

慧友電子股份有限公司 EverFocus Electronics Corp.

2022 ANNUAL REPORT

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

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Five. Name of the trading place where overseas securities are listed for trading, and inquiry method of the information of overseas securities: None.

Six. Website of the Company: <http://www.EverFocus.com>

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One. Letter to Shareholders

Ladies and Gentlemen:

Thank you very much for attending the 2023 Annual General Meeting of Shareholders of the Company. On behalf of the Board of Directors and the management team of EverFocus, I would like to express my greatest respect and gratitude to all shareholders. Since its establishment, EverFocus has been committed to developing image analysis technology to achieve greater success. With 27 years of development, today our products are available all over the world. This achievement is not only the result of generous support from all of you, but also the accomplishment from our commitment of "creating and winning together" to our employees and customers.

I hereby report the results of the Company's business performance for 2022, 2023 business plans and future development strategies:

I. 2022 Business Report

(I) Comparison of Operating Results

Standalone Financial Statements			Unit: NT\$ thousands	
Item	2022	2021	Amount increased (decreased)	Percentage increased (decreased)
Net operating income	294,081	416,893	(122,812)	(29.46)
Net operating margin	65,434	55,549	9,885	17.8
Net losses for the period	(79,939)	(33,577)	(46,362)	138.08

Consolidated Financial Statements:			Unit: NT\$ thousands	
Item	2022	2021	Amount increased (decreased)	Percentage increased (decreased)
Net operating income	332,309	450,145	(117,836)	(26.18)
Operating gross profit	94,728	96,904	(2,176)	(2.25)
Net losses for the period	(79,939)	(33,577)	(46,362)	138.08

(II) Financial income and expenditures and profitability analysis (Standalone)

Item		2022	2021	Discrepant value
Financial structure	Debt to assets ratio (%)	26.85	30.44	(3.59)
	Ratio of long-term capital to property, plant and equipment (%)	568.75	435.84	132.91
Solvency	Current ratio (%)	403.31	275.29	128.02
	Quick ratio (%)	279.69	212.92	66.77
Profitability	Return on assets (%)	(9.80)	(4.25)	(5.55)
	Return on equity (%)	(13.71)	(6.19)	(7.52)
	Profit margin (%)	(27.18)	(8.05)	(19.13)
	Earnings per share (NT\$)	(1.26)	(0.63)	(0.63)

Financial income and expenditures and profitability analysis (Consolidated)

Item		2022	2021	Discrepant value
Financial structure	Debt to assets ratio (%)	27.96	32.18	(4.22)
	Ratio of long-term capital to property, plant and equipment (%)	486.35	373.25	113.10
Solvency	Current ratio (%)	207.35	163.98	43.37
	Quick ratio (%)	139.15	125.94	13.21
Profitability	Return on assets (%)	(9.27)	(4.15)	(5.12)
	Return on equity (%)	(13.71)	(6.19)	(7.52)
	Profit margin (%)	(24.06)	(7.46)	(16.60)
	Earnings per share (NT\$)	(1.26)	(0.63)	(0.63)

(III) Budget

implementation: None. The Company has only set internal budget targets for 2022 and does not disclose financial projections to the public.

(IV) R&D Status:

We have excellent software and hardware R&D capabilities, and will continue to develop in-vehicle surveillance products in addition to our industrial PC products to differentiate ourselves from our competitors.

New product lines from INTEL and NVIDIA will bring new business opportunities to the industrial computer market and the surveillance industry with the development of deep learning machines that incorporate AI intelligent image recognition.

The implementation results of the product strategy:

1. Diverse Hardware Development Platform :

Our company not only focuses on developing Intel and Nvidia edge computing devices, but also starts to introduce NXP and TI Cortex-A/M low-power processors, which are suitable for applications with multiple IO serial ports and industrial transmission protocols. This enables us to have a more comprehensive product planning and layout, and through firmware integration, we can enter application fields such as smart healthcare, smart factory, and smart transportation.

2. Vehicle Industrial Computers:

Building on our professional vehicle monitoring MDVR/NVR product series, our company continues to develop features that are suitable for in-vehicle applications. In terms of hardware, we have strengthened our design to meet the wide temperature and voltage range required for vehicles, as well as incorporating a delay module for power-up. We have obtained certifications to meet vehicle standards. In terms of software, we provide a comprehensive in-vehicle software and hardware solution, including basic monitoring of passenger safety, vehicle driving record, and extended monitoring of driver behavior. Our solution is used for data collection, processing, analysis, and control, to achieve vehicle automation, intelligence, and connectivity.

3. Image-based software and hardware integration solution:

Our company has been focusing on image technology for over 25 years, familiar with efficient image processing hardware and application software, and cloud service integration, forming a three-layer architecture image solution. It is divided into the image source acquisition layer, image processing layer, and service platform interface layer. The source acquisition layer integrates signal and data from cameras, sensors, and other sources. The image processing layer performs image data processing and storage, including image compression, restoration, recognition, etc., to ensure the integrity and reliability of image data. Finally, the service platform interface layer uses products from EverFocus to transfer image data to third-party platforms or applications, such as fleet management, remote control, video conferencing, etc. EverFocus's image solution can manage the entire process from image

acquisition to application services, making it more convenient, efficient, and secure for customers to use.

4. IOT Architecture and Management Platform:

Based on our proprietary vehicle management system Xfleet, we continuously research and develop platform basic modules to integrate different IoT technologies and functions, achieve collaborative work of IoT devices, centralized management of data, and development and deployment of applications, thereby improving the efficiency, security, and scalability of IoT systems. We also develop big data platforms such as smart cities, smart hospitals, and smart car information systems.

5. AI Image Recognition Software and Application Environment:

Our company's AI image recognition utilizes techniques such as machine learning and deep learning, enabling computers to automatically analyze and recognize objects, actions, and situations in images. This includes edge computing for cameras, industrial computers, and back-end server recognition and analysis systems, allowing for intelligent monitoring and management of specific scenes and environments. The applications for this type of software are very broad, especially in the fields of security monitoring, road safety, smart transportation, and technology law enforcement, with significant value for their application.

6. Complex and large-scale vehicle early warning system (car recorder and ADAS) :

Our company's integrated ADAS and 16-1 driving recorder system for large commercial vehicles utilizes image recognition technology to provide drivers with multiple safety monitoring and driving assistance functions, including lane departure warning, forward collision warning, tire pressure monitoring, alcohol lock, blind spot detection, 360-degree surround view, and fatigue driving detection. During driving, the 16-1 driving recorder automatically records driving information, capturing driver behavior and vehicle incidents for evidential purposes. The Huiyou intelligent vehicle system can enhance driver safety, reduce traffic accidents, and help drivers develop good driving habits. It is a necessary equipment for commercial vehicle safety.

II. 2023 Business Plan

(I) Business policy

In terms of technology research and development, our company will continue to invest in R&D and technological innovation to maintain its competitive edge. With the widespread adoption of technologies such as artificial intelligence, the Internet of Things, and 5G, we will strengthen our research and development efforts in these areas.

Regarding business expansion, our company will continue to focus on the five major vertical markets - smart surveillance, smart transportation, smart retail, smart campus, and smart medical. This year, we will seek new opportunities and suitable partners in these target markets.

(II) Important production and sales policies

Under the trend of AI-IoT, our company is actively transforming and developing the industrial computer industry. We are also implementing differentiated marketing strategies for our existing industrial computer customer base. In addition to continuing to develop the existing EMV (SOC) series products in the commercial vehicle market, our company is also focusing on two major products, eIVP (Intel) and eNVP (Nvidia), as well as developing the "digital driving recorder" (EMV-ODF series) in compliance with government regulations for road safety. We will continue to aggressively capture the commercial vehicle market.

III. Long-term development strategy

The Company's mission since its establishment has been to develop image analysis technology that creates a brighter vision, and to become a domestic manufacturer offering its own brand in surveillance. The Company has been striving to transform itself into an industrial computer manufacturer with the specialty in vehicle surveillance, providing video streaming AIoT solutions in industrial computer field instead of the traditional surveillance system. By combining with other industrial computer manufacturers, we embrace the Internet of Things and follow the industry leaders Intel and Nvidia to provide products and video edge computing solutions in the field of industrial

control and video computing that are different from the red supply chain. The Company has successfully positioned itself in new markets such as smart medical, smart retail, smart transportation and smart surveillance by leveraging its imaging expertise to develop multiple, high-margin products in these five vertical markets. Despite the severe challenges in the external environment, EverFocus continues to work diligently to accelerate its transformation and strengthen its innovation and R&D capabilities to create a sustainable competitiveness. As we look forward, AI, 5G and edge computing are the key to the future. EverFocus plans to integrate the industrial companies in the group to enter the Intel and Nvidia platform supply chains and to create new business opportunities to move towards the smart surveillance business.

IV. Effect of external competition

The external security market is becoming increasingly competitive. Not only the existing European, American and Japanese brands, but also the new competitors from Korea and China. The technology is constantly evolving, and new products are being developed rapidly. In response to such a complex and unpredictable environment, we are actively transforming towards digitization, intelligence, networking, integration and centralized surveillance to meet our customers' market needs. We will work with our customers to create differentiated market opportunities and actively transform EverFocus from a traditional CCTV product manufacturer to a global AIoT smart surveillance platform that provides total services and solutions to meet the customer's demands for multi-functional applications, in order to accelerate the development of smart surveillance technology for industrial control.

V. Effect of the legal environment and the overall business environment

The Company's internal manager, financial accountants, stock affairs and internal auditors are always aware of any domestic or foreign policies and regulations that may affect the financial and operations of the Company, and are always able to keep track of important policy and law updates. We also cooperate with an accounting firm and legal advisors constantly for real-time advice, so that we can keep up with the changes in the legal environment and comply with the law promptly.

Although EVERFOCUS Operations is currently experiencing accumulated losses, overall, the security industry remains a promising sector with growth potential. We have subsidiaries in the United States, Japan, China, and other countries to facilitate the dissemination of internal market information and ensure timely understanding of market and customer dynamics. This allows us to provide prompt and efficient services, actively offer solutions, and meet customer needs, thereby enabling us to make sound operational decisions

In recent years, although impacted by the pandemic, our company has focused on the domestic market and achieved good results in intelligent transportation and smart campus. We have also actively developed other products and solutions to meet the ever-changing needs of our customers. We are committed to improving corporate governance, environmental sustainability, and maintaining the long-term development and financial stability of the company. We will continue to maintain stable finances and pursue innovation to bring better returns to investors and customers.

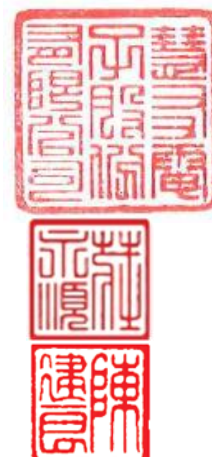
I wish to all our shareholders

Stay healthy and all the best!

EVERFOCUS ELECTRONICS CORP.

