Goodwill	\$	<u>-</u>

3. The Group merged CJ Electric on June 1, 2021. If it is assumed that CJ Electric has been merged into the Group since January 1, 2021, the Group's operating revenue and net income before tax in 2021 would have been NT\$24,841,930 and NT\$1,546,612, respectively.

(XXVIII) Supplementary information on cash flow

1. Investment activities with partial cash payment:

	2022	2021
Purchase of property, plant and equipment	\$ 914,370	\$ 756,458
Add: equipment payable at the beginning of the period	235,818	105,069
Less: equipment payable at the end of the period	(194,860)	(235,818)
Effect on foreign currency exchange differences	3,488	(889)
Cash paid during the period	<u>\$ 958,816</u>	<u>\$ 624,820</u>

2. Fair value information relating to assets and liabilities acquired through business combination:

	2021
Fair value of net identifiable assets	\$ 184,469
Less: fair value of non-controlling interests	(36,921)
Cash paid for business combination	147,548
Less: cash received from business combination	(47,544)
Consolidated net cash inflow from business combination	<u>\$ 100,004</u>

(XXIX) Changes in liabilities from financing activities

	2022		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	\$ 1,028,206	\$ 166,173	\$ 1,194,379
Changes in financing cash flow	961,159	(74,605)	886,554
Effect of exchange rate changes	111,873	2,568	114,441
Other non-cash changes	-	94,618	94,618
December 31	<u>\$ 2,101,238</u>	<u>\$ 188,754</u>	<u>\$ 2,289,992</u>

	2021		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	\$ 1,568,333	\$ 220,959	\$ 1,789,292
Changes in financing cash flow	(493,359)	(64,688)	(558,047)
Effect of exchange rate changes	(46,768)	(329)	(47,097)
Change in value of subsidiaries	-	22,688	22,688
Other non-cash changes	-	(12,457)	(12,457)
December 31	<u>\$ 1,028,206</u>	<u>\$ 166,173</u>	<u>\$ 1,194,379</u>

VII. Related Party Transactions(I) Related party's name and relationship

Related Party Name	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)	With significant influence on the group
Sharp Corporation and subsidiaries (Sharp and subsidiaries)	Other related parties
Foxconn Technology Co., Ltd. and subsidiaries (FTC and subsidiaries)	Other related parties
GENERAL INTERFACE SOLUTION LIMITED	Other related parties
Cyber TAN Technology, Inc and Subsidiaries	Other related parties
Chery Holding Group and Subsidiaries	Other related parties (Note 1)
Long Time Tech. Co., Ltd.	Affiliates

(Note 1) Listed as non-related party in September 2022

(II) Major transactions with related parties

1. Operating revenue

	2022	2021
With significant influence on the group		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 7,113,019	\$ 6,734,570
Other related parties		
- Sharp and subsidiaries	2,125,811	2,367,757
- Others	1,762,340	1,214,101
	<u>\$ 11,001,170</u>	<u>\$ 10,316,428</u>

The price and loan period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Group's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Group's period of payment for the related parties ranged from 30 to 120 days.

2. Purchase

	2022	2021
With significant influence on the group		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 2,524,393	\$ 2,485,330
Other related parties		
- Foxconn Technology Co., Ltd. and subsidiaries	1,492,196	1,937,095
- Others	63	(951)
	<u>\$ 4,016,652</u>	<u>\$ 4,421,474</u>

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Group to related parties ranged from 30 to 90 days on monthly settlement of open account.

3. Receivables from related parties

	December 31, 2022	December 31, 2021
Other related parties - others	\$ -	\$ 18,940
With significant influence on the group		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	3,165,783	2,505,760
Other related parties		
- Sharp and subsidiaries	788,580	352,461
- Others	221,535	429,560
	<u>4,175,898</u>	<u>3,306,721</u>
Less: Allowance for impairment loss	<u>(1,971)</u>	<u>(1,632)</u>
	<u>\$ 4,173,927</u>	<u>\$ 3,305,089</u>

The receivables from related parties were mainly from sales and purchases on behalf of the related parties. The payment term for sales to related parties ranged from 30 to 120 days. The receivables are not secured and not interest bearing.

4. Accounts payables from related parties

	December 31, 2022	December 31, 2021
With significant influence on the group		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 1,059,124	\$ 988,250
Other related parties		
- Foxconn Technology Co., Ltd. and subsidiaries	452,223	324,346
- Others	-	76
	<u>\$ 1,511,347</u>	<u>\$ 1,312,672</u>

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

5. Contractual liabilities

	December 31, 2022	December 31, 2021
With significant influence on the group		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 105,098	\$ 297,807
Other related parties	157	70
	<u>\$ 105,255</u>	<u>\$ 297,877</u>

The preceding contract liabilities of NT\$101,310 and NT\$297,369 dated December 31, 2022, and 2021 are guaranteed by the Group's investment by equity method, and the number of pledged shares is 7,812,500 shares. Please refer to Note 8 for details.

6. Lease transaction - Lessee

(1) The Group leases the plant from the Group which has a significant impact on the Group. The lease term is 5 years. The rent is paid at the end of each month.

(2) Lease liabilities:

A. Ending balance

	December 31, 2022	December 31, 2021
With significant influence on the group	<u>\$ 39,286</u>	<u>\$ 76,578</u>

B. Interest expenses

	2022	2021
With significant influence on the group	<u>\$ 1,658</u>	<u>\$ 2,650</u>

7. Others

In an attempt to expand the current line of automobile products, the Group acquired a 50% equity in CJ Electric Systems Co., Ltd. in June 2021 from Hon Hai Precision Industry Co., Ltd. and subsidiaries, a group of companies that has significant influence in the Group. Consideration of this transaction amounted to NT\$91,472.

(III) Compensation of key management personnel

	2022	2021
Short-term employee benefits	\$ 14,599	\$ 13,902
Post-employment benefits	240	240
Total	<u>\$ 14,839</u>	<u>\$ 14,142</u>

VIII. Pledged Assets

The details of the guarantees provided with the group's assets are as follows:

Asset item	Book value		Guarantee purpose
	December 31, 2022	December 31, 2021	
Other current assets - pledged fixed deposit	\$ 676	\$ 1,937	Issuing of letter of credit and customs deposit
Other non-current assets - pledged fixed deposit	4,848	3,483	Customs deposit
Property, plant, and equipment	39,126	42,548	Guarantee mortgage for bank line overdraft (note)
Investment property	10,171	9,495	Guarantee mortgage for a bank line
Right-of-use assets	55,309	56,175	Guarantee mortgage for a bank line
Investment by equity method (Long Time Tech. Co., Ltd.)	204,721	207,123	Contractual liabilities
	<u>\$ 314,851</u>	<u>\$ 320,761</u>	

Note: As of December 30, 2022, the land, buildings above has been pledged as a guarantee for the overdraft facilities of financial institutions since 2005. The overdraft had been paid off, but the pledge has not been canceled.

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) Contingent matters

The group has no contingent liabilities for material legal claims arising from daily operating activities.

(II) Commitments

On November 30, 2021, the Group's Board of Directors approved the purchase of pre-sale factory buildings. The total transaction amount is NT\$488,880 and paid in 5 installments. As of December 31, 2022, the outstanding payment is NT\$410,660.

X. Major Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) The Group has adopted relevant measures in response to the outbreak of COVID-19. The spread of disease did not have a material impact on the Group's operations and business performance in 2022.

(II) Capital management

The Group's capital management objectives are to ensure the Group's sustained operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders. In order to maintain or adjust the capital structure, the group may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the group uses the net debt ratio which is calculated by dividing net debt by total net worth. Net debt is calculated as total borrowings (including the "current and non-current borrowings" reported in the consolidated balance sheet) less cash and cash equivalents. The total net value is calculated as "equity" as shown in the consolidated balance sheet less total intangible assets.

The group's strategy for 2022 is the same as that in 2021, both of which are committed to maintaining the net debt ratio below 70%.

(III) Financial instrument

1. Types of financial instruments

(IV) As of December 31, 2022 and 2021, the book amounts of the Group's financial assets classified as measured at amortized cost under IFRS 9 (including cash and cash equivalents, bills receivable, accounts receivable [including related parties], and other receivables) were NT\$15,220,348 and NT\$13,176,604, respectively. The book amounts of financial liabilities classified as amortized costs (including short-term loans, notes payable, accounts payable [including related parties], and other payables) were NT\$9,451,177 and NT\$8,535,394, respectively. The book amounts of lease liabilities in 2022 and December 31, 2021, were NT\$188,754 and NT\$166,173, respectively. Please refer to Notes 6 (2) and (5) for the book values of financial assets/liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

2. Risk management Policy

(1) Types of risks

The group adopts a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the group, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk.

(2) Management objectives

- A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.
- B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation, and process, with due consideration of the overall external trend, internal operating conditions, and the actual impact of market fluctuations.
- C. The Group's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the Group's financial position and financial performance.