Chairman & President: Yung-Shun Chuang

Accounting Officer: Johnson Chen



Two. Company Profile

I. Company Profile

(I) Date of incorporation: July 18, 1995

(II) Company profile:

1995	<ul style="list-style-type: none"> • Founded in 8F-4, No. 79, Sec. 1, Xintai 5th Rd., Xizhi District, New Taipei City with a share capital of NT\$7 million. • Successfully developed and launched 1/3" Color Camera in Taiwan. • Developed and launched color quad processor.
1996	<ul style="list-style-type: none"> • Increased cash capital by NT\$5 million, resulting in total paid-in capital of NT\$12 million. • Set up a subsidiary in the United States with an investment amount of NT\$1.39 million. • The Company acquired 5F-5, No. 79, Sec. 1, Xin Tai 5th Road, Xizhi City for the purpose of business expansion. • Successfully developed Mini Case Color Quad Processor.
1997	<ul style="list-style-type: none"> • Increased capital by NT\$80,320,000 from cash and NT\$5,680,000 from retained earnings, resulting in total paid-in capital of NT\$98,000,000. • Introduced corporate directors. • Successfully developed 1/3" Color CCD Digital Controlled Camera.
1998	<ul style="list-style-type: none"> • Increased capital by NT\$9,800,000 from retained earnings and NT\$1,383,530 from employee bonuses, resulting in total paid-in capital of NT\$109,183,530. • Certified by ISO 9002. • Invested in Yung Jun, as the sales office in China. • Set up a subsidiary in Germany as the sales office in Europe. • Successfully developed 4 & 8 Channel Color Mutiplexer.
1999	<ul style="list-style-type: none"> • Invested in EverFocus International Corp., a BVI company, to develop business globally. • Set up a Sub-subsiary company in Hong Kong as the sales office in Southeast Asia. • List in Excellent Exporters. • Established the VAD business segment to develop online surveillance products. • Won the 8th Taiwan Excellence Award. Increased the capital by NT\$53,499,930 from retained earnings, NT\$6,958,000 from employee bonuses, and NT\$10,358,540 from cash; resulting in the total paid-in capital of NT\$180,000,000. The public offering was completed and the turnover was NT\$483,980,000.
2000	<ul style="list-style-type: none"> • We have successfully developed a digital frame compressor with multi-processing and multi-screen display and a high resolution multi-functional digital signal processing camera. • Increase capital by NT\$50,400,000 from retained earnings, NT\$7,115,000 from employee bonuses, and NT\$3,600,000 from capital surplus, resulting in total capital of NT\$241,115,000. • Won the 3rd Rising Star Award. • Won the eighth place (profit) and tenth place (revenue) of the 100 fastest growing companies in the country by the Commonwealth Magazine.
2001	<ul style="list-style-type: none"> • The stock was officially listed and traded on OTC on March 16. • EDR1600 won the 3rd MIT Excellent Award in Safety Equipment. • Certified by ISO 9001:2000. • Increase the capital by NT\$48 million from cash, NT\$60,278,750 from retained earnings and NT\$9,190,000 from employee bonuses, resulting in total capital of NT\$358,583,750. • In order to expand the business and meet the future development plan, the Company purchased the office on the 12th floor, No. 79, Section 1, Xintai 5th Road, Xizhi City, and moved in on August 13.
2002	<ul style="list-style-type: none"> • Digital color outdoor HD camera EZ300 won the "10th Taiwan Excellence Award". • The PowerPlex EDR400 won three awards: the 10th Taiwan Excellence Award, the 4th MIT Excellent in Safety Equipment and the SecuTech Innovative Product Award. • Set up a subsidiary in Japan in March. • Increase in capital by NT\$89,645,940 from retained earnings, NT\$13,661,940 from employee bonus, NT\$35,858,370 from capital surplus, resulting in total capital of NT\$497,750,000.
2003	<ul style="list-style-type: none"> • Color Anti-explosion Dome Camera EHD350 won the 11th Taiwan Excellence Award. • EDSR100 won the 11th Taiwan Excellence Award. • The company was honored with the first Golden Root Award. • EDSR100 won the 3rd "2003 SecuTech Award - Innovative Technology Products Online Voting". • Officially traded on TWSE on August 25 from TPEx. • The Company's capital was increased NT\$99,550,000 from retained earnings, NT\$16,855,000 from employee bonuses, and NT\$29,865,000 from capital surplus, resulting in a total capital of NT\$644,200,000.
2004	<ul style="list-style-type: none"> • WDR Camera EQ600 won the "SecuTech Expo 2004 Taipei International Security Technology Expo - Innovative Technology Award for Security Equipment". • Color Explosion-Proof Dome Camera with IR Function EHI350 won the 12th Taiwan Excellence Award and the 4th "SecuTech Award - 2004 Innovative Technology Products Online Voting". • 16-channel Real-Rime Digital Video Recorder (DVR) EDR1680 won the 12th Taiwan Excellence Award. • 4-channel Real-Time Digital Video Recorder for Vehicles EDSR400M won the 12th Taiwan Excellence Award. • The Company's capital is increased NT\$109,483,400 from retained earnings and NT\$19,996,600 from employee bonuses, resulting in a total capital of NT\$772,600,000.
2005	<ul style="list-style-type: none"> • 530TVL Low-noise HDTV camera EQ550 won the 6th "2006 SecuTech Award - Innovative Technology Products Online Voting". • 16-channel Real-Rime Digital Video Recorder (DVR) EDR1680 won the 5th "2005 SecuTech Award - Innovative Technology Products

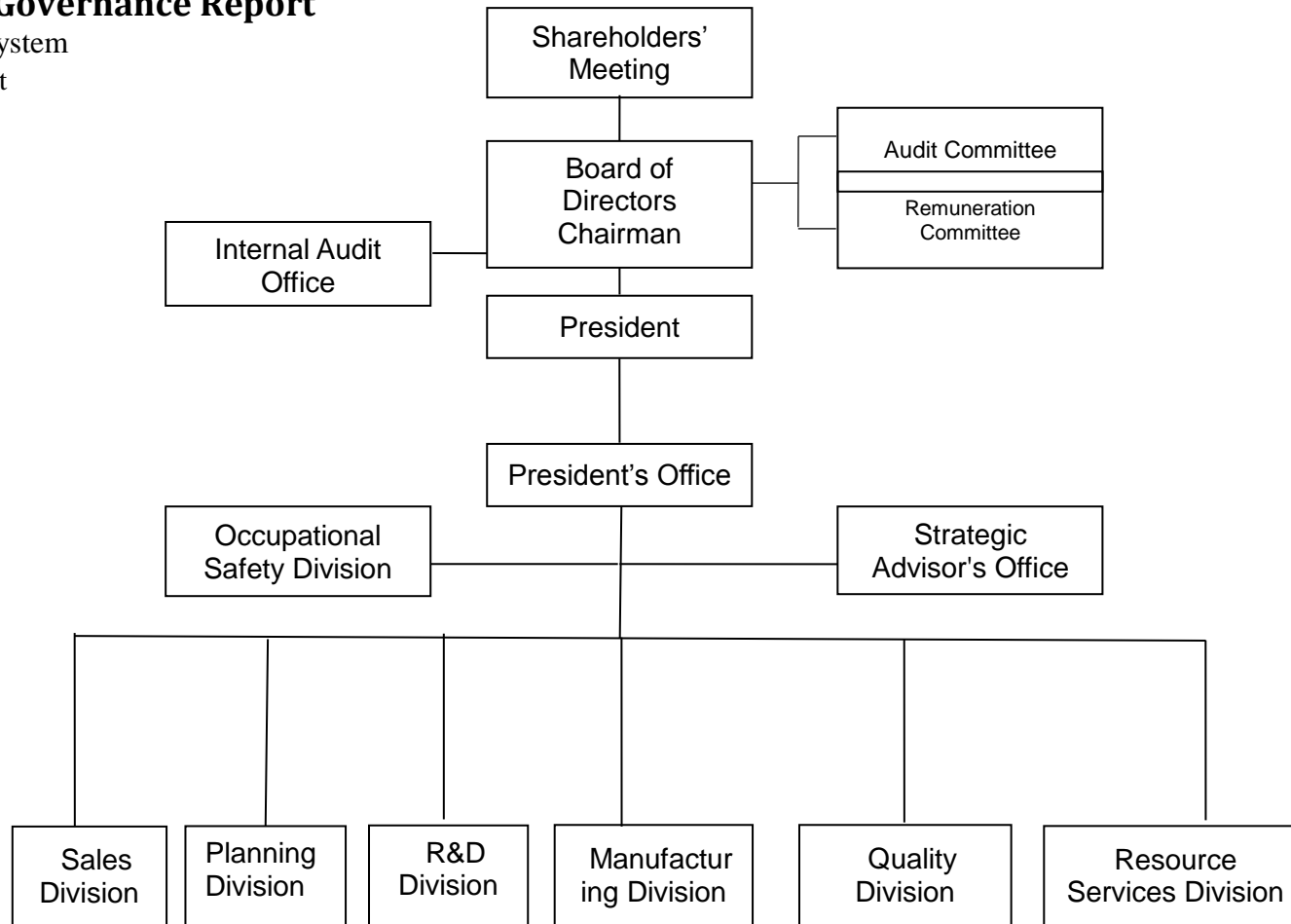
	<p>Online Voting".</p> <ul style="list-style-type: none"> Increased the capital by NT\$154,520,000 from retained earnings and NT\$21,760,000 from employee bonuses, resulting in total capital of NT\$948,880,000.
2006	<ul style="list-style-type: none"> 530TVL HDTV camera EQ550 won the best popularity award from A&S Magazine Internet Poll. Won the sixth place in the surveillance camera category of "Distributor's Choice for Taiwan Brand Image" by A&S magazine. Won the 2nd place in the surveillance DVR category of "Distributor's Choice for Taiwan Brand Image" by A&S magazine. Increased the capital by NT\$75,910,400 from retained earnings and NT\$10,716,600 from employee bonuses, resulting in total capital of NT\$1,035,507,000.
2007	<ul style="list-style-type: none"> Ranked 25th in the Top 50 Global Security Companies by A&S Magazine. Ranked No. 1 in the Taiwanese Security Companies by A&S Magazine. The EDVR series won the most popular award in A&S Magazine online poll. Winner of the 5th Taiwan Excellent Brand Award organized by the Bureau of International Trade, Ministry of Economic Affairs. Increased capital of NT\$27,100,000 from retained earnings and NT\$15,004,000 from employee bonuses, resulting in total capital of NT\$1,071,221,000.
2008	<ul style="list-style-type: none"> Ranked 19th in the Top 50 Global Security Companies by A&S Magazine. Ranked the 8th in the Security Companies in Asia by A&S Magazine. Ranked 9th in DVR market by IMS Research (Americas). EZN850 Outdoor Infrared IP Camera won the 2008 Taiwan Excellence Award. In September, the Ministry of the Interior approved the establishment of the "EverFocus Foundation". Increased capital of NT\$31,356,630 from retained earnings and NT\$19,920,370 from employee bonuses, resulting in total capital of NT\$1,122,498,000.
2009	<ul style="list-style-type: none"> Ranked 20th in the Top 50 Global Security Companies by A&S Magazine. Ranked the 10th in the Security Companies in Asia by A&S Magazine. EPN3600 H.264 Smart Tracking Fast Dome IP Camera won the 18th Taiwan Excellence Award. ELR DVR won the "Most Popular Product Award" in surveillance product category at 2009 A&S North, Central and South Exhibition. Certified by ISO 14001. Increased capital of NT\$20,729,960 from retained earnings, resulting in total capital of NT\$1,143,227,960.
2010	<ul style="list-style-type: none"> Set up a subsidiary in India as a sales office in South Asia. Set up a subsidiary in UK as a sales office in European. <ul style="list-style-type: none"> Ranked 23rd in the Top 50 Global Security Companies by A&S Magazine. Ranked the 11th in the Security Companies in Asia by A&S Magazine. Received the 19th Taiwan Excellence Award for the Paragon HD 8-CH HD-SDI DVR. Paragon HD DVR won the Most Popular Product Award in Safety Product category at 2009 A&S North, Central and South Exhibition Reduce the capital by NT\$26 million from treasury stock, resulting in total capital of NT\$1,117,227,960.
2011	<ul style="list-style-type: none"> Ranked 18th in the Top 50 Global Security Companies by A&S Magazine. Ranked the 10th in the Security Companies in Asia by A&S Magazine. Received the 20th Taiwan Excellent Award for ENDEAVOR HD+SD DVR (EDR HD-4H4) and 8CH HD+SD Hybrid DVR. Increase the capital by NT\$97,850,510 from capital surplus, resulting in total capital of NT\$1,215,078,470. Reduce the capital by NT\$30 million from treasury stock, resulting in total capital of NT\$1,185,078,470.
2012	<ul style="list-style-type: none"> Ranked 27th in the Top 50 Global Security Companies by A&S Magazine. Received the 21st Taiwan Excellence Award for: EPN4200 Fast Dome IP camera. Awarded the Best HD-SDI Camera in the HD Surveillance Equipment Competition at the 15th SecuTech Expo: EQH5202 HDcctv HD Gun Camera. Awarded the Best DVR in the HD Surveillance Equipment Competition at the 15th SecuTech Expo: EDR HD-4H4 8-ch HD+SD hybrid DVR. PARAGON HD DVR 8-ch H.264 HD-SDI won the "Most Popular Product Award" in surveillance product category at the 2012 North, Central and South Exhibition ECOR264-4X1 4-channel ECOR264 H.264 was awarded "BENCHMARK RECOMMENDED" by British BENCHMARK magazine in 2012.
2013	<ul style="list-style-type: none"> In December, EVERFOCUS ELECTRONICS LIMITED filed a liquidation petition with the local court. EverFocus Yuanhua (Shanghai) Co., Ltd. completed the cancellation of registration in October. Ranked 28th in the Top 50 Global Security Companies by A&S Magazine. Received the 22nd Taiwan Excellence Award for four products: <ol style="list-style-type: none"> Genie-XMS Integrated System (the first time that the Company won an award for its integrated system). Vehicle Surveillance Integrated System (EMV1600+EMN2320+EMW330T) (the first time the Company won an award for an integrated solution). EAN3300 3 Megapixel Gun IP Camera. EHN3261 2 Megapixel Auto Focus Infrared Night Vision Dome IP Camera. EAN3300 3.0 Megapixel Gun IP Camera won the Best IP Camera at the 16th SecuTech Expo.
2014	<ul style="list-style-type: none"> EverFocus (Hong Kong) was liquidated and the cancellation of registration was completed in January. THI EVERFOCUS HOLDING LIMITED completed the cancellation of registration in May. EVERFOCUS INTERNATIONAL CORPORATION (B.V.I) completed the cancellation of registration in August. Ranked 30th in the Top 50 Global Security Companies by A&S Magazine. ENVR8304E 8-ch 1080p plug-and-play NVR won the Best NVR at the 17th SecuTech Expo
2015	<ul style="list-style-type: none"> Reduced the capital by NT\$30 million from treasury stock, resulting in total paid-in capital of NT\$1,155,078,470.
2016	<ul style="list-style-type: none"> 2016 Taiwan Excellence Award: 12-channel car DVR. Sidekick network camera helper won the 2016 Taiwan Excellence Award.

2017	<ul style="list-style-type: none"> • 2017 Taiwan Excellence Award: ESN41 FHD Surveillance System
2018	<ul style="list-style-type: none"> • 2018 Taiwan Excellence Award: 4-channel 1080p Full HD Real-Time Digital Video Recorder for Vehicles (EMV400S FHD). • 32-ch 4 HDD EPRO NVR 32 won the 2018 Taiwan Excellence Award. • EZN7221 Star Light Outdoor IR Bullet Ultra Low Light Network Camera won the 2018 Taiwan Excellence Award. • EZN7360 Star Light Outdoor IR Bullet Ultra Low Light Network Camera won the 2018 Taiwan Excellence Award • EMV1200 12-channel FHD Digital Video Recorder for Vehicles won the 2018 Taiwan Excellence Award. • Ranked 47th in the Top 50 Global Security Companies by A&S Magazine.
2019	<ul style="list-style-type: none"> • Ranked 46th in the Top 50 Global Security Companies by A&S Magazine.
2020	<ul style="list-style-type: none"> • Winner of 2020 Taiwan Excellence Award: Intel Gen7 Core i7-7600U Car DVR (eIVP-KBU-IV-V0008) • Winner of 2020 Taiwan Excellence Award: 4-ch 1080p FHD All in One (EMV407_TD) • Ranked in the Top 50 Global Security Companies. • Received the TAICS certification. • EverFocus becomes NVIDIA Preferred Partner to create a win-win market • 7 industrial computers and accessories from EverFocus receive Microsoft® certification
2021	<ul style="list-style-type: none"> • EverFocus Electronics becomes a Gold Member of Intel® IPA and starts the technology cooperation with Intel • EverFocus's VANGUARD II Series XVR is in compliance with the U.S. National Defense Authorization Act (NDAA)
2022	<ul style="list-style-type: none"> • EverFocus Electronics Product: Smart Electronic Rearview Mirror Wins the 2023 Taiwan Excellence Award. • EverFocus Electronics becomes a Gold Member of Intel® IPA and starts the technology cooperation with Intel

Three. Corporate Governance Report

I. Organizational system

1. Organization chart



2. Major corporate functions

Divisions	Functions and Duties
President's Office	Provide overall strategic planning, assist the staff in all departments of the Company to perform their duties properly and ensure the correctness of their work in order to improve organizational effectiveness; take charge of the planning, evaluation and counseling of the management system.
Strategic Advisor's Office	Assist in the development of corporate strategies and performance management, setting goals, scheduling, supervising, keeping track of corporate improvement progress, making analysis and suggestions for improvement.
Office of Internal Audit	Conduct audits, response to abnormalities and make recommendations for improvement on the implementation of the internal control system and accounting system for each department.
Occupational Safety Division	Prepare, plan, supervise and promote the matters related to safety and health management of the Company.
Sales Division	In charge of sales and marketing for customers worldwide and in emerging markets; also, providing marketing and sales services for EVERFOCUS brand, promote products and provide technical support, etc. to customers
Planning Division	Responsible for new product planning, design, development schedule management, product and system integration, and global customer technical services.
R&D Division	Coordinate IP system, DVR/ENVR/MDVR/CMS related product development, product planning, design, developing schedule control, and providing product and system integration solutions.
Manufacturing Division	In charge of the procurement planning and implementation for raw materials used in manufacturing process, and adjusting strategies in line with the industry trend. Take charge of the production specification, production technology, implementation of production order, quality control, warehouse management, production planning, and material planning,etc.
Quality Division	Develop quality assurance operation plans, make and revise quality handbooks and ensure the implementation, provide after-sales maintenance, analysis of customer complaints....., etc. to ensure the stability of product quality and the normal operation.
Resource Services Division	Coordinate IT application development, maintenance and services, network services and IT security management, etc.
	In charge of finance, accounting, taxation, stock affairs and administrative work, etc.
	Corporate strategy communication, human resources assessment, allocation, training, performance management, human resources related operational management, general affairs and administrative work.

II. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(I) Information on directors and supervisors

1. Information on directors:

April 16, 2023

Title	Nationality or place of registration	Name	Gender Age distribution	Date elected (appointed)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares currently held by spouse and minors		Shares held by third parties		Education and experience	Concurrent positions at the Company and other companies	Other officers, directors, or supervisors of the Company who is a spouse or a relative within the second degree of kinship			Remark
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
Chairman	ROC	Yung-Shun Chuang	Male 71-80	2021.07.01	3 years	2018.06.14	2,538,909	3.73	10,655,686	15.95	0	0	0	0	<ul style="list-style-type: none"> Chairman, AAEON Technology Inc. Honorary Doctorate of Engineering, National Taiwan University of Science and Technology 	<ul style="list-style-type: none"> Chairman, EVERFOCUS JAPAN CORP. Chairman, EverFocus Electronics (ShenZhen) Co., Ltd. Chairman, EVER FOCUS ELECTRONICS CORP. President, EVERFOCUS ELECTRONICS CORP. Please see (Note 1) for other concurrent positions. 	None	None	None	(Note 3)
Director	ROC	Hui-Ming Tsao	Female 61-70	2021.07.01	3 years	2002.6.13	2,277,037	3.34	1,707,541	2.56	3,971,485	5.95	0	0	<ul style="list-style-type: none"> President, EVERFOCUS ELECTRONICS CORP. Master, Department of Electrical Engineering, National Taiwan University 	<ul style="list-style-type: none"> Director, EVERFOCUS JAPAN CORP. Chairman, EVERHIGHLIGHT TECHNOLOGY CORP. 	None	None	None	
Director	ROC	LCL CAPITAL INC.	Not applicable	2021.07.01	3 years	2018.6.14	4,806,260	7.06	3,768,021	5.64	0	0	0	0	None	<ul style="list-style-type: none"> Director, COLLINS CO., LTD. Director, GLAC BIOTECH CO., LTD. Director, Bioengine Technology Development Inc. 	None	None	None	
	ROC	Representative Ching-Kun Chen	Male 61-70	2021.07.01	3 years	2011.11.28	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> Master, Department of Management Science, National Chiao Tung University Passed the CPA Exam Instructor, Department of Finance, Tamkang University 	<ul style="list-style-type: none"> Partner, Jar Shin CPAs Director (Corporate Representative), COLLINS CO., LTD. Independent Director and Member of Remuneration Committee, ALLIED BIOTECH CORP. 	None	None	None	
	ROC	Representative Chieh-Hsi Li	Male 41-50	2021.07.01	3 years	2021.01.05	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> Ph.D. in Information Engineering, University of Southern California, USA 	<ul style="list-style-type: none"> CEO, COLLINS CO., LTD. CEO, THROUTE Corporation 	None	None	None	
Independent director	ROC	Hsu-Nan Huang	Male 61-70	2021.07.01	3 years	2018.06.14	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> Ph.D., College of Management, National Chiao Tung University Ming Chuan University 	<ul style="list-style-type: none"> For other concurrent positions, please see (Note 2) 	None	None	None	
Independent director	ROC	Hsueh-Yu Lo	Male 61-70	2021.07.01	3 years	2014.6.12	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> Chairman, Grand Fortune Securities President, Grand Fortune Securities Executive VP, TAIWAN INTERNATIONAL SECURITIES CO.,LTD. Master, Department of Accounting and Information Technology, National Chung Cheng University 	<ul style="list-style-type: none"> Director, Welldone Company Independent director, member of Audit Committee and member of Remuneration Committee, HONG TAI ELECTRIC INDUSTRIAL CO.,LTD. 	None	None	None	
Independent director	ROC	Chen-An Li	Male 51-60	2021.07.01	3 years	2021.07.01	20,000	0.03	18,629	0.03	0	0	0	0	<ul style="list-style-type: none"> Master, Institute of Business Automation and Management, National Taipei University of Technology Vice President, Manufacturing Center, LITEMAX ELECTRONICS INC. 	-	None	None	None	

(Note 1) Concurrently serves as the Chairman of the Board for the following companies: AAEON Technology Inc., ONYX Healthcare Inc., AAEON TECHNOLOGY (SU ZHOU) INC., Onyx Healthcare (Shanghai) Inc., Yen You Investment Co., Inc., Yen Xin Investment Co., Ltd., Chang Yang Technology Co., Ltd. and Fu Li Investment Co., Ltd. Concurrently serves as the Board Director for the following companies: AAEON Electronics Inc., AAEON TECHNOLOGY (Europe) B.V., AAEON TECHNOLOGY GMBH, AAEON TECHNOLOGY SINGAPORE PTE. LTD., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V., AAEON Foundation, Atech Technology Co., Ltd., Outstanding Electronics Manufacturer Co., Ltd., Outstanding Electronics Manufacturer(Danyang) Co., Ltd. LITEMAX ELECTRONICS INC., LitemaxTechnology, Inc., King Core Electronics Inc., ALLIED BIOTECH CORP., SUNENGINE CORPORATION LTD., MACHVISION, INC., Machvision (Dongguan) Testing Equipment Co., Ltd., XAC AUTOMATION CORP., CHC Healthcare Group, TOP UNION ELECTRONICS (Suzhou) CORPORATION, Allied Oriental International Ltd., Mcfees Group Inc., Bei Ke Star Venture Capital Co., Ltd., Feng Xin Venture Capital Co., Ltd., iHELPER Inc., IBASE TECHNOLOGY INC., and Winnate Inc. Concurrently serves as independent director for TOP UNION ELECTRONICS CORPORATION and TAI FLEX SCIENTIFIC CO., LTD.

(Note 2) Professor of Department of Business Administration and Dean of College of Management, Ming Chuan University; Independent Director of KING CORE ELECTRONICS INC. and XAC AUTOMATION CORP.; Director of LITEMAX ELECTRONICS INC.; Supervisor of Le Young Construction Co., Ltd.; Director (Corporate Representative) of SUNSINO DEVELOPMENT ASSOCIATE INC.

(Note 3) Chairman of the Board of the Company, Yung-Shun Chuang, also serves as the President. None of the directors, except the chairman, concurrently serve as an employee or manager in the Company. The chairman's concurrent position as president does not affect the Company's operations.