(3) Management system

- A. Risk management shall be carried out by the Finance Department of the Group in accordance with the policies approved by the Board of Directors. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.
- B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

3. Nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

- A. Nature: The group is a multinational electronic OEM company, and most of the exchange rate risks in its operating activities come from:
 - a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large. (Note: The group has offices in many countries around the world, so there is an exchange rate risk in a variety of different currencies, but the main ones are the US dollar, RMB, and Malaysian ringgit.)
 - b. In addition to the commercial transactions (operating activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

B. Management

- a. For such risks, the group has established a policy that requires companies within the group to manage the exchange rate risk relative to their functional currencies.
- b. The exchange rate risk of each functional currency against the reporting currency of the consolidated statements is managed by the group's finance office.

C. Intensity

The group's business involves a number of non-functional currencies (New Taiwan dollar is the functional currency of the company and some subsidiaries, and RMB and Malaysian ringgit are the functional currencies of some subsidiaries). Therefore, the group is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	December 31, 2022				
	Foreign currency (thousand)	Exchange rate	Book value (NT\$)	Sensitivity analysis	
				Range of change	Impact on profit and loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary item</u>					
USD: NTD	\$ 154,693	30.71	\$ 4,750,622	5%	\$237,531
USD: RMB	87,721	6.9646	2,693,031	5%	134,652
USD: MYR	103,099	4.4131	3,166,170	5%	158,309
EUR: MYR	2,504	4.7019	81,931	5%	4,097
<u>Foreign operations</u>					
USD: NTD	354,215	30.71	10,877,954		
<u>Financial liabilities</u>					
<u>Monetary item</u>					
USD: NTD	150,655	30.71	4,626,615	5%	231,331
USD: RMB	7,392	6.9646	226,934	5%	11,347
USD: MYR	40,959	4.4131	1,257,851	5%	62,893

	December 31, 2021				
	Foreign currency (thousand)	Exchange rate	Book value (NT\$)	Sensitivity analysis	
				Range of change	Impact on profit and loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary item</u>					
USD: NTD	\$ 136,157	27.68	\$ 3,768,826	1%	\$ 37,688
USD: RMB	88,708	6.3757	2,462,573	1%	24,626
USD: MYR	56,691	4.1701	1,569,207	1%	15,692
EUR: MYR	3,782	4.7185	118,452	1%	1,185
<u>Foreign operations</u>					
USD: NTD	344,199	27.68	9,527,433		
<u>Financial liabilities</u>					
<u>Monetary item</u>					
USD: NTD	152,958	27.68	4,233,877	1%	42,339
USD: RMB	16,294	6.3757	452,329	1%	4,523
USD: MYR	60,002	4.1701	1,660,855	1%	16,609

D. Nature

The Group's currency items were under significant influence of exchange rate fluctuations in 2022 and 2021, with recognition of exchange income (including realized and unrealized items) amounting to a gain of NT\$3,854 and NT\$1,616, respectively.

Price risk

- A. The equity instruments of the Group exposed to price risk are financial assets measured at fair value through other comprehensive incomes. In order to manage the price risk of equity instrument investment, the Group diversifies its portfolio in accordance with the limits set by the Group.
- B. The group mainly invests in equity instruments issued by domestic and foreign companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If there is an upward or downward adjustment of the equity instruments by 1% with all other factors remaining unchanged, the effect on other comprehensive income of gains or losses of equity investment classified as measured at fair value through other comprehensive income would increase or decrease by NT\$17,524 and NT\$24,067 in 2022 and 2021, respectively.

Cash flow and fair value interest rate risk

The interest rate risk of the group comes from short-term borrowings. Borrowings at fixed interest rates expose the group to an interest rate risk at fair value, but after assessment, the group has no significant interest rate risk.

(2) Credit risk

- A. The credit risk of the Group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill their contractual obligations, which mainly comes from the inability of the counterparties repaying the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at after-amortization cost.
- B. In accordance with the internal credit policy, management and credit risk analysis shall be carried out on each operating entity within the Group and each new customer before proposing terms and conditions for payment and delivery. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.
- C. The basis for the Group to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:
When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- D. When the contract payment is overdue for more than 90 days according to the agreed payment terms, the Group deems it a breach of contract.
- E. The Group classifies notes receivable and accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit loss based on the loss rate method.
- F. The indicators used by the Group to determine the credit impairment of debt instrument investment are as follows:
(A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;
(B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;
(C) The issuer delays or fails to pay the interest or principal;
(D) Adverse changes in national or regional economic conditions leading to issuer default.
- G. The aging analysis of notes receivable and accounts receivable (including those of related parties) are as follows:

	December 31, 2022	December 31, 2021
Not Past Due	\$ 7,717,356	\$ 6,214,073
Less than 90 days	54,012	19,208
91 ~ 180 days	80	957
More than 181 days	39	5,966
	<u>\$ 7,771,487</u>	<u>\$ 6,240,204</u>

The above is an aging analysis based on the number of overdue days.

H. Other receivables (including related parties):

The other receivables of the Group are mainly tax refund receivables, receivable disposal investment, and payment receivables. There is no risk of major non-performance or repayment issues. Therefore, the allowance loss is measured according to the 12-month expected credit loss amount. The allowance losses recognized by the Group in 2022 and as of December 31, 2021, were NT\$0.

I. The Group classified the accounts receivable of the customers according to the characteristics of the credit rating of the customers, and considered the adjustment of rate of loss on the basis of historical information and information at present time with foresight to estimate the provision for loss on notes and accounts receivable. The method for estimating the loss rate on December 31, 2022 and 2021 is as follows:

	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2022</u>					
Expected loss rate	<u>0.04%</u>	<u>0.04%</u>	<u>0.09%</u>	<u>0.1%~100%</u>	
Total Book value	<u>\$ 7,336,321</u>	<u>\$ 428,359</u>	<u>\$ -</u>	<u>\$ 6,807</u>	<u>\$ 7,771,487</u>
Allowance for loss	<u>\$ 2,935</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 4,088</u>	<u>\$ 7,194</u>
	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2021</u>					
Expected loss rate	<u>0.04%</u>	<u>0.04%</u>	<u>0.09%</u>	<u>0.1%~100%</u>	
Total Book value	<u>\$ 5,813,366</u>	<u>\$ 414,897</u>	<u>\$ -</u>	<u>\$ 11,941</u>	<u>\$ 6,240,204</u>
Allowance for loss	<u>\$ 2,325</u>	<u>\$ 166</u>	<u>\$ -</u>	<u>\$ 9,116</u>	<u>\$ 11,607</u>

Group 1: Rated A by Standard & Poor's, Fitch or Moody's, or no external agency rating, and rated A according to the Group's credit standards.

Group 2: Rated BBB by Standard & Poor's or Fitch, or Baa by Moody's, or no external agency rating, and rated B or C according to the Group's credit standards.

Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.

Group 4: No external agency rating, and non-A, B, or C rated customers according to the Group's credit standards.

J. The table of changes in the allowance for losses of accounts receivable (including notes) and other receivables (including related parties) after the Group adopted a simplified approach is as follows:

	2022	2021
January 1	\$ 11,607	\$ 7,082
(Reversed) recognized impairment loss	(478)	3,682
Irrecoverable amount written off	(4,102)	-
Effect of first-time consolidation of subsidiary	-	752
Effect on foreign currency exchange differences	167	91
December 31	<u>\$ 7,194</u>	<u>\$ 11,607</u>

K. All the Group's investments in debt instruments measured at amortized cost as

were at low credit risk as of December 31, 2022 and 2021. Therefore, the book value was measured on the basis of the expected credit loss in a period of 12 months after the balance sheet day.

(3) Liquidity risk

- A. The cash flow forecast is carried out by each operating entity within the Group and summarized by the Group's finance department. The group's finance department monitors the forecast of the group's liquidity funds demand to ensure that it has sufficient funds to meet operational needs, and maintains sufficient unspent loan commitments at all times so that the group will not exceed the relevant borrowing limits or violate the terms. These forecasts take into account the group's debt financing plan, compliance with debt terms, and compliance with the financial ratios in the internal balance sheet and external regulatory requirements, such as foreign exchange control.
- B. When the remaining cash held by the Group exceeds the requirement for the management of working capital, the finance department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits, and securities. The instruments selected have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity. It is expected that cash flow will be generated immediately for the management of liquidity risk.
- C. The following table shows the grouping of the Group's non-derivative financial liabilities according to their maturity dates. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date. The amount of contractual cash flow disclosed in the table below is the undiscounted amount.

December 31, 2022	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 95,184	\$ 42,958	\$ 57,847	\$ 195,989
December 31, 2021	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 83,529	\$ 82,889	\$ 4,645	\$ 171,063

In addition to the above, the group's non-derivative financial liabilities are all due within the next year.

(IV) Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and beneficiary certificates invested by the Group belongs to this level.

Level 2: The input value of assets or liabilities is directly or indirectly observable,

except those in Level 1. The fair value of the derivative instruments invested by the Group belongs to this level.

Level 3: The input value of assets or liabilities is unobservable. The equity instruments invested by the Group without an active market belong to this level.

2. Financial instruments not measured at fair value

The book values of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other payable, lease liabilities, and other current liabilities) are reasonable approximations of their fair values.