2. Major Shareholders of Institutional Shareholders

April 16, 2023

Institutional shareholders	Major Shareholders of Institutional Shareholders
LCL CAPITAL INC.	Wen-Hsuan Tseng 84.4% Yi-Hsuan Li 9% Chong-Liang Li 4.6% Kuei-Hua Lin 2%

(II) Directors' professional qualification and independent directors' status of independence

Name	Qualification	Professional qualification and work experience (Note 1)	Status of independence (Note 2)	Name of other Companies currently Serves as an independent Director
Chairman Yung-Shun Chuang		He graduated from National Taiwan University of Science and Technology with an honorary doctorate in engineering and is currently the Chairman of the Company, AAEON Technology Inc. and ONYX Healthcare Inc. He is the Corporate Representative for several listed companies and has more than five years of experience in commerce and corporate business and has been working in the industrial computer industry for nearly 30 years. He possesses the skills in professional leadership, marketing, operational management and strategic planning.	Does not meet any of the conditions stated in Article 30 of the Company Act.	2
Director Hui-Ming Tsao		She graduated from the Department of Electrical Engineering, National Taiwan University with a Master degree. She was the President of the Company and has more than five years of working experience in commerce and corporate business with the ability of industrial management and R&D.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Corporate representative Ching-Kun Chen		He graduated from the Department of Management Sciences of National Chiao Tung University with a Master degree. He is currently a partner of Jar Shin CPAs with more than five years of experience in commerce, finance and corporate business.	Does not meet any of the conditions stated in Article 30 of the Company Act.	2
Corporate representative Chieh-Hsi Li		He received his Ph.D. in Information Engineering at USC. He is the CEO of Collins Co., Ltd. and has over five years of experience in commerce, finance and corporate business.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Independent director Hsu-Nan Huang		He received his PhD from the Department of Management Science, National Chiao Tung University and is currently the director of the Institute of Management at Ming Chuan University. He has over 10 years of teaching experience in law, finance and accounting.	Meet the following independence criteria two years prior to election and during the term of office: (1) Not an employee of the Company or any of its affiliates; (2) Not a director or supervisor of the company or any of its affiliates (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.	2
Independent director Hsueh-Yu Lo		He graduated from the Department of Accounting and Information Technology, National Chung Cheng University with a Master degree. He was the Chairman of Fortune Securities Investment Consulting Co., Ltd and the President of Grand Fortune Securities. He has more than five years of working experience in commerce, finance and corporate business.		1

<p>Independent director Chen-An Li</p>	<p>He graduated from National Taipei University of Technology with a Master's degree in Business Automation and Management, and served as the Vice President of the Manufacturing Center at LITEMAX ELECTRONICS INC. He has more than five years of working experience in commerce, finance and corporate business.</p>	<p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the preceding subparagraphs (2) or (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor, or employee of that other company or institution.(do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (do not apply to specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NTS500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not a spouse or a relative within two degrees of kinship with other directors (11) Does not meet any of the conditions stated in Article 30 of the Company Act. (12) Not be elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.</p>	<p>0</p>
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Note 1: Professional Qualifications and Experience: Please specify individual director's and supervisor's professional qualifications and experience. If the director is a member of the Audit Committee and specialized in accounting or finance, please specify his/her accounting or financial background and working experience, and also whether he/she meets any circumstances referred to in Article 30 of the Company Act.

Note 2: Please specify the independent directors' compliance of independence, including, but not limited to, whether they or their spouses or relatives within the second degree of kinship serve as directors, supervisors or employees in the Company or any of its affiliates; the number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder); whether they serve as directors, supervisors, or employees in any company engaged in specific relationship with the Company (please refer to the subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates.

(III) Information on the company's general manager, vice president, assistant vice president and the supervisors of all the company's divisions and branch units:

April 16, 2023

Title	Nationality	Name	Gender	Date elected (appointed)	Number of shares held		Shares held by spouse and minors		Shares held by third parties		Education and experience	Concurrent positions at other companies	Other managers of the company who is a spouse or a relative within the second degree of kinship			Remark
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
President	ROC	Yung-Shun Chuang	Male	2019.03.22	10,655,686	15.95	0	0.00	0	0.00	<ul style="list-style-type: none"> Chairman, AAEON Technology Inc. Honorary Doctorate of Engineering, National Taiwan University of Science and Technology 	<ul style="list-style-type: none"> Chairman, EVERFOCUS JAPAN CORP. Chairman, EverFocus Electronics (ShenZhen) Chairman, EVER FOCUS ELECTRONICS CORP. Please see (Note 1) for other concurrent positions. 	None	None	None	(Note 2)
Financial Officer	ROC	Chien-Liang Chen	Male	2019.11.14	19,000	0.03	0	0.00	0	0.00	<ul style="list-style-type: none"> Master, Department of Management Science, National Chiao Tung University Taxation Officer, TECO Electric and Machinery Co., Ltd. Accounting Manager, Taiwan Pelican Express Co., Ltd. 	<ul style="list-style-type: none"> Supervisor, EVERFOCUS JAPAN CORP. 	None	None	None	None
Assistant Manager of Internal Audit	ROC	Li-Wen Chou	Female	2021.08.12	1,000	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> Department of Accounting, Kun Shan University 	None	None	None	None	None
Corporate Governance Officer	ROC	Yun-Hua Chiang	Female	2023.03.22	69	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> Assistant V.P., Deloitte Taiwan. Manager, Global Gene Biotech Company Project Manager, Elite Computer Corporation Department of Accounting, Fu Jen Catholic University 	<ul style="list-style-type: none"> Director, EVERFOCUS JAPAN CORP. 	None	None	None	None

(Note 1) Concurrently serves as the Chairman of the Board for the following companies: AAEON Technology Inc., ONYX Healthcare Inc., AAEON TECHNOLOGY (SU ZHOU) INC., Onyx Healthcare (Shanghai) Inc., Yen You Investment Co., Inc., Yen Xin Investment Co., Ltd., Chang Yang Technology Co., Ltd. and Fu Li Investment Co., Ltd. Concurrently serves as the Board Director for the following companies: AAEON Electronics Inc., AAEON TECHNOLOGY (Europe) B.V., AAEON TECHNOLOGY GMBH, AAEON TECHNOLOGY SINGAPORE PTE. LTD., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V., AAEON Foundation, Atech Technology Co., Ltd., Outstanding Electronics Manufacturer Co., Ltd., Outstanding Electronics Manufacturer(Danyang) Co., Ltd. LITEMAX ELECTRONICS INC., LitemaxTechnology, Inc., King Core Electronics Inc., ALLIED BIOTECH CORP., SUNENGINE CORPORATION LTD., MACHVISION, INC., Machvision (Dongguan) Testing Equipment Co., Ltd., XAC AUTOMATION CORP., CHC Healthcare Group, TOP UNION ELECTRONICS (Suzhou) CORPORATION, Allied Oriental International Ltd., Mcfees Group Inc., Bei Ke Star Venture Capital Co., Ltd., Feng Xin Venture Capital Co., Ltd., iHELPER Inc., IBASE TECHNOLOGY INC., and Winmate Inc. Concurrently serves as independent director for TOP UNION ELECTRONICS CORPORATION and TAIFLEX SCIENTIFIC CO., LTD.

(Note 2) None of the directors, except the chairman, concurrently serve as an employee or manager in the Company. The chairman's concurrent position as president does not affect the Company's operations.

III. Remuneration paid to directors, supervisors, presidents, and vice presidents

1. Remuneration paid to directors (including independent directors) (disclosure of directors' names and remuneration)

December 31, 2022

Unit: NT\$ thousands

Title	Name	Directors' remuneration								Sum of A, B, C and D as percentage of Net Income (%) (Note 2)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C, D, E, F and G as percentage of Net Income % (Note 2)		Compensation from invested businesses other than subsidiaries
		Compensation (A)		Severance pay and pensions (B)		Remuneration for directors (C) (Note 1)		Allowances (D)				Base compensation, bonuses, and allowances (E)		Severance pay and pensions (F)		Employee profit sharing from earnings distribution (G) (Note 1)						
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	Cash Amount	Share Amount	Cash Amount	Share Amount	The Company	From all consolidated entities	
Chairman and President	Yung-Shun Chuang	0	0	0	0	0	0	35	35	35 (0.0044)	35 (0.0044)	1,303 (1.63)	1,303 (1.63)	0	0	0	0	0	0	1,338 (1.67)	1,338 (1.67)	None
Director and Consultant	Hui-Ming Tsao	0	0	0	0	0	0	30	30	30 (0.0038)	30 (0.0038)	0	0	0	0	0	0	0	0	30 (0.04)	30 (0.04)	None
Director	LCL CAPITAL INC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Representative:Ching-Kun Chen	0	0	0	0	0	0	35	35	35 (0.0044)	35 (0.0044)	0	0	0	0	0	0	0	0	35 (0.04)	35 (0.04)	None
Director	LCL CAPITAL INC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Representative:Chieh-Hsi Li	0	0	0	0	0	0	35	35	35 (0.0044)	35 (0.0044)	0	0	0	0	0	0	0	0	35 (0.04)	35 (0.04)	None
Independent director	Hsueh-Yu Lo	0	0	0	0	0	0	135	135	135 (0.00169)	135 (0.00169)	0	0	0	0	0	0	0	0	135 (0.17)	135 (0.17)	None
Independent director	Chen-An Li	0	0	0	0	0	0	135	135	135 (0.00169)	135 (0.00169)	0	0	0	0	0	0	0	0	135 (0.17)	135 (0.17)	None
Independent director	Hsu-Nan Huang	0	0	0	0	0	0	135	135	135 (0.00169)	135 (0.00169)	0	0	0	0	0	0	0	0	135 (0.17)	135 (0.17)	None

- Please explain the policy, system, standards, and structure by which independent director remuneration is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed:
 - Article 16 of the Article of Incorporation states: Directors of the Company shall be entitled to remuneration for their duties regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Company's Remuneration Policy based on the level of their participation in the Company's operations and the value of their contribution. The Directors shall be reimbursed for all expenses incurred as necessary to carry out their duties. Directors are entitled to receive NT\$5,000 transportation fee for attending the meeting.
 - In addition, Article 19 of the Article of Incorporation states: When the Company has surplus, it shall set aside 3% to 10.5% as employee compensation, which shall be distributed in shares or cash as resolved by the Board of Directors. Qualification requirements of employees, including the employees of parent s or subsidiaries of the company meeting certain specific requirements. In addition, the Company may set aside no more than 2.5% of the above-mentioned profit as director remuneration as resolved by the Board of Directors. However, if the Company still has accumulated losses, the Company shall reserve the amount to offset the losses in advance, and then set aside the employee compensation and director remuneration based on the aforementioned proportions.
- Compensation received by director for providing service (e.g. consultancy service without the title of an employee) to the parent company, any company included in the financial statements, or any business investment in the last year, except those disclosed in the above table: None

Note 1: Due to the Company has accumulated losses in 2022, the Board of Directors resolved not to appropriate the remuneration to directors, supervisors and employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2022 parent company only financial statements..

2. Remuneration paid to supervisors (disclosure of supervisors' names and remuneration): None.

3. Remuneration paid to president and vice president (disclosure of their names and remuneration):

December 31, 2022
Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pensions (B)		Bonuses and special expenses (C)		Employee compensation (D) (Note 1)				Sum of A, B, C and D as percentage of Net Income (%) (Note 2)		Amount of employee stock option received		Number of new restricted employee shares received		Compensation from invested businesses other than subsidiaries
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company		From all consolidated entities		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	
								Cash Amount	Share Amount	Cash Amount	Share Amount							
President	Yung-Shun Chuang	0	0	0	0	1,303	1,303	0	0	0	0	1,303 (1.63)	1,303 (1.63)	0	0	0	0	None

Note 1: Due to the Company has accumulated losses in 2022, the Board of Directors resolved not to appropriate the remuneration to employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2022 parent company only financial statements.

4. Top five officers' remuneration (disclosure of officers' names and remuneration)

December 31, 2022
Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pensions (B)		Bonuses and special expenses (C)		Employee compensation (D) (Note 1)				Sum of A, B, C and D as percentage of Net Income (%) (Note 2)		Compensation from invested businesses other than subsidiaries
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company		From all consolidated entities		The Company	From all consolidated entities	
								Cash Amount	Share Amount	Cash Amount	Share Amount			
President	Yung-Shun Chuang	0	0	0	0	1,303 (1.63)	1,303 (1.63)	0	0	0	0	1,303 (1.63)	1,303 (1.63)	None
Financial Officer	Chien-Liang Chen	1,110	1,110	63	63	52	52	0	0	0	0	1,225 (1.53)	1,225 (1.53)	None

Note 1: Due to the Company has accumulated losses in 2022, the Board of Directors resolved not to appropriate the remuneration to employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2022 parent company only financial statements.

5. Employee Remuneration Distributed to Managers and Distribution Situation

December 31, 2022
Unit: NT\$ thousands

	Title	Name	Share amount(Note 1)	Cash amount(Note 1)	Total	Percentage of net earnings after tax (Note 2)
Manager	President	Yung-Shun Chuang	0	0	0	0
	Financial Officer	Chien-Liang Chen				

Note 1: Due to the Company has accumulated losses in 2022, the Board of Directors resolved not to appropriate the remuneration to employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2022 parent company only financial statements.

6. Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to net income and the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks:

A. Percentage of total remunerations of net income:

Title	2022	2021
	Amount of remuneration paid by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to net income (%).	Amount of remuneration paid by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to net income (%).
Director	1,843 (2.31)	645 (1.92)
Supervisor	0	0
President and Vice President	1,303 (1.63)	0

Please refer to page 64 for the description of employee bonus and remuneration to directors and supervisors.

B. Policies, standards by which they were paid, and their association with business performance and future risks:

The remuneration criteria for directors and supervisors of the Company are specified in the Company's Articles of Incorporation. The remuneration for managers of the Company is evaluated and proposed by the Remuneration Committee and approved by the Board of Directors.

The annual operating performance of the Company reflects the remuneration to directors and supervisors, as well as the year-end bonuses and employee bonuses to managers.

IV. Implementation of Corporate Governance:

(I) Board of directors' meeting status:

Board of directors' meeting status

A total of 7 meetings were held in 2022

Attendance of directors are shown below:

Title	Name	Attendance rate in person	Attendances by proxy	Attendance rate in person (%)	Remark
Chairman	Yung-Shun Chuang	7	0	100.00 %	
Director	Hui-Ming Tsao	6	0	85.71 %	
Director	LCL CAPITAL INC. Representative - Ching-Kun Chen	7	0	100.00 %	
Director	LCL CAPITAL INC. Representative - Chieh-Hsi Li	7	0	100.00 %	
Independent director	Hsueh-Yu Lo	7	0	100.00 %	
Independent director	Chen-An Li	7	0	100.00 %	
Independent director	Hsu-Nan Huang	7	0	100.00 %	

Other items to be stated:

- I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

1. Matters described in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Contents of Motions	Matters described in Article 14-3 of the Securities and Exchange Act	Opinions of independent directors	Company's resolution of independent director's opinions	Result of Resolution
10th meeting of the 6th term (2022.02.07)	The proposal for the cash capital increase, issuance price, and related matters for the company in the year 2022	V	None	None	Unanimous consent of all directors present at the meeting.
10th meeting of the 6th term (2022.02.07)	In the company's cash capital increase proposal, directors who are also managers and employees participate in the allocation of employee stock options.	V	None	None	Chairman Yung-Shun Chuang, who has a conflict of interest with this proposal, abstains from voting and delegates the role of chairman to independent director Hsu-Nan Huang. Unanimous consent of all other members present at the meeting.
10th meeting of the 7th term (2022.03.24)	Amended "Asset Acquisition or Disposal Procedure" Proposal of the Company.	V	None	None	Unanimous consent of all directors present at the meeting.
	The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP.	V	None	None	Unanimous consent of all directors present at the meeting.
10th meeting of the 10th term (2022.08.11)	The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	V	None	None	Unanimous consent of all directors present at the meeting.
10th meeting of the 11th term (2022.11.10)	The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	V	None	None	Unanimous consent of all directors present at the meeting.

	The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP.	V	None	None	Unanimous consent of all directors present at the meeting.
	The company's Participation in the unsecured convertible corporate bond underwriting and Purchasing Scheme of IBASE TECHNOLOGY INC..	V	None	None	Unanimous consent of all directors present at the meeting.

2. Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

II. When there is avoidance due to conflicts of interest by director, the name of the director, the motion(s), the cause for the conflict of interest, and the participation of the voting should be noted:

Date	Contents of Motions	The name of the director	The cause for the conflict of interest	The participation of the voting
Feb. 7, 2022	In the company's cash capital increase proposal, directors who are also managers and employees participate in the allocation of employee stock options.	Yung-Shun Chuang	Mr. Yung-Shun Chuang as the Involved Party	Mr. Yung-Shun Chuang has recused himself in accordance with the law and did not participate in the voting

III. The following information is about the TWSE/TPEX listed financial holding companies are required to disclose the cycle, duration, scope, method and detail of board performance self (or peer) evaluations performed:

Implementation of Board Performance Evaluation:

Assessment cycle	Assessment period	Scope of assessment	Method of assessment	Assessment items
Conducted once each year	January 01, 2022 to December 31, 2022	Board of Directors	Questionnaire of Self-Evaluation of Performance of the Board	A. Participation in the operation of the Company B. Improvement of the quality of the board of directors C. Composition and structure of the board of directors D. Election and continuing education of the directors E. Internal control
		Board members	Questionnaire of Self-Evaluation of Performance of Board Members	A. Alignment of the goals and missions of the company B. Awareness of the duties of a director C. Participation in the operation of the Company D. Management of internal relationship and communication E. The director's professionalism and continuing education F. Internal control
		Audit Committee	Questionnaire of Self-Evaluation of Performance of the Board	A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members E. Internal control
		Remuneration Committee	Questionnaire of Self-Evaluation of Performance of the Board	A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members E. Internal control

The Company's board of directors approved rules for "Board of Directors Self-Assessment of Performance" on March 19, 2021, and conducted the performance assessment based on the evaluation procedures and evaluation indicators stipulated in the said rules for the current year. The assessment was completed in the first quarter of 2023 for the year 2022 and the results were submitted to the 13th meeting of the 10th term of Board of Directors on March 22, 2023. The results of the 2022 Board of Directors Self-Assessment of Performance: The results of the Board of Director Self-Assessment and the Board Members' Self-Assessment were both "Superior"; the Audit Committee Performance Assessment was "Excellent"; the Remuneration Committee Performance Assessment was "Excellent" and "Superior". When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board.

IV. Enhancements to the functionality of the board of directors in the current and the most recent year, and the progress of such enhancements:

1. Enhancement of board functionality:

The Company has always followed the corporate governance principle since its establishment to maintain a sound operation of the Company through the corporate governance mechanism in order to maximize the interests of shareholders. Besides stipulating the "Rules of Procedures of the Board of Directors Meeting" based on the

"Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company also established the Remuneration Committee in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and formulated the "Remuneration Committee Charter", the specifies that the Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers, and shall submit its recommendations for deliberation by the board of directors.

2. In order to strengthen the corporate governance function of the Board of Directors, the Company has established an Audit Committee to replace the Supervisors on June 14, 2018, which is composed of all independent directors. The "Audit Committee Charter" was formulated to govern the operation of the Audit Committee.

There were 6 meetings held in 2022 and all independent directors attended the meetings in person, the attendance rate was 100%.

3. Implementation of the Board of Directors:

The agenda working group of the Board of Directors always pays attention to the changes of laws and regulations made by the government and the corporate governance needs to amend the "Rules of Procedures of the Board of Directors Meeting" in order to promptly and effectively fulfill the important policies of corporate governance, and to effectively establish the governance system for the Board of Directors Meeting and improve the supervision and management functions. In addition, the Board of Directors will post important resolutions on the Market Observation Post System (MOPS) immediately after the meeting to maintain the transparency of information and to protect the investors' rights. Up to date, the Board of Directors of the Company has been running smoothly.

(II) Operations of Audit Committee

The Company's Audit Committee was formally established on June 14, 2018 and consists of three independent directors. The Audit Committee assists the Board in fulfilling its oversight of the accuracy and integrity of the accounting, auditing, reporting, and financial control practices of the Company and meets at least once every quarter. The term of office for members is from July 1, 2021 to June 30, 2024. The Audit Committee reviews the following issues:

1. Auditing and accounting policies and procedures;
2. Internal control systems and including related policies and procedures;
3. Material asset or derivatives transactions;
4. Material lending funds, endorsements or guarantees;
5. Derivatives and cash investments;
6. Legal compliance;
7. Related-party transactions and potential conflicts of interests involving managers and directors;
8. Ombudsman reports;
9. Fraud prevention and investigation reports;
10. Corporate information security;
11. Corporate risk management;
12. Hiring or dismissal of an attesting CPA, or the compensation given thereto;
13. Appointment or discharge of financial, accounting, or internal auditing officers;

Operations of Audit Committee

Title	Name	Qualification
Independent director Convener	Hsu-Nan Huang	He received his PhD from the Department of Management Science, National Chiao Tung University and is currently the director of the Institute of Management at Ming Chuan University. He has over 10 years of teaching experience in law, finance and accounting.
Independent director	Hsueh-Yu Lo	Graduated from the Department of

		Accounting and Information Technology, National Chung Cheng University with Master degree. He was the Chairman of the Board of Grand Fortune Securities Investment Consulting Co., Ltd. and the President of Grand Fortune Securities. He has more than five years of working experience in commerce, finance and corporate business.
Independent director	Chen-An Li	National Taipei University of Technology with a Master's degree in Business Automation and Management, and served as the Vice President of the Manufacturing Center at LITEMAX ELECTRONICS INC. He has more than five years of working experience in commerce, finance and corporate business.

Audit Committee held 6 committee meetings (A) in 2022, with the attendance of independent directors shown below:

Title	Name	Attendance in person (B)	Attendances by proxy	Attendance rate in person (%) (B/A)	Remark
Member	Hsu-Nan Huang	6	0	100%	
Member	Hsueh-Yu Lo	6	0	100%	
Member	Chen-An Li	6	0	100%	

Other items to be stated:

- I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, any independent director's opinions expressing objections or reservations or important suggestions, Audit Committee's resolution and the Company's resolution of Audit Committee's opinions:

(I) Matters described in Article 14-5 of the Securities and Exchange Act.

Board of Directors	Contents of Motions	Matters described in Article 14-5 of the Securities and Exchange Act.	Opinions of independent directors	Company's resolution of independent director's opinions	Result of Resolution
4th meeting of the 2th term (2022.02.07)	The proposal for the cash capital increase, issuance price, and related matters for the company in the year 2022	V	None	None	Unanimous consent of all members present at the meeting.
5nd meeting of the 2th term (2022.03.24)	1. Amendments to some articles of the company's "Procedures for Acquisition or Disposal of Assets" 2. Declaration of 2021 Internal Control Policies and assessment of the Effectiveness of Internal Control System 3. The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP	V	None	None	Unanimous consent of all members present at the meeting.
8nd meeting of the 2th term (2022.08.11)	The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	V	None	None	Unanimous consent of all members present at the meeting.
9th meeting of the 2th term (2022.11.10)	1. The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP 2. The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP 3. The company's Participation in the unsecured convertible corporate bond underwriting and Purchasing Scheme of IBASE TECHNOLOGY INC.	V	None	None	Unanimous consent of all members present at the meeting.

(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

II. When there is avoidance due to conflicts of interest by independent director, the name of the independent director, the motion(s), the cause for the conflict of interest, and the participation of the voting should be noted: None.

III. Communication between independent directors, chief internal auditor and CPAs (e.g., matters methods and results of communication on the Company's financial and business status):

(I) Communication methods between independent directors and chief internal auditor:

1. Based on the execution status of the annual audit plan, the internal audit supervisor submits the audit report for the previous month by the end of each month. Quarterly, a follow-up report on improvements is prepared and delivered to the respective committee members for review. If there are any doubts, thorough communication is conducted through telephone or written correspondence at any time.
2. The Audit Committee and the Board of Directors report the company's audit business reports to the committee members during quarterly meetings. In the event of significant abnormal matters, immediate reports are made to the committee members for review and approval. As of the most recent meeting, there have been no special circumstances reported.

3. Regular communication with independent directors is maintained as needed through telephone, emails, or face-to-face meetings, and the communication is in good condition.

(II) Summary of Communication between Independent Directors and chief internal auditor in 2022

Date	Number of attendees	Key points of communication	Communication results
Nov.10,2022	Independent Director Hsu-Nan Huang Independent Director Hsueh-Yu Lo Independent Director Chen-An Li chief internal auditor Li-Wen Chou	Internal Audit Execution Report for the Year 2022	No objections were raised

(III) Communication methods between independent directors and CPAs

1. The auditors provided a detailed explanation of the matters related to the audit (review) of the financial statements and the key audit matters for the current year's financial report during the Audit Committee meetings. They engaged in fruitful discussions and maintained good communication with the independent directors.
2. In addition to the communication that takes place during the Audit Committee meetings, the auditors and the independent directors maintain regular and open communication throughout the year. They are in contact through various means, including telephone, video conferencing, and email, to ensure that any questions or concerns regarding the audit process or financial reporting can be addressed promptly.