3. For the Group's financial and non-financial instruments measured at fair value, the Group classifies them according to the nature, characteristics, risk, and fair value level of the assets and liabilities. The relevant information is as follows:

(1) The information about the Group's classification of its assets and liabilities by their nature is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through income - open-end funds	\$ 10,239	\$ -	\$ -	\$ 10,239
Financial assets measured at fair value through income - equity securities	\$ 827,081	\$ -	\$ 925,274	\$ 1,752,355
December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
<u>Repetitive fair value</u>				
Financial assets measured at fair value through income - open-end funds	\$ 9,224	\$ -	\$ -	\$ 9,224
-Foreign exchange forward contracts	-	2,112	-	2,112
	\$ 9,224	\$ 2,112	\$ -	\$ 11,336
Financial assets measured at fair value through income - equity securities	\$ 1,621,037	\$ -	\$ 785,661	\$ 2,406,698

- (2) The methods and assumptions used by the group to measure fair value are as follows:
- A. If the group adopts a market quotation as the input value of fair value (i.e. level 1), the instruments classified by their characteristics are as follows:

	Listed and OTC stocks	Open-end funds
Market quotation	Closing price	Net value
B.	Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. The fair value obtained through the evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including using models to calculate market information available on the consolidated balance sheet date.	
C.	The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Foreign exchange forward contracts are usually evaluated according to the current forward exchange rate.	
D.	The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the Group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.	
E.	The Group has incorporated credit risk assessment adjustments into its calculation for the fair values of financial and non-financial instruments to reflect counterparty credit risks and the Group's credit quality, respectively.	

4. There were no transfers between Level 1 and Level 2 in 2022 and 2021.

5. The following table shows the changes in Level 3 in 2022 and 2021:

	Equity securities	
	2022	2021
January 1	\$ 785,661	\$ 1,201,559
Acquired this period	-	1,902
Amounts sold of current period	- (	761,284)
Profit recognized in other comprehensive income	59,706	368,444
The refund of cost and share payment from investee	- (	173)
Transfer to Level 3	- (	1,902)
Effect on foreign currency exchange differences	79,907	(22,885)
December 31	<u>\$ 925,274</u>	<u>\$ 785,661</u>

6. There was no transfer in or out from Level 3 in 2022 and 2021.

7. For the fair value of level 3 of the Group, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. The evaluation results are close to the market status through independent sources of information, and the data sources are independent, reliable, consistent with other resources, and represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.

In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.

8. The quantitative information about the significant unobservable input value of the evaluation model used for Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

	Fair value on December 31, 2022	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments: Non-listed and non- OTC stocks	\$ 856,726	Net asset value method	Lack of market liquidity discount	24%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non- OTC stocks	68,548	Comparable public company approach	Price-to-book ratio	1.29	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.
	Fair value on December 31, 2021	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments: Non-listed and non- OTC stocks	\$ 711,849	Net asset value method	Lack of market liquidity discount	26%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non- OTC stocks	73,812	Comparable public company approach	Price-to-book ratio	1.41	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

9. The Group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 31, 2022	Lack of market liquidity discount	±1%	\$ 3,730	(\$ 3,730)
Equity instruments	December 31, 2022	Price-to-book ratio	±1%	\$ 531	(\$ 531)
Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 30, 2021	Lack of market liquidity discount	±1%	\$ 3,785	(\$ 3,785)
Equity instruments	December 30, 2021	Price-to-book ratio	±1%	\$ 523	(\$ 523)

XIII. Additional Disclosures

(I) Information about significant transactions

1. Loans to others: Please refer to Table 1.
2. Endorsements/guarantees provided: Please refer to Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
5. The cumulative amount of property acquired reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
6. The cumulative amount of property disposal reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: Please refer to Table 4.
8. Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 5.
9. Engagement in derivatives trading: Please refer to note 6(2).
10. Significant Inter-company Transactions during the Reporting Period: Please refer to Table 6.

(II) Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

(III) Information on investments in mainland China

1. Basic information: Please refer to Table 8.
2. Major transactions directly with investee companies in mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5, and 6.

(IV) Information on major shareholders

Information of major shareholders: Please refer to Table 9.

XIV. Operating Departments Information

(I) General information

The main businesses of the Group are the development, manufacturing and sales of electronic components such as electronic signal cables, connectors, electronic signal cables with connectors, printed circuit boards and precision molds, and computer peripheral products. The operation decision-makers also operate various businesses from the perspective of product categories and develop businesses according to different market attributes and demands. At present, the Group is mainly divided into the "Electronic Components Segment" and "Consumer Electronics and Computer Peripherals Segment," which are also the segments to be reported.

The operating departments information is compiled in accordance with the accounting policies of the Group. The main operational decision-makers of the group mainly use the income and pre-tax profit and loss of each operating department as indicators for performance evaluation and resource allocation.

(II) Segments Information

Information on the reportable departments as provided to major operational decision-makers is as follows:

	Electronic Components	Consumer Electronics and Computer Peripherals	Total
<u>2022</u>			
Segment Revenue	\$ 14,807,752	\$ 11,449,588	\$ 26,257,340
Segment profit and loss	\$ 1,382,089	\$ 848,672	\$ 2,230,761
	Electronic Components	Consumer Electronics and Computer Peripherals	Total
<u>2021</u>			
Segment Revenue	\$ 12,618,685	\$ 11,607,509	\$ 24,226,194
Segment profit and loss	\$ 1,037,569	\$ 810,225	\$ 1,847,794

Note: Since the measured amount of the assets of the operating department is not provided to the operation decision-maker, the measured amount of the assets should be disclosed as zero.

(III) Information on the adjustment to the income and profit and loss of the segments to be reported

Since the income of the segments to be reported is the income of the enterprise, there is no need to adjust it. In addition, the adjustments to the profit and loss of the segments to be reported and to the pre-tax profit and loss of continuing operating departments are as follows:

<u>Income</u>	2022	2021
Profit and loss of the segments to be reported	\$ 2,230,761	\$ 1,847,794
Other profit and loss	(174,328)	(298,369)
Pre-tax profit and loss of continuing operating departments	\$ 2,056,433	\$ 1,549,425

(IV) Information on product type and service type

The revenue of external customers is mainly from the sale of the aforementioned segments for reporting. Segments for reporting are differentiated by product. Therefore, income by product type should be the income of the segments in the report.

(V) Information on the regions

Information of the Group by region in 2022 and 2021 is shown below:

	2022		2021	
	Income	Non-Current Assets	Income	Non-Current Assets
Mainland China	\$ 11,634,937	\$ 2,116,214	\$ 10,684,943	\$ 1,584,389
Malaysia	3,958,696	1,326,225	4,018,098	1,105,156
Hong Kong	6,088,703	-	2,792,637	-
USA	2,266,499	19,383	2,059,689	679
Others	2,308,505	134,815	4,670,827	102,204
	<u>\$ 26,257,340</u>	<u>\$ 3,596,637</u>	<u>\$ 24,226,194</u>	<u>\$ 2,792,428</u>

(VI) Information on key customers

Customers accounting for more than 10% of the sales revenue as stated in the Group's Consolidated Income Statement of 2022 and 2021:

	2022	2021
Customer Group A	<u>\$ 7,113,019</u>	<u>\$ 6,734,570</u>

Pan-International Industrial Corp. and Subsidiaries
Loans to others
January 1 to December 31, 2022

Table 1

Unit: NTD thousand
(unless otherwise noted)

Serial No. (Note 1)	Loan extending company	Borrower	Dealing items (Note 2)	Whether a related party	Maximum amount of the period (Note 3)	Ending balance (Note 8)	Transaction Amounts	Interest Rate	Loan nature (Note 4)	Business Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Provision for allowance for loss for bad debt	Collateral		Loans limits for individual entities (Note 7)	Total loan limit (Note 7)	Remarks
													Name	Value			
1	Pan-International Precision Electronic Co., Ltd.	CJ Electric Systems Co., Ltd.	Other receivables - related parties	Yes	\$ 222,750	\$ 44,080	\$ 44,080	4.00%	Short-term financing	\$ -	Operating turnover	\$ -	None.	None.	\$ 2,717,086	\$ 5,434,172	
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	CJ Electric Systems Co., Ltd.	Other receivables - related parties	Yes	268,380	264,480	264,480	3.70%	Short-term financing	-	Operating turnover	-	None.	None.	7,606,520	15,213,040	

Note 1: The explanation of the number column is as follows:

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: The total amount of funds lending from the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 400% of the lender's net worth, and the limit for an individual entity shall not exceed 200% of the lender's net worth.

Note 8: If a public company submits its lending to the Board of Directors' meeting for resolution case by case in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the Board of Directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out; if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.