IV. The annual work priorities are as follows :

1. According to Article 14-1 of the Securities and Exchange Act, the company is required to establish or amend internal control systems
2. Assessment of the effectiveness of internal control systems
3. Establishment or revision of processing procedures for significant financial transactions involving acquisition or disposal of assets, engaging in derivative trading, lending funds to others, endorsing or providing guarantees for others, as required by Article 36-1 of the Securities and Exchange Act
4. Matters concerning conflicts of interest involving directors themselves
5. Material asset or derivatives transactions
6. Material lending funds, endorsements or guarantees
7. Fundraising, issuance, or private placement of equity securities
8. Hiring or dismissal of an attesting CPA, or the compensation given thereto

9. Appointment or discharge of financial, accounting, or internal auditing officers
10. Annual financial statements signed or stamped by the Chairman, Manager and Accounting Officer , and the second quarter financial report subject to audit certification by the auditor
11. Significant matters prescribed by other companies or regulatory authorities

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
<p>basis, reported the results of the performance to the Board of Directors, and used the results as reference for directors’ remuneration and renewal ?</p> <p>(IV) Does the company regularly evaluate its external auditors’ independence?</p>	<p>✓</p> <p>✓</p>		<p>and industry experience. Currently, there are 7 directors, including 3 independent directors (1 with less than 3 years of tenure and 2 with 3 or more years of tenure but less than 9 years), and 2 corporate directors, all of whom are Taiwanese nationals. Among them, there are 6 male directors and 1 female director. Two directors also serve as employees of the company. The company is committed to achieving specific management objectives for board diversity and aims to prioritize the appointment of at least one director with a legal background in future board member selections. Please refer to [Attachment I] for more details.</p> <p>(II)The Company has not established functional committees other than the Remuneration Committee and the Audit Committee as required by law.</p> <p>(III)The Company's Board of Directors has approved the Board of Director's Self-Assessment of Performance on March 26, 2020. The Company has submitted the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term. The assessment for 2022 was completed in the first quarter of 2023 and the results were submitted to the 13th Board meeting of the 10th term on March 22, 2023.</p> <p>(IV) The Company's Audit Committee conducts regular assessments of the independence and suitability of the engagement auditors. In addition to requesting the engagement auditors to provide a "Statement of Independence," the assessments are conducted based on the standards outlined in [Attachment II]. After confirming that the auditors have no financial interests or business relationships with the Company other than fees for audit and taxation services, and that their family members do not violate the independence requirements, the assessment results for the most recent fiscal year were discussed and approved by the Audit Committee on March 22, 2023, and submitted to the 13th Board meeting of the 10th term on the same date for resolution regarding the independence assessment of the engagement auditors.</p>	No discrepancy

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
V. Has the company designated an appropriate number of personnel that specializes (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders' meetings, preparation of board meeting and shareholders meeting minutes, etc.)?	✓		As resolved by the Board of Directors on March 22, 2023, Ms. Yun-Hua Chiang, a senior manager, is appointed as the Corporate Governance Officer of the Company, responsible for governance-related matters. The main responsibilities of the Corporate Governance Officer are as follows: I. Provide the content of “Corporate Governance Best Practice Principles” or “Corporate Governance Evaluation” to facilitate the agenda working unit to conduct Board Shareholders Meetings in accordance with relevant corporate governance standards. II. Provide the content of “Corporate Governance Best Practice Principles” or “Corporate Governance Evaluation” to facilitate the agenda working unit to complete Board Shareholders Meetings minutes in accordance with relevant corporate governance standards. III. Assist with Directors’ taking of office and continuing education IV. Provide Directors with information required for business operation. V. Assist the Board of Directors in the compliance of laws and regulations. VI. Other matters as required by the Company’s Article of Incorporation or contract.	No discrepancy
VI. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders’ questions on corporate responsibilities?	✓		We have set up a stakeholder section on our website to disclose the contact information and contact options.	No discrepancy
VI. Has the Company appointed a professional registrar for its Shareholders’ Meetings?	✓		Professional registrar (stock agent) of the Company: The Company has appointed Grand Fortune Securities to handle related stock affairs.	No discrepancy

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
<p>VII. Disclosure of information</p> <p>(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(II) Does the Company use other information disclosure channels (e.g. maintaining an English language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors’ conference etc.)?</p> <p>(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first , second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>(I) The "About " section of the company's website discloses the monthly revenue, quarterly results and CSR related information.</p> <p>(II) The Company has a dedicated staff to maintain the Company's English website, and there is also a spokesman and an acting spokesman responsible for the disclosure of external information; all required announcements are posted on the Market Observation Post System in accordance with the regulations.</p> <p>(III) The following are the Company's annual financial statements, quarterly financial statements and monthly operating status as announced and reported in accordance with relevant regulations:</p> <ol style="list-style-type: none"> 1. The Company announces and reports the annual financial statements within three months after the end of the fiscal year. 2. The Company announces and reports the first, second, and third quarter financial statements with 45 days after the end of each period. 3. The Company announces and reports the operating status of each month with 10 days after the end of each month. 	<p>No discrepancy</p>

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
VIII.Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		<ol style="list-style-type: none"> 1. The Company is committed to environmental protection, labor safety and labor welfare. The executives of the Company operate the business based on the ethical code of conduct and maintain good relationships with customers, suppliers and banks. The Company has established the "Regulations for Handling Operations, Business and Financial Transactions between the Company and its Related Parties, Specific Companies and Affiliates" in its internal control system so that each of the Company's related parties can recuse themselves from conflict of interest activities. Please refer to pages 56-58 of the Annual Report for additional information on environment protection and labor relations of the Company. 2. The Company has not established corporate governance best practice principles, but has disclosed the attendance of directors and supervisors for board meetings on the Market Observation Post System. The attendance of directors and supervisors in the board meetings has been satisfactory over the years. The minutes of each board meeting are provided to the directors and supervisors for their reference after the meeting. 3. The Company has adopted the Procedures for Handling Material Inside Information for the purpose of establishing sound mechanisms for the handling and disclosure of material inside information by this Corporation, in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by the Company to the public. For more information, please refer to the Company's website / About / Social Responsibility / Corporate Governance / Important Regulations. 4. The agenda working group of the Board of Directors would remind the managers, directors and supervisors of the Company regarding the rules and regulations related to material information by e-mail from time to time. 5. The Company will notify the directors and supervisors by e-mail from time to time to attend the professional education courses held by the relevant units; and will disclose the information about the directors' and supervisors' training on the Market Observation Post System (MOPS) on a regular basis as required by the competent authority. Please refer to page 41 of the Annual Report for information on the 2022training records for directors and supervisors of the Company. 6. Implementation status of risk management policies and risk measurement standards: <ol style="list-style-type: none"> (1) Risk management policy: The Company has always adopted a prudent prevention policy for risk management and has established a strict internal control system in compliance with the requirements set by the competent authority, laws and regulations. We also have qualified internal auditors who formulate risk-oriented audit plans to review the existing or potential risks in the internal control procedures annually. In addition, the Company maintains insurance policies including property insurance, product liability insurance, and others to avoid and diversify risks. 	No discrepancy

Evaluation items	Implementation status and			discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
	✓		<p>(2) Responsibility for risk management at each level: All management units in the Company are responsible for the risk management according to the nature of the business; the following is a summary of the Company's risk implementation and the main responsible management units:</p> <ul style="list-style-type: none"> • President's Office: In charge of making and planning business decisions; evaluating medium and long-term investment efficiency, improving organizational effectiveness, and reducing strategic risks. • Resource Services Division: The Finance and Accounting Division is responsible for the preparation and control of budget and the system; the allocation and utilization of funds; and the establishment of a hedging mechanism to reduce financial risks. The Information Division promotes and implements computerization and information security control and protection to minimize information security risks. • R&D Division: Focus on product development, R&D efficiency evaluation and analysis to increase market share and reduce the risk associated with product substitution and market obsolescence. • Sales Division: Responsible for marketing strategies, marketing promotions, keeping track of market trends and minimizing business operating risks. • Manufacturing Division: Responsible for production, manufacturing, machinery and equipment maintenance and repair, and labor safety and health management to reduce the risk associated with the manufacturing process. • Quality Division: Prepare quality assurance plans, revise quality handbooks and make sure they are implemented to reduce the risk of unstable product quality; provide after-sales service, technical support to customers, and analyze and resolve customer complaints to minimize the risks arising from customer complaints, loss and being replaced by the competitors. • Occupational Safety Division: Develop/plan/supervise and promote the safety and health management activities to reduce the risk of occupational disasters among the employees of the Company. <p>2. For the implementation of customer policies, quality is always our</p>	No discrepancy

Evaluation items	Implementation status and			discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons								
	Yes	No	Summary description									
			<p>core value.</p> <p>Our products are covered by product liability insurance. The Company adopts "green processes" to produce "green products" through pollution prevention, process reduction and continuous improvement measures to enhance environmental performance and operational efficiency, such as: eco-friendly product design, waste removal and treatment, efficient use of natural resources, energy saving and waste reduction efficiency.</p> <p>The Company also engaged a professional consultant at the end of October 2008 to introduce the ISO14001 environmental management system, which was certified in the middle of 2009 to comply with international standards. Subsequently, the Company conducts regular internal audits and comprehensive reviews to establish a foundation for sustainability and to protect the rights of consumers.</p> <p>3. The Company has purchased liability insurance for its directors and supervisors since 2005.</p> <p>The directors of the Company are highly self-disciplined and have recused themselves from all motions in which they have a conflict of interest with in order to implement corporate governance.</p> <p>The information on the Company's liability insurance for directors and supervisors is as follows:</p> <table border="1"> <thead> <tr> <th>Insured</th> <th>Insurance Company</th> <th>Coverage</th> <th>Insured Period</th> </tr> </thead> <tbody> <tr> <td>All directors and supervisor</td> <td>Shinkong Insurance Co., Ltd.</td> <td>USD 2 millions</td> <td>From: September 1, 2022 To: September 1, 2023</td> </tr> </tbody> </table> <p>4. For additional information about the Company, please visit the Company's website. Website of the Company: http://www.everfocus.com.tw</p>	Insured	Insurance Company	Coverage	Insured Period	All directors and supervisor	Shinkong Insurance Co., Ltd.	USD 2 millions	From: September 1, 2022 To: September 1, 2023	
Insured	Insurance Company	Coverage	Insured Period									
All directors and supervisor	Shinkong Insurance Co., Ltd.	USD 2 millions	From: September 1, 2022 To: September 1, 2023									
IX. The improvement status regarding the results of the Corporate Governance Evaluation announced by Taiwan Stock Exchange. (Not applicable. The Company is exempted from the assessment)		✓	<p>We have taken steps to improve those items that can be improved immediately. The remaining unimproved items have not yet been improved due to the company's policy and</p>	Same as the description on the left.								

Evaluation items	Implementation status and			discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
			constraints on human and material resources.	

[Attachment I] Individual directors for diversification of Board members

I. Basic Information of Board of Directors Members:

Job Titles	Nationality	Name	Gender/ Age	Date of appointment	Term of office	Date of initial appointment	Education	Experience
Chairman	R.O.C	Yung-Shun Chuang	Male 71-80 years old	2021.07.01	Three years	2018.06.14	<ul style="list-style-type: none"> Honorary Doctorate in Engineering National Taiwan University of Science 	<ul style="list-style-type: none"> Technology Chairman of AAEON Technology Inc.
Director	R.O.C	Hui-Ming Tsao	Female 61-70 years old	2021.07.01	Three years	2012.6.13	<ul style="list-style-type: none"> Master, Department of Electrical Engineering, National Taiwan University 	<ul style="list-style-type: none"> Master, Department of Electrical Engineering, National Taiwan University
Corporate Director Representative	R.O.C	Representative Ching-Kun Chen	Male 61-70 years old	2021.07.01	Three years	2011.11.28	<ul style="list-style-type: none"> Master, Department of Management Science, National Chiao Tung University Passed the CPA Exam 	<ul style="list-style-type: none"> Partner, Jar Shin CPAs
Corporate Director Representative	R.O.C	Representative Chieh-Hsi Li	Male 41-50 years old	2021.07.01	Three years	2021.01.05	<ul style="list-style-type: none"> Ph.D. in Information Engineering, University of Southern California, USA 	<ul style="list-style-type: none"> CEO, COLLINS CO., LTD. CEO, THRoute Corporation
Independent Director	R.O.C	Hsu-Nan Huang	Male 61-70 years old	2021.07.01	Three years	2019.06.14	<ul style="list-style-type: none"> Ph.D., College of Management, National Chiao Tung University 	Professor and Dean of the College of Management, Department of Business Administration, Ming Chuan University.
Independent Director	R.O.C	Hsueh-Yu Lo	Male 61-70 years old	2021.07.01	Three years	2014.6.12	<ul style="list-style-type: none"> Master, Department of Accounting and Information Technology, National Chung Cheng University 	Chairman, Grand Fortune Securities
Independent Director	R.O.C	Chen-An Li	Male 51-60 years old	2021.07.01	Three years	2021.7.01	<ul style="list-style-type: none"> Master's degree in Business Automation and Management, Taipei University of Technology. 	<ul style="list-style-type: none"> Vice President, Manufacturing Center, LITEMAX ELECTRONICS INC.