Pan-International Industrial Corp. and Subsidiaries
Endorsement/guarantee provided
January 1 to December 31, 2022

Table 2

Unit: NTD thousand (unless otherwise noted)														
Serial No. (Note 1)	Name of company of the endorsement/guarantee	Guaranteed Party		Endorsement/ guarantee limit for a single enterprise (Note 3)	Maximum endorsement/ guarantee balance of the period (Note 4)	Endorsement/ guarantee balance of the period (Note 5)	Transaction Amounts (Note 6)	Amount of endorsement/ guarantee backed by assets	Ratio of the cumulative endorsement/ guarantee amount to the net value in the latest financial report	Endorsement/ guarantee limit (Note 3)	Endorsement/ guarantee from the parent company to subsidiary (note 7)	Endorsement/ guarantee from subsidiary to parent company (note 7)	Endorsement/ guarantee to entities in the Mainland China (Note 7)	Remarks
		Company name	Relation (Note 2)											
1	P.I.E INDUSTRIAL BERHAD	PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	2	\$ 1,885,746	\$ 1,236,344	\$ 1,191,184	\$ 620,553	\$ -	9.23	\$ 3,771,491	Y	N	N	
1	P.I.E INDUSTRIAL BERHAD	PAN-INTERNATIONAL WIRE&CABLE(M) SDN.BHD.	2	1,885,746	92,646	91,298	4,245	-	0.71	3,771,491	Y	N	N	

Note 1: The explanation of the number column is as follows:

- (1). Fill in 0 for the issuer.
- (2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the borrower as follows; simply mark the type:

- (1). A company with business relations.
- (2). A company with more than 50% of its voting shares is directly or indirectly held by the company.
- (3). A company directly or indirectly holding more than 50% of the voting shares of the company.
- (4). A company with more than 90% of its voting shares is directly or indirectly held by the company.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.
- (6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.
- (7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The total amount of external endorsements/guarantees shall not exceed 100% of the Company's net value, and the limit of endorsements/guarantees for a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company and its subsidiaries to others shall not exceed 100% of the Company's net value; the total amount of endorsements/guarantees by the Company and its subsidiaries to a single enterprise shall not exceed 50% of the Company's net worth.

The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors' meeting shall be filled in. However, if the Board of Directors' meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp. and Subsidiaries
Marketable securities held at period end (excluding investment in subsidiaries, associates, and jointly controlled entities).
December 31, 2022

Table 3

					Unit: NTD thousand (unless otherwise noted)				
					Period end				
Holding Company Name	Type of marketable securities	Name of marketable securities	Relationship with the Holding Company	Financial report Account	Number of shares/beneficiary certificates	Book value	Shares Ratio	Fair value	Remarks
Pan-International Industrial Corp.	Common share	Innolux Corporation	None.	Financial assets measured at fair value through other comprehensive income - Non-current	74,848,918	\$ 827,081	0.78	\$ 827,081	
Pan-International Industrial Corp.	Common share	Syntrend Creative Park Co., Ltd.	The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd.	Financial assets measured at fair value through other comprehensive income - Non-current	12,831,500	68,548	5.23	68,548	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	EASTSPRING INVESTMENTS ISLAMIC INCOME FUND	None.	Financial assets measured at fair value through income - Current	23,362	86	-	86	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG AIIMAN MONEY MARKET FUND I	None.	Financial assets measured at fair value through income - Current	540,584	2,067	-	2,067	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG USD CASH FUND	None.	Financial assets measured at fair value through income - Current	255,342	8,086	0.60	8,086	
Yann-Yang Investments Corp.	Common share	Lico Technology Corporation	None.	Financial assets measured at fair value through income - Non-current	3,400,000	-	2.73	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	UER HOLDINGS CORPORATION	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through income - Non-current	1,781,979	-	8.22	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	FSK HOLDINGS LIMITED	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	50,400,000	34,478	17.50	34,478	
PAN GLOBAL HOLDING CO., LTD.	B share	CYBERTAN TECHNOLOGY CORP.	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	28,498,993	822,248	16.87	822,248	

Pan-International Industrial Corp. and Subsidiaries
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.
December 31, 2022

Table 4

												Unit: NTD thousand (unless otherwise noted)		
			Transaction Details						Differences in transaction terms from those of general transactions and reasons		Note/Accounts Receivable (Payable)		Remarks	
Buyer/Seller	Related Party	Relation	Purchase (Sale)	Amount	Percentage over total purchase (sale)	Credit period		Unit Price	Credit period	Balance	Percentage over total notes and accounts receivable (payable)			
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 1,064,599	9	Monthly days T/T	90	No sale to other customers with no basis for comparison	No significant difference	\$ 623,025	18			
Pan-International Industrial Corp.	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,840,669	16	Monthly days T/T	90	No sale to other customers with no basis for comparison	No significant difference	822,526	24			
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	673,647	6	Monthly days T/T	90	No sale to other customers with no basis for comparison	No significant difference	213,027	6			
Pan-International Industrial Corp.	FIH (Hong Kong) Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	830,238	7	Monthly days T/T	90	No sale to other customers with no basis for comparison	No significant difference	182,941	5			
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd.	Other related parties	Sales	349,214	3	Monthly days T/T	90	No sale to other customers with no basis for comparison	No significant difference	142,108	4			
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	Subsidiary of the Company's indirect reinvestment	Sales	369,362	3	Monthly days T/T	120	No sale to other customers with no basis for comparison	No significant difference	43,221	1			
Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	5,151,125	47	Monthly days	90	A single supplier with no basis for comparison	No significant difference	(1,449,202 ) (	55)		
Pan-International Industrial Corp.	Pan-International Precision Electronic Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	1,021,693	9	Monthly days	90	A single supplier with no basis for comparison	No significant difference	(165,036 ) (	6)		
Pan-International Industrial Corp.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	938,490	9	Monthly days	90	A single supplier with no basis for comparison	No significant difference	(244,933 ) (	9)		
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,433,746	99	Monthly days T/T	60	No sale to other customers with no basis for comparison	No significant difference	639,744	100			
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties	Sales	2,052,186	26	Monthly 30 days	of	No sale to other customers with no basis for comparison	No significant difference	767,948	35			
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Foxconn Technology Co., Ltd	Other related parties	Purchase	1,492,187	21	Monthly days	90	A single supplier with no basis for comparison	No significant difference	(452,220 ) (	40)		
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Purchase	309,687	4	Monthly days	90	A single supplier with no basis for comparison	No significant difference	(64,207 ) (	6)		
Tekcon Electronics Corporation	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	874,419	89	Monthly days	120	A single supplier with no basis for comparison	No significant difference	(426,362 ) (	89)		
Pan-International Precision Electronic Co., Ltd.	Hong-qi Mechatronics (Anhui) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	318,194	18	Monthly days	90	No sale to other customers with no basis for comparison	No significant difference	187,364	37			
CJ Electric Systems Co., Ltd.	Chery Automobile Co., Ltd. Ordos Branch	Other related parties	Sales	218,301	7	Monthly 30 days	of	Negotiated Price is Adopted	No significant difference	-	-	Note 1		
CJ Electric Systems Co., Ltd.	Wuhu Chery Automobile Purchasing Co Ltd.	Other related parties	Sales	1,113,002	37	Monthly 30 days	of	No sale to other customers with no basis for comparison	No significant difference	-	-	Note 1		
Tekcon Huizhou Electronics Co., Ltd.	Huaian Fultong Trade Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	128,811	43	Monthly days	120	A single supplier with no basis for comparison	No significant difference	(148,152 ) (	70)		
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Fugion Material Technology (Shenzhen) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	204,295	5	Monthly days	90	Negotiated Price is Adopted	No significant difference	(73,770 ) (	8)		

Note 1: Listed as non-related party in September 2022

Pan-International Industrial Corp. and Subsidiaries
Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.
December 31, 2022

Table 5

Unit: NTD thousand (unless otherwise noted)								
Company Name	Related Party	Relation	Balance of accounts receivable from related parties (Note 1)	Turnover Rate	Overdue		Accounts receivable from related parties recovered after the period	Provision for bad debt
					Amount	Actions Taken		
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	\$ 213,027	2.83	\$ -	Payment received after the period	\$ 58,988	\$ 85
Pan-International Industrial Corp.	FIH (Hong Kong) Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	182,941	3.07	-	Payment received after the period	-	73
Pan-International Industrial Corp.	HONGFUJIN PRECISION ELECTRONICS (YANTAI) CO., LTD.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	822,526	3.54	25,540	Payment received after the period	-	329
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	A company that evaluates the Company by the equity method	623,025	2.34	-	Payment received after the period	-	249
Pan-International Industrial Corp.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the company by the equity method	105,147	6.17	3,157	Payment received after the period	10,985	42
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd.	Other related parties	142,108	2.65	-	Payment received after the period	40,096	57
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company	1,449,202	4.24	-	Payment received after the period	-	579
Pan-International Precision Electronic Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company	165,036	5.44	-	Payment received after the period	90,647	-
Pan-International Precision Electronic Co., Ltd.	Hong-qi Mechatronics (Anhui) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	187,364	3.40	8,210	Payment received after the period	39,448	75
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	639,744	2.18	-	Payment received after the period	29,237	256
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties	767,948	3.71	-	Payment received after the period	524,660	-

Note 1: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT\$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp. and Subsidiaries
Significant Inter-company Transactions during the Reporting Period
December 31, 2022

Table 6

							Unit: NTD thousand (unless otherwise noted)
Serial No. (Note 1)	Transaction Company	Counterparty	Relationship with the transaction parties (Note 2)	Description of Transactions (note 4 and note 7)			Percentage over consolidated total revenue or total assets (note 3)
				Account	Amount	Transaction Terms	
0	Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	1	Purchase	\$ 5,151,125	Note 6	20
0	Pan-International Industrial Corp.	Pan-International Precision Electronic Co., Ltd.	1	Purchase	1,021,693	Note 6	4
0	Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	1	Sales	369,362	Note 5	1
1	Pan-International Precision Electronic Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable	165,036	Note 6	1
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable	1,449,202	Note 6	6

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

- (1) Fill in 0 for the parent company.
- (2) Subsidiaries are numbered in sequence in each company type starting numerically from 1.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if a parent company discloses a transaction with a subsidiary, the subsidiary does not have to repeat the disclosure of the transaction; if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the transaction again):

- (1) Parent company with a subsidiary.
- (2) A subsidiary with the parent company.
- (3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NT\$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is monthly settlement 90 days.