II. Board of Directors Diversity Policy

Individual directors for diversification of Board members As for the composition of the Board of Directors, an appropriate diversification policy is formulated based on its operations, operation type, and development needs, which shall include but not limited to the following two major standards

(I) Basic conditions and values: Gender, age, nationality, culture, etc.

(II) Professional knowledge and skills: Professional background, professional skills, and industry experience, etc.

To achieve the ideal goals of corporate governance, the members of the Board are equipped with professional knowledge, skills, and qualities necessary for performing their duties. These include operational judgment, accounting and financial analysis abilities, business management skills, crisis handling capabilities, industry knowledge, international market perspectives, leadership qualities, and decision-making skills.

The members of the Board of Directors of this company are selected based on the company's operations, business type, and development needs. They possess different expertise in various domains.

III. Current Status of Board of Directors Diversity Achievement

(I) The members of the company's Board of Directors are highly experienced professionals, all aged 45 or above, who have excelled in their respective fields for many years. Currently, there are 7 directors, including 3 independent directors (1 with less than 3 years of tenure, and 2 with 3 to 9 years of tenure), 2 corporate representative directors, all of whom are Taiwanese nationals. Among them, 6 are male and 1 is female. There are 2 directors who also hold positions as employees of the company. The board members possess diverse professional backgrounds and demonstrate excellent leadership capabilities. The relevant information is as follows

Diversification Items Name	Profile								Professional Background						Professional Background							
	Nationality	Gender	Employee of the Company	Age			Term of independent directors		Law	Accounting	Finance	Industry	Marketing	Technology	Operational judgment	Accounting and financial analysis	Business Management	Crisis Management	Knowledge of Industry	International market view	Leadership	Decision-making
				45 To 60	61 To 70	71 To 75	Under 3years	3~9 years														
Yung-Shun Chuang	R.O.C	Male	v			v						v	v	v	v	v	v	v	v	v	v	v
Hui-Ming Tsao	R.O.C	Female	v		v							v	v	v	v	v	v	v	v	v	v	v
Ching-Kun Chen	R.O.C	Male			v				v	v				v	v	v	v	v	v	v	v	v
Chieh-Hsi Li	R.O.C	Male		v							v	v	v	v	v	v	v	v	v	v	v	v
Hsu-Nan Huang	R.O.C	Male			v			v	v					v	v	v	v	v	v	v	v	v
Hsueh-Yu Lo	R.O.C	Male			v			v	v					v	v	v	v	v	v	v	v	v
Chen-An Li	R.O.C	Male		v			v				v		v	v	v	v	v	v	v	v	v	v

(II)The company is continuously striving to achieve the specific management objectives of the Board of Directors' diversity policy. It is expected that in future selections of Board of Directors members, priority will be given to appointing at least one director with a legal background to join the Board of Directors.


EVERFOCUS ELECTRONICS CORP
 Assessment Form of CPA's Independence and Competence in 2022
 Mar. 22, 2023

CPA Firm: PricewaterhouseCoopers, Taiwan

CPA: Mavis Chang and Shih-Jung Weng

I. Independence Assessment

Evaluation Item	Evaluation Result	Corresponding CPA Independence Statement Item
I. The appointed auditor has no direct or indirect financial interests in the company.	Yes	In Compliance
II. The appointed auditor has not engaged in any financing or guarantee activities with the company or its directors.	Yes	In Compliance
III. The appointed auditor has not compromised the audit work based on considerations of possible client loss °	Yes	In Compliance
IV. The appointed auditor has not received any fees related to the audit engagement or public expenses.	Yes	In Compliance
V. The appointed auditor has no significant commercial or potential employment relationships with the company.	Yes	In Compliance
VI. Members of the audit service team have not held positions as directors, executives, or influential roles in audit engagements with the company currently or in the past two years.	Yes	In Compliance
VII. The accounting firm appointed has provided non-assurance services to the company that do not directly impact significant aspects of the audit engagement	Yes	In Compliance
VIII. The appointed auditor has not promoted or facilitated the issuance of stocks or other securities of the company.	Yes	In Compliance
IX. The appointed auditor has not acted as a defense counsel for the company or represented the company in coordinating conflicts with third parties.	Yes	In Compliance
X. The appointed auditor has no immediate family relationships with directors, executives, or individuals holding influential positions in relation to audit services.	Yes	In Compliance
XI. The appointed auditor has not served as a director, executive, or held influential positions in relation to audit engagements with the company within the past year of their resignation as a co-practicing accountant.	Yes	In Compliance
XII. The appointed auditor has not received significant gifts or presents of value from the company or its directors and executives.	Yes	In Compliance
XIII. The appointed auditor has not accepted inappropriate choices of accounting policies or improper disclosures in financial statements made by the company's management °	Yes	In Compliance
XIV. The appointed auditor has not been subjected to or influenced by the company's management to reduce the necessary audit procedures on the grounds of reducing audit fees.	Yes	In Compliance
XV. The appointed auditor does not have any litigation relationship with the company.	Yes	In Compliance

II. Competence Assessment

Evaluation Item	Evaluation Result	Whether the CPA possesses Competence
I. The accountant has experience with multinational groups and related industries	Yes	Yes
II. Whether the accountant undergoes ongoing professional training.	Yes	Yes
III. In the most recent year, the company has not been involved in any litigation or received any sanctions from regulatory authorities regarding its financial reporting.	Yes	Yes
IV. the accountant has not been subject to disciplinary actions by the disciplinary committee for accountants and publicly announced sanctions within the past five years, or any penalties under Article 37, Paragraph 3 of the Securities and Exchange Act.	Yes(Note)	Yes

Note : Upon reviewing the information provided in the 2021 Audit Quality Indicators (AQIs) from PricewaterhouseCoopers, Taiwan and the list of accountants disciplined under the Accountants Act released by the Financial Supervisory Commission on November 21, 2022, as well as the list of accountants subject to penalties under Article 37 of the Securities and Exchange Act published on November 13, 2020, it is confirmed that CPA Mavis Chang and CPA Shih-Jung Weng have not been subject to disciplinary actions by the Accountants Disciplinary Committee and publicly announced as such.

III. Evaluation Results :

After evaluation, it has been determined that the appointed signing CPAs do not have any of the circumstances mentioned in the independence assessment criteria above and meet the assessment criteria for competence

Chairman:



Manager:



Accounting Officer:



(IV) The composition, duties and operations of the Remuneration Committee of the Company:

1. Composition of Remuneration Committee

March 22, 2022

Title		Qualification Name	Professional qualifications and experience	Independence Status (Note)	Number of other public companies where concurrently serving as a member of remuneration committee
Independent director Convener	Hsu-Nan Huang		He received his PhD from the Department of Management Science, National Chiao Tung University and is currently the director of the Institute of Management at Ming Chuan University. He has over 10 years of teaching experience in law, finance and accounting.	Compliance with the independence requirements.	0
Independent director	Hsueh-Yu Lo		Graduated from the Department of Accounting and Information Technology, National Chung Cheng University with Master degree. He was the Chairman of the Board of Grand Fortune Securities Investment Consulting Co., Ltd. and the President of Grand Fortune Securities. He has more than five years of working experience in commerce, finance and corporate business.	Compliance with the independence requirements.	0
Independent director	Chen-An Li		He graduated from National Taipei University of Technology with a Master's degree in Business Automation and Management, and served as the Vice President of the Manufacturing Center at LITEMAX ELECTRONICS INC. He has more than five years of working experience in commerce, finance and corporate business.	Compliance with the independence requirements.	0

Note: During the two years before being elected or during the term of office, **an independent director of a public company may not have been or be any of the following:**

- (1) Not an employee of the company or any of its affiliates.

- (2) Not a director or supervisor of the company or any of its affiliates (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the preceding subparagraphs (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor, or employee of that other company or institution.(do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) A director (governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (do not apply to specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Do not have any of the circumstances in the subparagraphs of Article 30 of the Company Act.

2. Committee Responsibilities:

To ensure a sound system for compensation of the directors, supervisors and managerial officers of the Company, the Remuneration Committee Charter is adopted pursuant to Article 3 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

- (1) Functions of the Committee: The functions of the Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors, supervisors, and managers of the Company, and submit recommendations to the board of directors for its reference in decision making.
- (2) Scope of duties: The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.
- i. Periodically reviewing this Charter and making recommendations for amendments.
 - ii. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managers of the Company.
 - iii. Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation.

3. Status of Remuneration Committee meetings:

- (1) The Company's Remuneration Committee has three members.
- (2) The current term of the Remuneration Committee members is from August 12, 2021 to June 30, 2024. The Remuneration Committee held two (A) meetings during the most recent year, and qualifications and attendance record of members are as follows:

Title	Name	Attendance in person (B)	Attendances by proxy	Rate of actual attending (%) (B/A)	Remark
Convener	Hsu-Nan Huang	2	0	100 %	
Member	Hsueh-Yu Lo	2	0	100 %	
Member	Chen-An Li	2	0	100 %	

Other items to be stated:

- I. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee and the reason for such variance): None
- II. As to the resolution of the remuneration committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None

- (3) The discussion items and results of resolutions of the Remuneration Committee:

Remuneration Committee	Contents of motions and the Company's resolution of remuneration committee members' opinions	Result of Resolution	Handling of the opinions of Remuneration Committee members

10th meeting of the 6th term 2022.02.07	Discussion of the 2021 year-end bonus for the Company's managers	All members of the Committee present approved.	Proposed to the Board of Directors and approved by all Directors present
11st meeting of the 10th term 2022.11.10	2022 salary adjustment for the Company's managers	All members of the Committee present approved.	Proposed to the Board of Directors and approved by all Directors present

(V) Directors' and supervisors' ongoing education in 2022:

December 31, 2022

Title	Name	Current term Date of appointed	Course date		Organizer	Course name	Course hours	Whether in compliance with the regulations (Note 1)
			From	To				
Chairman	Yung-Shun Chuang	2021.07.01	2022.03.10	2022.03.10	QUANTUM INTERNATIONAL CORP. & Taiwan Stock Exchange	On Independent Directors and the 2022 Shareholders' Meeting from an International Perspective	1	Yes
			2022.04.22	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Net Zero Summit Forum	3	
			2022.05.23	2022.05.23	Corporate Governance Association in Taiwan	What Investors Are Thinking - Sustainable Business Transformation in ESG Investment and Financing	3	
Director	Hui-Ming Tsao	2021.07.01	No class taken in 2022					No
Corporate Representative of Director	Ching-Kun Chen	2021.07.01	2022.06.22	2022.06.22	Taiwan Institute of Financial Studies and Training	Corporate Governance and Sustainable Business Management Workshop	3	Yes
			2022.09.20	2022.09.20	National Federation of Certified Public Accountants Associations of the Republic of China	International Tax Reform and Family Wealth Succession	3	
			2022.09.21	2022.09.21	National Federation of Certified Public Accountants Associations of the Republic of China	Trends in Carbon Management Towards Net Zero Emissions and Ways to Address Them	3	
Corporate Representative of Director	Chieh-Hsi Li	2021.07.01	2022.03.09	2022.03.09	Taiwan Institute of Directors	Leadership Academy Forum - Rediscovering Digital New Taiwan in the New Reality.	3	Yes
			2022.10.12	2022.10.12	Securities and Futures Institute	Corporate Governance Lecture Series - FinTech Series (Session 11)	3	
Independent director	Hsu-Nan Huang	2021.07.01	2022.04.22	2022.04.22	Taiwan Sustainable Energy Research Foundation	Taiwan 30 Sustainable Net Zero Summit Forum	3	Yes
			2022.10.12	2022.10.12	Securities and Futures Institute	Corporate Governance Lecture Series - FinTech Series (Session 11)	3	
Independent director	Hsueh-Yu Lo	2021.07.01	2022.05.31	2022.05.31	Institute of Financial Research and Training (IFRT), Taiwan.	Corporate Governance Lecture Series - FinTech Series (11th Session)	3	Yes
			2022.08.26	2022.08.26	Chinese Corporate Governance Association (CCGA), a non-profit organization.	How the Audit Committee Supervises the Effectiveness of Internal Controls	3	
Independent director	Chen-An Li	2021.07.01	2022.04.22	2022.04.22	Taiwan Institute of Sustainable Energy (TISE)	Taiwan 30 Sustainable Net Zero Summit Forum	3	Yes
			2022.05.20	2022.05.20	Securities and Futures Institute	Internal Insider Trading Prevention Seminar for the 111th Fiscal Year	3	