Note 7: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT\$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp. and Subsidiaries
The name and location of the investee company and other relevant information (excluding investee companies in Mainland China)
January 1 to December 31, 2022

Table 7

Unit: NTD thousand (unless otherwise noted)											
Investor	Investor Company	Location	Main Businesses and Products	Original Investment Amount		Shares held as at end of the period			Net income (loss) of the Investee for current period	Investment gains and losses recognized in the current period	Remarks
				End of the period	End of last year	Shares	Ratio	Book value			
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD.	The British Virgin Islands	Holding company	\$ 3,472,484	\$ 3,472,484	\$ 12,220	100	\$ 10,654,946	\$ 955,410	\$ 955,410	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.	USA	Sale of electronic products	73,142	73,142	28,000	100	223,008	6,955	6,955	
Pan-International Industrial Corp.	Yann-Yang Investments Corp.	Taiwan	Investment company	363,997	363,997	33,316,236	100	202,762	3,803	3,803	
Yann-Yang Investments Corp.	Tekcon Electronics Corporation	Taiwan	Manufacturing and sale of connectors for electronic signal cables	393,898	393,898	21,960,504	83.58	193,989	4,580	3,828	
PAN GLOBAL HOLDING CO., LTD.	P.I.E. INDUSTRIAL BERHAD (PIB)	Malaysia	Holding company	42,840	42,840	197,459,985	51.42	1,939,301	474,418	243,946	Note 1
PAN GLOBAL HOLDING CO., LTD.	GREAT HAVEN HOLDINGS LTD. (GHH)	The British Virgin Islands	Holding company	-	612,775	-	100	-	7	7	Note 2
PAN GLOBAL HOLDING CO., LTD.	BEYOND ACHIEVE ENTERPRISE LTD. (BAE)	The British Virgin Islands	Holding company	294,816	294,816	9,600,000	100	687,937	38,813	38,813	Note 3
PAN GLOBAL HOLDING CO., LTD.	TEAM UNION INTERNATIONAL LTD. (TUI)	Hong Kong	Holding company	503,644	503,644	3,120,001	100	1,358,541	276,210	276,210	Note 4
PAN GLOBAL HOLDING CO., LTD.	EAST HONEST HOLDINGS LIMITED (EHH)	Hong Kong	Holding company	3,292,646	3,292,646	665,799,420	100	3,803,892	548,488	548,488	Note 5
PAN GLOBAL HOLDING CO., LTD.	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	646,000	646,000	20,187,500	16.93	529,010	(3,538)	(6,202)	
Tekcon Electronics Corporation	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	250,000	250,000	7,812,500	5.48	204,721	(3,538)	(2,401)	

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company's sub-subsidiary GHH was de-registered in November 2022.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Pan-International Precision Electronic Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries
Mainland China investment information - Basic information
January 1 to December 31, 2022

Table 8

Unit: NTD thousand (unless otherwise noted)													
Name of the investee in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investments (Note 2)	Cumulative outward remittance of investment amount from Taiwan at the beginning of the period	Investment Flows of current period		Cumulative outward remittance of the investment amount from Taiwan in the period end	Net income (loss) of the Investee for current period	% Ownership of Direct or Indirect Investment	Investment gains and losses recognized in the current period (Note 3)	Book value of the investment at the end of the period	Investment gains repatriated as of the end of the period	Remarks
					Outward	Inward							
Pan-International Precision Electronic Co., Ltd.	Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.	\$ 503,644	2	\$ 383,875	\$ -	\$ -	\$ 383,875	\$ 276,210	100	\$ 276,210	\$ 1,358,543	\$ -	Note 6
Fuyu Property (Shanghai) Co., Ltd.	Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above.	5,164,082	2	836,848	-	-	836,848	90,773	16.87	-	822,248	-	Note 8
New Ocean Precision Component (Jiangxi) Co., Ltd.	Manufacturing and operation of various types of plugs and sockets and telecommunications.	294,816	2	-	-	-	-	38,813	100	38,813	687,935	-	
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards	2,634,918	2	2,717,835	-	-	2,717,835	608,931	100	608,931	3,803,260	-	Note 4

Company name	The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 5 and 6)	Investment amount approved by the Investment Commission, MOEA	In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 7).
Pan-International Industrial Corp.	\$ 4,354,402	\$ 6,216,914	\$ -

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: The field of investment gains and losses recognized in the current period is recognized under the audited financial statements.

Note 4: In the first quarter of 2012, the company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 5: The following are the investment withdrawal cases approved by the Investment Commission, MOEA as of December 31, 2022:

Date	Approval letter No.	Investor Company	Original investment amount remitted from Taiwan	
September 5, 2003	0920028972	Dongguan Junwang Technology Co., Ltd.	USD	91 thousand
December 9, 2010	09900496780	Saibo Digital Technology (Guangzhou) Co., Ltd.		476 thousand
May 30, 2011	10000205680	Yunnan Saibo Digital Technology Co., Ltd.		190 thousand
May 30, 2011	10000205690	Chongqing Saibotel Digital Square Co., Ltd.		454 thousand
May 30, 2011	10000205700	Nanchong Saibo Digital Square Co., Ltd.		58 thousand
March 22, 2017	10600038030	UER Battery Technology (Shenzhen) Co., Ltd.		1,100 thousand
May 9, 2017	10630024870	Ganchuang International Trade (Shenzhen) Co., Ltd.		8,650 thousand
			USD	11,019 thousand

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 6: In November 2011, the Company was granted a document, IC(II) No. 10000518690 by the Investment Commission, MOEA, that approved the rescission of the unexecuted investment amount of US\$500 thousand for Pan-International Precision Electronic Co., Ltd. On October 30, 2014, the Company was granted a document, IC(II) No. 10300233110 by the Investment Commission, MOEA that approved the transferring of Cyberport Digital Tech (Qingdao) Co., Ltd. and 42 other companies to Le Zhiwan Ranch Holding Investment Ltd. (Samoa);

In March 2017, the Company was granted a document, IC(II) No. 10600038030 by the Investment Commission, MOEA that approved the rescission of unexecuted investment amount of US\$5.2 million for UER Battery Technology (Shenzhen) Co., Ltd..

Note 7: The Company received a letter from the Industrial Development Bureau, MOEA referenced Jing-Shou-Gong-Zi No. 10820432920 in December 2019 certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 31, 2022.

Note 8: The Company's subsidiary Pan Global Holding Co., Ltd. sold 16.87% of its-owned Class A shares of CYBERTAN TECHNOLOGY CORP. in the second quarter of 2021. The reinvestment business Fuyu Property (Shanghai) Co., Ltd. was indirectly disposed of. As of December 31, 2022, the Company indirectly held 16.87% of Class B shares of its reinvestment business Fuyu Property (Shanghai) Co., Ltd.

Pan-International Industrial Corp. and Subsidiaries
Information on major shareholders
December 31, 2022

Table 9

Name of major shareholders	Share	
	Number of shares held	Shares Ratio
Hon Hai Precision Industry Co., Ltd.	107,776,254	20.79%

- Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed dematerialized registration and delivery (including treasury shares).
The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.
- Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.
- Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).
- Note 4: Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have completed scriptless registration.
- Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).

VI. Any financial difficulties for the Company and its affiliated companies in the most recent year and as of the date of publication of the annual report, and their impacts on the Company's financial status: None.

Seven. Financial Status and Financial Performance Review Analysis & Risk Matters

I. Financial status:

Unit: NTD thousand

Item \ Year	2021	2022	Variation	
			Increase (decrease) amount	Percentage (%)
Current assets	18,307,396	19,250,709	943,313	5%
Property, plant, and equipment	2,152,912	2,686,495	533,583	25%
Intangible asset	36,218	37,072	854	2%
Other assets	143,240	458,423	315,183	220%
Total assets	24,322,424	25,404,503	1,082,079	4%
Current liability	9,832,739	10,172,734	339,995	3%
Non-current liabilities	395,770	462,402	66,632	17%
Total liabilities	10,228,509	10,635,136	406,627	4%
Share capital	5,183,462	5,183,462	0	0%
Capital surplus	1,503,606	1,503,606	0	0%
Retained earnings	6,796,708	7,597,205	800,497	12%
Other equities	(1,072,434)	(1,385,208)	(312,774)	29%
Equity attributable to the parent company	12,411,342	12,899,065	487,723	4%
Non-controlling interests	1,682,573	1,870,302	187,729	11%
Total equity	14,093,915	14,769,367	675,452	5%
<p>Note: Description of major changes in the project (please analyze and explain if the amount increase [decrease] ratio is over 20% and the amount exceeds 20 million NT dollars).</p> <ol style="list-style-type: none"> 1. Property, plant, and equipment: We have increased investment in production equipment and plant to meet customer order needs. 2. Other assets: Caused by bank financing and increased deposits. 3. Other equity interests: Changes arising from foreign currency exchange and valuation of financial assets. <p>The Company's financial status in the past 2 years has been good, and profits have maintained a growth trend. The Company will continue to monitor changes in various ratios and strictly control financial risks.</p>				

II. Financial Performance:

Unit: NTD Thousand

Item \ Year	2021	2022	Variation	
			Increase (decrease) amount	Percentage (%)
Operating revenue	24,226,194	26,257,340	2,031,146	8%
Operating cost	21,577,044	22,977,604	1,400,560	6%
Operating profit margin	2,649,150	3,279,736	630,586	24%
Operating expenses	1,266,945	1,458,504	191,559	15%
Operating profit	1,382,205	1,821,232	439,027	32%
Non-operating income and expenses	167,220	235,201	67,981	41%
Net income before tax	1,549,425	2,056,433	507,008	33%
Income tax expense	386,828	490,034	103,206	27%
Net income for the period	1,162,597	1,566,399	403,802	35%
Other comprehensive income (net)	503,389	(214,222)	(717,611)	-143%
Total comprehensive income in the current period	1,665,986	1,352,177	(313,809)	-19%

Note: Description of major changes in the project (please analyze and explain if the amount increase [decrease] ratio is over 20% and the amount exceeds 20 million NT dollars).

1. Gross operating profit: Due to the increase in the proportion of high-margin products in revenue.
2. Operating profit: Due to the substantial growth in operating gross profit.
3. Operating profit: Due to the substantial growth in operating gross profit.
4. Net profit before tax: The net profit before tax has grown significantly due to the growth of industry and non-industry profits.
5. Income tax expenses: Income tax expenses have increased accordingly due to the substantial growth in net profit before tax.
6. Net income for the period: The net profit increased significantly due to the growth of industry and non-industry profits.
7. Other comprehensive income (net): Caused by unrealized income in evaluating financial assets measured at FVTOCI.
8. Total comprehensive income for this period: Caused by unrealized income in the evaluation of financial assets measured at FVTOCI.

Due to the substantial increase in the proportion of high-margin products in the consolidated revenue this year, the profit growth has shown excellent results of 3 rates and 3 increases. The Company will continue to strive to increase the ratio of technology and maintain profit growth sustainability.

III. Cash flow:

1. Analysis of cash flow change for the this year:

Unit: NTD thousand

Item \ Year	2021	2022	Variation	
			Increase (decrease) amount	Percentage (%)
Operating activities	197,776	1,271,228	1,073,452	543%
Investment activities	(406,341)	(1,013,706)	(607,365)	149%
Fundraising activities	(963,441)	177,058	1,140,499	118%
Change analysis: 1. Operating activities: Due to the increase in operating profit. 2. Investment activities: Due to the substantial increase in capital expenditures. 3. Financing activities: Due to a substantial increase in short-term borrowings. The Company currently has sufficient self-owned funds and no liquidity risk. We will also actively create operating profits and maintain positive capital flow in the future.				

2. Improvement plan for insufficient liquidity: There is currently no cash shortage.

3. Cash liquidity analysis for the coming year:

Unit: NTD thousand

Cash balance at the beginning of the period (1)	Expected cash inflow for the entire year from operating activities (2)	Estimated annual cash outflow (3)	Estimated cash balance (deficiency) amount (1)+(2)-(3)	Remedial measures for estimated cash shortfalls	
				Investment Plan	Financing plan
6,713,571	1,334,789	1,536,650	5,971,710	—	—
Cash flow change analysis for 2023: 1. Operating activities: Improve product portfolio, increase revenue and profit, and generate cash inflow. 2. Investment activities: Continue to invest in equipment according to customers' demands and generate cash outflows. 3. Financing activities: Use short-term bank loans and repayments to pay cash dividends and short-term capital needs.					

IV. The impacts that major capital expenditures have on financial operations in the most recent year:

In response to customer demands and process optimization, capital expenditures have shown an upward trend in recent years, contributing to the Company's revenue and profits. However, the Company has had no major capital expenditures in recent years.

V. Reinvestment policy in the most recent the main reasons for its profit or loss, improvement plan, and investment plan for the coming year:

(I) Reinvestment policy for the most recent year:

To increase the revenue ratio of automotive products and accelerate entry into the automotive supply chain system, our recent reinvestment target will focus on the automotive (electric vehicle) electronic product industry supplemented by cross-industry alliances to increase product breadth and production capacity. The goal is to increase the proportion of high-margin products and improve profitability.

(II) Main reasons for the profit or loss of reinvestment in the most recent year:

In 2022, the Company recognized NT\$78,663 thousand in reinvestment income because the reinvestment company operated well and distributed cash dividends.

(III) Improvement Plan:

The Company has reviewed the reinvestment cases regularly to review whether the investment results have reached the original set goals, and modified the investment strategy and investment case evaluation model accordingly to ensure that future reinvestment cases can achieve the policy goals.

(IV) Investment plan for the next year:

Investment plans will be implemented according to the customer needs and capacity planning, the internal investment procedures, and the approval authority.

VI. Risk Item Appraisal

Risk Management Analysis

(I) The effects that interest rate, exchange rate fluctuations, and inflation have on the profits and losses of the Company as well as the future countermeasures.

1. The impact of interest rate changes:

To curb inflation, the central banks of Europe and the United States will continue to raise interest rates and maintain the interest rate rising trend. However, the Company's financial leverage ratio is low, and its interest expenses are relatively small. So the rise of interest rates has a limited impact on the Company's finances. However, in response to the gradually rising interest rates, the Company will strive to maintain a good relationship with financial institutions, flexibly use various financing tools, control interest costs and meet capital needs, and invest short-term idle funds in stable income financial products to increase interest income and reduce the risk arising from changes in interest rates.

2. The impact of exchange rate changes:

The Fed's interest rate hike will lead to a strong dollar, and the Ukrainian-Russian war and geopolitical competitions will lead to more intense exchange rate fluctuations in various regions. The Company's sales are denominated in USD, and the expense accounts are denominated in the local currency of the factory area. The sharp exchange rate fluctuations between the USD and various regional currencies will impact the report. Therefore, the Company will closely observe exchange rate fluctuations, refer to the professional financial institution recommendations, and adopt the corresponding hedging. Financial products will be operated to avoid any risks that exchange rate fluctuations have on the Company's profits.

3. The impact of inflation:

Global inflation is expected to remain at a high level due to factors such as the Ukrainian-Russian War, changes in the supply chain, and China's lifting of COVID restrictions. To prevent inflation from eroding profits, the Company will continue to pay close attention to the raw material market fluctuations caused by political and economic changes in various regions worldwide, maintain good relationships with customers, and adjust cost structure and sales strategies in a timely manner in order to reduce any impacts that inflation may have on the Company's profits.

(II) Policies for engaging in high-risk and high-leverage investments, fund loans to others, endorsements, and derivative products; main reason for profit or loss; and future countermeasures.

This Company has never engaged in high-risk or highly-leveraged investments. Financial loans to others, endorsement guarantees, and derivative commodity transactions will be handled in accordance with the relevant regulations established by the Company. At present, the Company and its affiliated companies have engaged in derivative commodity transactions only for exchange rate hedging operations related to foreign currency claims. The relevant operations are executed in accordance with the transaction processing procedures established by the Company, the results are regularly reviewed, and hedging strategies are regularly adjusted.

(III) Future R&D plans and anticipated investments in R&D expenses:

In the future, the Company will continue to focus on electric vehicle (EV) wiring harnesses, such as high-voltage wiring harnesses, high-voltage integrated line systems, high-frequency and high-speed wiring harnesses, industrial control and medical high-end wiring harnesses, customized PCBs, and other related products. We aim to increase R&D momentum to master key technologies and meet customer demands. R&D expenses are expected to reach 1%-2% of the annual revenue (about NT\$400-500 million), and we will gradually increase depending on market competition and customer demands.

- (IV) The effects that the key domestic and international policy and law changes have on the financial operations of the Company as well as the countermeasures.

The company always pays close attention to the political and economic changes, important policies, and legal updates in the region to comply with local laws and regulations and maintain normal operations. As of the publication date of this annual report, the Company has not experienced any significant impact on its financial businesses due to changes in important domestic and foreign policies and laws.

- (V) The effects that technological changes and industry changes have on the financial operations of the Company as well as the countermeasures.

The R&D Department of the Company will actively observe the changes in science and technology, study the possible impacts, and improve the quality and production processes to keep up with the leading trends. The Business Department works closely with customers to explore the industrial development direction and jointly develop new products. So there is little to no impact on the Company's finance and business.

- (VI) The effects that corporate image have on corporate crisis management and the countermeasures.

The Company adheres to the business philosophy of honesty and integrity, maintains a good corporate image, cares for the community environment, and invests in ESG-related project improvement. Our clients, suppliers, and outsiders have praised our operation and development efforts. There is no corporate image-related management crisis.

- (VII) Expected benefits, possible risks, and countermeasures for mergers and acquisitions.

The Company currently does not have plans for corporate mergers and acquisitions, but will review investment opportunities based on customer needs and market changes. If there are such plans in the future, a dedicated unit will make appropriate assessments and avoidance plans to determine the expected benefits and possible risks.

- (VIII) Expected benefits and possible risks of plant expansions as well as the countermeasures.

The Company currently has no plans for any major plant expansions. However, the Company will closely observe changes in the global economy, fully communicate with customers, and review production capacity settings dynamically. If there is any demand for plant expansion, a dedicated unit and related technical team will be assigned to conduct a professional feasibility assessment.

- (IX) The risks of concentrated procurement or sales as well as the countermeasures.

Except for its affiliates, the Company has no excessive procurement or sales concentration problem compared to that of its peers. However, the Company will continue to make more efforts to diversify customers and suppliers to prevent future risks.

(X) The effects and risks that large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the Company's shares have to the Company as well as the countermeasures.

The Company has no such situation.

(XI) The effects and risks that operating rights changes have to the Company as well as the countermeasures.

The Company has no operating rights change related situation.

(XII) Litigation or non-litigation events.

1. The Company and its affiliated companies have not experienced any major litigation, non-litigation, or administrative disputes in the last two years and as of the publication date of this annual report.
2. The directors, president, and substantive persons in charge of the Company have never been convicted or involved in a major litigation, non-litigation, or administrative dispute.
3. The 2022 Financial Report of Hon Hai Precision Industry Co., Ltd. (the Company's major shareholder holding over 10% of its shares) has been audited by CPAs. Hon Hai has been undergoing product patent disputes and other lawsuits. However, after the assessment, Hon Hai believes that such lawsuits have no significant impact on its business and financial status. Therefore, Hon Hai's impending lawsuits are assessed to have no significant effect on this Company's financial status.

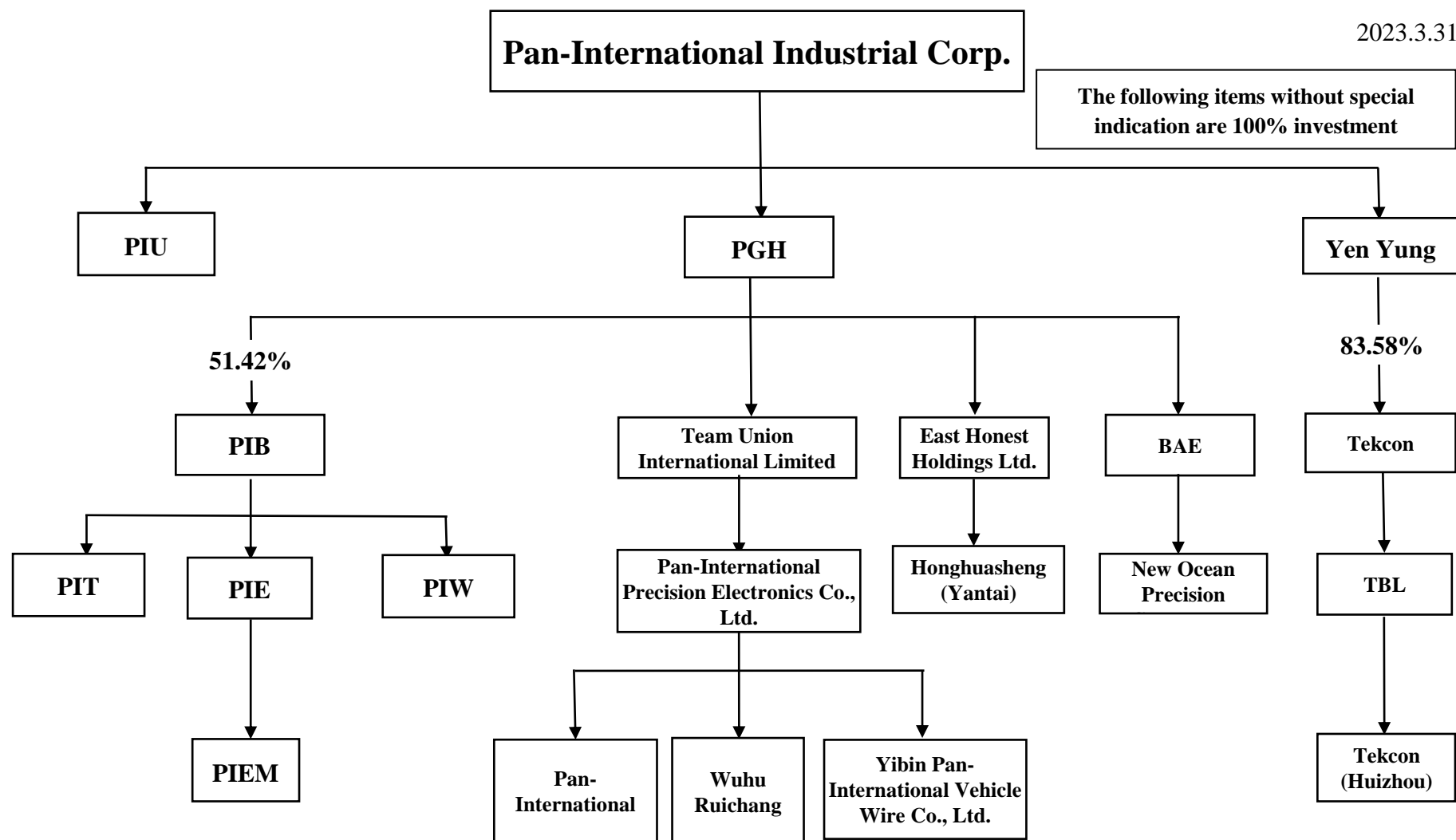
(XIII) Other important risks: None.

VII. Other material issues: None.

Eight. Special Record Items

I. Affiliated Enterprises Related Information

1. Affiliate organization chart:



2. Basic information of each affiliates

Unit: Thousand

Enterprise name	Date of establishment	Address	Paid-in Capital	Exchange rate in December 31, 2022	Main business or production items
PAN-INTERNATIONAL ELECTRONICS (USA) INC. (PIU)	1989/12/12	48008 Fremont Blvd., Fremont, CA 94538.	USD 2,800	30.71	Sales of connection cables and electronic products
PAN GLOBAL HOLDING CO., LIMITED. (PGH)	1995/07/19	Vistra Corporate Services Centre, Wickhams CayII, Road Town, Tortola, VG1110, British Virgin Islands.	USD121,594	30.71	Holding Investment Company
P.I.E. INDUSTRIAL BERHAD (PIB)	1997/03/21	Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia	MYR 76,808	6.9589	Holding Investment Company
PAN-INTERNATIONAL WIRE & CABLE (MALAYSIA) SDN. BHD. (PIW)	1989/01/26	Plot 6, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia	MYR 10,000	6.9589	Production and sales of electric cables
PAN-INTERNATIONAL ELECTRONICS (MALAYSIA) SDN. BHD. (PIE)	1989/01/26	Plot 4, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia	MYR 7,500	6.9589	Production and sales of connection cables and electronic products
PAN-INTERNATIONAL ELECTRONICS (THAILAND) CO., LIMITED. (PIT)	1990/08/21	12/1 Moo 9 Suwannasorn Road, Tambom Dong-Khi-Lek Amphur Muang Prachinburi Province 2500 Thailand	THB 50,000	0.8941	Production and sales of connection cables
PIE ENTERPRISE (M) SDN.BHD. (PIEM)	1996/08/24	Plot 4, Jalan Jelawat Satu, Seberang Jaya Industrial Estate, Seberang Jaya 13700 Prai, Panang, Malaysia	MYR 100	6.9589	Sales of connection cables and electronic products
BEYOND ACHIEVE ENTERPRISES LIMITED (BAE)	2002/10/21	Vistra Corporate Services Centre, Wickhams CayII, Road Town, Tortola, VG1110, British Virgin Islands.	USD 9,600	30.71	Holding Investment Company
TEAM UNION INTERNATIONAL LIMITED (TUI)	2008/03/19	Office 1222, 12 F., Leighton Center, 77 Leighton Rd., Causeway Bay, Hong Kong	HKD4,000	3.938	Holding Investment Company
Pan-International Precision Electronics Co., Ltd. (PDG)	1995/12/20	Xinlian Fenghuang Shan High-tech Industrial Zone, Humen Town, Dongguan City	USD 16,400	30.71	Production and sales of electric cables

Pan-International Sunrise Trading Corp.	2012/08/07	Old Plant 1 F., Gaoke 2nd Rd. & Gaoke 3rd Rd. intersection, Xinlian District, Humen Town, Dongguan City	RMB 3,000	4.408	Production and sales of electrical cables, computer accessories, wireless Bluetooth, Turnkey, etc.
Enterprise name	Date of establishment	Address	Paid-in Capital	Exchange rate in December 31, 2022	Main business or production items
New Ocean Precision Component (Jiangxi) Co., Ltd.	2010/09/19	Jian Nan Rd., Yichun Fengcheng City, Jiang Xi Province	USD9,600	30.71	Production and operation of various plugs, sockets, telecommunication systems, etc.
East Honest Holdings Ltd. (EHH)	2007/11/22	Office 1222, 12 F., Leighton Center, 77 Leighton Rd., Causeway Bay, Hong Kong	USD85,800	30.71	Holding Investment Company
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	2005/12/16	Yantai Economic and Technological Development Zone, No. 18 Chang Sha Avenue.	USD85,800	30.71	PCB production and assembly, etc.
Wuhu Ruichang Electric Systems Co., Ltd.	2004/12/15	No. 36 Fengminghu Road, Wuhu District, Anhui Free Trade Pilot Zone	RMB18,207	4.408	Manufacture and sales of automotive wiring harness products
Yibin Pan-International Vehicle Wire Co., Ltd.	2022/11/03	1-2-3 F., Plant No. 6, Sichuan Southwest Liansheng Communication Industrial Park, No. 98 Xintianwan Road, Lingang Economic and Technological Development Zone, Yibin City, Sichuan Province	RMB7,860	4.408	Auto parts and accessories, smart vehicle equipment manufacturing, etc.
Yen Yung International Investment Co., Ltd (Yen Yung Investment)	2000/05/04	7F., No. 101, Section 5, Roosevelt Rd., Wenshan District, Taipei City	TWD333,162	1.00	Holding Investment Company
Tekcon Electronics Corporation (Tekcon Electronics)	1984/11/20	2F., No. 4, Lane 95, Anxing Road, Xindian District, New Taipei City	TWD262,729	1.00	Production and sales of connection wires and connectors

3. Information on the same shareholders who are presumed to have control and affiliation relations:
None.

4. Industries covered by the overall affiliate enterprise businesses:

The business operated by the Company and its affiliates includes developing, manufacturing, and selling computers, electronics, communication systems, optoelectronic, and automotive products as well as their components such as terminals, various types of connectors, and connection wires with connectors.

5. Information on directors, supervisors, and president of affiliates

Enterprise name	Title	Name or representative	Unit: Share; %	
			Number of shares held	
			Shares	Ratio of shareholding
PAN-INTERNATIONAL ELECTRONIC (USA) INC. (PIU)	Director	Song-Fa Lu	0	0%
	Director	Feng-An Huang	0	0%
PAN GLOBAL HOLDING CO., LIMITED. (PGH)	Director	Feng-An Huang	0	0%
	Director	Shih-Hua Kuo	0	0%
	Director	Liu Yu-Chun	0	0%
P.I.E. INDUSTRIAL BERHAD (PIB)	Director	Lim Chien Ch'eng	0	0%
	Director	Chung-Ming Mei	10,000	0.003%
	Director	Kuo-Yi Lan	0	0%
	Director	Lee Cheow Kooi	0	0%
	Independent director	Koay San San	0	0%
	Independent director	Wong Thai Sun	0	0%
PAN-INTERNATIONAL WIRE & CABLE(MALAYSIA) SDN. BHD. (PIW)	Director	Chen Ming-Lung	0	0%
	Director	Yu-Zhen Liao	0	0%
	Director	Feng-An Huang	0	0%
	Director	Ming-Feng Tsai	0	0%
	Director	Wen-Ling Yu	0	0%
PAN-INTERNATIONAL ELECTRONIC (MALAYSIA) SDN. BHD. (PIE)	Director	Feng-An Huang	0	0%
	Director	Ming-Feng Tsai	0	0%
	Director	Wen-Ling Yu	0	0%
	Director	Law Tong Han	0	0%
PAN-INTERNATIONAL ELECTRONIC (THAILAND) CO., LIMITED. (PIT)	Director	Feng-An Huang	0	0%
	Director	Ming-Feng Tsai	0	0%

	Director	Lee Yu Hsien	0	0%
Enterprise name	Title	Name or representative	Shares	Ratio of shareholding
PIE ENTERPRISE (M) SDN.BHD. (PIEM)	Director	Chung-Ming Mei	0	0%
	Director	Cheah Heng Lye	0	0%
	Director	Feng-An Huang	0	0%
	Director	Ming-Feng Tsai	0	0%
	Director	Wen-Ling Yu	0	0%
BEYOND ACHIEVE ENTERPRISES LIMITED (BAE)	Director	Feng-An Huang	0	0%
TEAM UNION INTERNATIONAL LIMITED (TUI)	Director	Feng-An Huang	0	0%
Pan-International Precision Electronics Co., Ltd. (PDG)	Chairman	Ming-Feng Tsai	0	0%
	Director	Lin Tseng-Hsiang	0	0%
	Director	Shao-Hui Wu	0	0%
	Supervisor	Ku Chun-Tao	0	0%
Pan-International Sunrise Trading Corp.	Chairman	Huang-Hui Lee	0	0%
	Director	Di-Huang Wan	0	0%
	Supervisor	Ku Chun-Tao	0	0%
New Ocean Precision Component (Jiangxi) Co., Ltd.	Chairman	Yen-Chao Tsai	0	0%
	Director	Hsiang-Pei Chang	0	0%
	Director	Yi-Feng Lo	0	0%
	Supervisor	Ching-Chuan Chien	0	0%
East Honest Holdings Ltd. (EHH)	Director	Yu-Ching Sun	0	0%
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Chairman	Yu-Yuan Chen	0	0%
	Director	Keng-Jung Hsu	0	0%
	Director	Chu-Tsai Chen	0	0%
	Supervisor	Hsiao-Kuang Chen	0	0%
Wuhu Ruichang Electric Systems Co., Ltd.	Chairman	Ming-Feng Tsai	0	0%
	Director	Li Pin	0	0%
	Director	Shao-Hui Wu	0	0%
	Supervisor	Shu-Ming Chang	0	0%
Yibin Pan-International Vehicle Wire Co., Ltd.	Chairman	Yuan Feng-Hsiang	0	0%
	Director	Ti-Huang Wan	0	0%
	Supervisor	Shu-Ming Chang	0	0%

Enterprise name	Title	Name or representative	Shares	Ratio of shareholding
Yen Yung International Investment Co., Ltd	Chairman	Shih-Hua Kuo	0	0%
Tekcon Electronics Corporation	Chairman	Na-Hung Lin	0	0%
	Director	Shih-Yuan Cheng	0	0%
	Director	Chih-Hao Tai	0	0%
	Supervisor	Feng-An Huang	0	0%
	Supervisor	Wen-Ling Yu	0	0%

6. Affiliate operation status overview:

Enterprise name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Unit: NTD thousand	
							Current profit and loss (after tax)	Earnings per share/ NT\$
PAN-INTERNATIONAL ELECTRONICS (USA) INC.	85,988	290,035	67,027	223,008	436,773	9,365	6,955	Not applicable
PAN GLOBAL HOLDING CO., LTD.	3,734,137	10,745,750	90,803	10,654,947	0	(97,039)	955,410	Not applicable
P.I.E. INDUSTRIAL BERHAD	534,502	6,037,033	2,265,533	3,771,500	7,903,486	541,099	474,418	Not applicable
PAN-INTERNATIONAL WIRE & CABLE SDN. BHD.	69,589	852,140	166,502	685,638	1,688,505	103,362	148,619	Not applicable
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	52,192	5,207,799	2,237,815	2,969,984	6,227,317	341,215	295,615	Not applicable
PAN-INTERNATIONAL ELECTRONICS (TH) CO., LTD.	44,705	263,310	41,245	222,065	230,866	(9,907)	7,233	Not applicable
PIE ENTERPRISE (M) SDN. BHD.	696	24,305	0	24,305	0	(57)	6	Not applicable
BEYOND ACHIEVE ENTERPRISES LIMITED	294,816	687,937	0	687,937	0	0	38,813	Not applicable
TEAM UNION INTERNATIONAL LIMITED (TUI)	12,284	1,358,544	3	1,358,541	0	0	276,210	Not applicable
Pan-International Precision Electronics Co., Ltd.	580,742	1,828,433	469,547	1,358,886	1,810,549	116,065	276,210	Not applicable
Pan-International Sunrise Trading Corp.	13,224	338,731	202,999	135,732	772,216	11,568	3,243	Not applicable
New Ocean Precision Component (Jiangxi) Co., Ltd.	273,136	1,195,971	507,862	688,109	1,444,750	(24,027)	38,813	Not applicable
East Honest Holdings Ltd. (EHH)	2,634,918	3,803,892	0	3,803,892	0	(48)	548,488	Not applicable
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	2,952,656	5,594,228	1,790,006	3,804,222	5,159,050	689,396	608,931	Not applicable
Wuhu Ruichang Electric Systems Co., Ltd.	80,257	2,026,024	1,662,680	363,344	3,023,845	129,927	124,761	Not applicable
Yibin Pan-International Vehicle Wire Co., Ltd.	34,647	34,654	0	34,654	0	0	8	Not applicable
Yen Yung International Investment Co., Ltd	333,162	202,799	38	202,761	0	(38)	3,803	Not applicable
Tekcon Electronics Corporation	262,729	939,131	707,031	232,100	1,005,804	(3,614)	4,580	Not applicable

(II) Consolidated Financial Statement of Affiliates

Pan-International Industrial Corp. and Subsidiaries

Declaration of Consolidated Financial Statement of Affiliates

In 2022 (from January 1, 2022 to December 31, 2022), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

Your attention is requested

Pan-International Industrial Corp.

Responsible person: Song-Fa Lu

March 14, 2023

(III) Affiliated Enterprise Report: None

II. Private placement of securities during the most recent year or the current year up to the date of publication of the annual report: None.

III. The holding or disposal of Company shares by subsidiaries in the most recent year to the day this annual report was printed: None.

IV. Other Supplementary Information: None.

Nine. Other matters that have a significant impact on the shareholders equity or the securities prices:

There are no other matters that pose a significant impact on the shareholders equity or the securities prices in the most recent year and as of the publication date of this annual report.

Pan-International Industrial Corp.

Responsible person: Song-Fa Lu