Note 1: Disclosure is made in accordance with the provisions of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

(VI) Implementation status of the company's promotion of sustainable development, any discrepancy from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies, and the reason for any such discrepancy:

Promoted items	Implementation status (Note 1)			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/ GTSM Listed Companies and the reasons
	Yes	No	Summary description	
I. Does the Company develop guidelines for sustainability and establish a sustainability unit which is delegated to Management by the Board of Directors and subject to supervision by the board?		V	At present, the Resource Service Division is responsible for organizing and planning. Its main responsibilities are to continuously promote social welfare, maintain labor relations, protect the environment and save energy, and promote labor safety and health.	The Company has not established a dedicated (concurrent) unit to promote sustainable development, and will formulate a "Sustainable Development Best Practice Principles" based on the schedule.
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies based on the principle of materiality? (Note 2)	V		<ol style="list-style-type: none"> The Company has established the procedures for organizational background and risk management to address the organizational risk management process. The management team reviews the operating philosophy and strategic objectives annually and identifies changes in the internal and external environment related to organizational quality, environmental risks, and other issues that stakeholders are concerned about. Establish ISO 9001 and 14001 management systems and have them certified by the certification body. The subsidiaries will implement these systems in accordance with local laws and regulations. 	No significant difference
III. Environmental Issue (I) Has the Company established appropriate environmental management procedures in accordance with its industrial characteristics?	V		<ol style="list-style-type: none"> The Company has established an environmental management system in accordance with Waste Disposal Act, the Water Pollution Control Act, the Air Pollution Control Act, Fire Services Act, Tobacco Hazards Prevention Act, Resource Recycling Act, Noise Control Act, and other laws and regulations. Also, the Company controls and monitors hazardous chemicals and disinfects the site in every six months to prevent mosquitoes. All of the plants have followed the ISO 14001 environmental management system and have been certified by a third party every year. The ISO 14001 quality certificate is valid from 2021/10/25 to 2024/10/23 and is verified by SGS. 	No significant difference
(II) Has the Company improved the utilization rate of each resource and used the re-generated material with low impact on the environment?	V		<ol style="list-style-type: none"> The Company divides the waste into general waste and industrial waste according to the Waste Disposal Act; we recycle the materials that can be reused. The use of hazardous substances is prohibited in all processes including R&D, production, manufacturing, and packaging. We design, and develop our products to comply with EU WEEE, 	No significant difference

			<p>RoHS, REACH, BOSCH, PPW, SVHC and other international standards to reduce the impact on the environment.</p> <p>2. The Company also makes efforts to improve the efficiency of resource utilization: For example, the Company does not provide paper cups; employees are required to bring their own cups and are encouraged to bring their own utensils; workers will collect and reuse the raw material boxes. Industrial park management committee is responsible for collecting the general wastes in 2021. The Company has appointed a qualified waste disposal company to handle the business wastes after the materials department reported and registered with the government as required by law.</p>	
(III) Has the Company evaluated the potential risks and opportunities from climate change and taken precautions on climate-related issues?	V		<p>1. The Company takes climate change and global warming-related issues very seriously, and therefore asks its employees to start with daily activities, such as: We use double-sided printing and photocopying as much as possible, set up recycling bins for recycling paper, use electronic invoices and deliver official documents or letters by electronic means as much as possible; use electronic application forms to reduce the paper consumption.</p> <p>2. The air-conditioning temperature in the office is set at 26 °C, the lighting fixtures are gradually replaced with more energy-efficient LED T5 lights. We encourage employees to turn off the lights and save energy, and use automatic sensors to control the water volume of the faucets to save water in order to slow down global warming.</p> <p>3. In terms of product design, we are committed to light weight and low energy consumption design, and we emphasize the utilization of recycled materials and waste recycling in the manufacturing process.</p>	No significant difference
(IV) Has the Company track the total amount emission of greenhouse gas, water consumption, and waste for the past two years, and establish policy for energy saving and carbon reduction, lower emission of greenhouse gas, decrease water consumption and better waste management?	V		<p>1. We currently calculate CO2 emissions for all of our sites based on turnover, electricity consumption and water usage. In 2022, electricity consumption was decreased by 7,200 kWh compared to 2021. The annual target was set to reduce 0.5% of the electricity consumption compared to last year, but the actual reduction was 1.3% (in line with the management target of 0.5%), mainly due to the change of traditional light bulbs to energy-saving LED bulbs. Comparison of turnover with the current month: Annual comparative value in 2022 is 0.19% (in line with management target of 0.4%)</p> <p>2. Starting from June 2022, policies on greenhouse gas emissions</p>	No significant difference

		<p>reduction (including: carbon dioxide, methane, nitrous oxide...and others announced by the competent authorities of the central government), water use reduction, and waste management will be formulated in accordance with the planning schedule, reduction targets and promotion measures will be set, and the achievement status will be tracked.</p> <p>3. The inventory and verification (including the subsidiaries in the consolidated financial statements) will be completed by December 2026 according to the schedule.</p>	
<p>IV. Social issues (I) Does the Company make relevant management policies and processes according to the International Bill of Human Rights?</p>	V	<p>1. EverFocus Electronics is committed to fulfilling its corporate social responsibility by safeguarding the fundamental human rights of its employees and stakeholders. The company supports and adheres to international human rights conventions, including the "United Nations Global Compact," the "Universal Declaration of Human Rights," and the "International Labour Organization Declaration on Fundamental Principles and Rights at Work." We respect internationally recognized basic human rights and have formulated a human rights policy statement in accordance with the aforementioned standards.</p> <p>The Human Rights Policy Statement of EverFocus Electronics is as follows:</p> <p>I. Provide employees with fair and reasonable salary conditions.</p> <p>II. In accordance with all applicable labor laws of the country, we do not employ child labor and prohibit forced labor.</p> <p>III. We prohibit employment discrimination and ensure that everyone has the right to equal protection without any form of discrimination.</p> <p>IV. A harassment-free work environment is maintained, and any behavior that violates human rights is strictly prohibited.</p> <p>V. We respect employees' fundamental human rights and provide diverse communication mechanisms to ensure harmonious and mutually beneficial labor-management relations.</p> <p>VI. Caring for the physical and mental well-being of employees, providing regular free health check-ups, and organizing health management seminars; offering diverse activities to enhance interpersonal interactions among colleagues, enrich the concept of "work-life balance," and comprehensively take care of employees' physical, mental, and emotional health.</p> <p>Our policy implementation includes the following measures:</p>	No significant difference

		<p>I. Prohibition of Forced Labor: We strictly prohibit any form of slavery, servitude, or coercion in which employees are compelled to work against their will.</p> <p>II. No child labor: comply with local minimum age laws and regulations, no child labor.</p> <p>III. Safe and Healthy Working Environment: We conduct semi-annual monitoring of the working environment to ensure that our employees are protected from physical and chemical hazards in the workplace. Our aim is to maintain exposure levels that comply with legal standards.</p> <p>IV. Occupational Safety Promotion: We provide health promotion campaigns, training on labor safety, health, and fire safety, as well as first aid training for our employees.</p> <p>V. We have established a "Sexual Harassment Prevention and Complaint" channel to ensure gender equality and address any incidents of sexual harassment.</p> <p>VI. We provide comprehensive annual health check-ups for all employees</p>	
(II) Has the Company set reasonable employee benefits (including remuneration, vacation days, and other benefits), and reflect business performance or achievements in the employee remuneration policy?	V	<ol style="list-style-type: none"> 1. In addition to the labor insurance, health insurance, and pension contribution as required by laws and regulations, the Company has provided employees with a variety of welfare policies, including: wedding and funeral subsidies, childbirth subsidies, injury and illness assistance, disaster relief, birthday bonuses, meal subsidies, field trip grants, and festival gifts. 2. In addition, according to the Company's Articles of Incorporation, 3% to 10.5% of the Company's profits will be allocated to employee compensation. 	No significant difference
(III) Does the Company provide a safe and healthy work environment for employees and regularly provide health and safety training for employees?	V	<ol style="list-style-type: none"> 2. The Company organizes regular health checkups for employees in accordance with the regulations set by the Ministry of Labor, and strengthens the supervision of labor safety and health in each department. 3. On-site health services are provided by contracted medical personnel in accordance with the regulations of the Ministry of Labor. 4. The workplace is monitored every six months in accordance with the law. 5. Regular training on labor safety and health is required by law in 	No significant difference

			<p>order to develop the emergency response capability and safety concept among employees.</p> <p>6. There were no occupational accidents during the year.</p>	
(IV) Has the Company established an effective career development training program for employees?	V		The Company's training program is integrated with the government's industrial talent investment program to continuously train and enhance employees' career development.	No significant difference
(V) Regarding customer health and safety, customer privacy, marketing and labelling of products and services, does the Company follow relevant regulations and international standards, and formulate relevant consumer protection policies and grievance procedures?	V		<ol style="list-style-type: none"> 1. The Company has set up an internal technical and maintenance Division and an external helpdesk on the Company's website to provide information on product warranties and frequently asked questions to consumers. 2. In addition, the Company's contact information is disclosed so that consumers can contact the Company directly by phone or mail. 3. All of our products and services are in compliance with the RoHS, we have announced the standards for banned hazardous substances on our website, and they are in compliance with the RoHS environmental standards and international standards 	No significant difference
(VI) Has the Company established supplier management policies which require suppliers to comply with relevant standards on issues such as environmental protection, occupational safety and health or labor rights, and suppliers' implementation?	V		<ol style="list-style-type: none"> 1. We have formulated the "Regulations for Managing Suppliers" to effectively control the quality, price, delivery and compatibility of our suppliers. We actively communicate with and learn from our suppliers on environmental protection, occupational safety and health, and labor human rights issues, and encourage them to improve their environmental safety and health performance. 2. In addition, suppliers are required to sign an "Guarantee Letter for Environmentally Prohibited Substances" at the same time as providing basic company information, to guarantee that the products and materials produced, manufactured or provided by them and downstream suppliers do not contain any prohibited substances. 3. The warranty specifies the compensation coverage to ensure the rights and reputation of the Company. 	No significant difference

<p>V. Does the Company adopt internationally recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy? Did the Company obtain a third party assurance or verification to ensure the reliability of the information in their CSR reports?</p>		<p>V</p>	<p>The Company has not yet compiled a CSR report.</p>	<p>Although the Company does not prepare a CSR report, it has set up various sections on the Company's website to disclose CSR-related information.</p>
<p>VI. If the Company has established sustainable development principles based on the “Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancies between the Principles and their implementation: The Company will formulate the "Sustainable Development Best Practice Principles" according to the scheduled plan.</p>				
<p>VII. Other important information to facilitate a better understanding of the company’s sustainable development practices:</p> <ol style="list-style-type: none"> 1. Please refer to pages 42-47 of this annual report for more information. 2. On April 25, 2023, our company responded to the Together for Prosperity: Embracing ESG E + public welfare campaign by making a donation to the "2023 Taiwan Good Air Yu Fu Tian" program, which aims to stop the burning of rice straw. The burning of rice straw has a significant impact on air quality and poses a threat to human health. To address this issue, we have initiated the "2023 Taiwan Good Air Yu Fu Tian" program, which calls for farmers to adopt non-burning methods to manage rice straw, and provides corresponding financial subsidies to support the implementation of this program. Through this initiative, we hope to reduce the impact of rice straw burning on air quality while safeguarding the rights and interests of farmers. 3. Regarding CSR environmental sustainability, on March 25, 2023, our company collaborated with Yen Yang, Med Yang, and Lighttek Intelligent Corporation to organize a tree planting event. In cooperation with the Luodong Forest District Office, we adopted an area in Ruifang District, New Taipei City, and planted a total of 1,335 tree seedlings. Through the process of photosynthesis, we aim to significantly reduce carbon emissions. By engaging in tree planting activities, we hope to raise awareness among our employees and their families about the importance of preserving and cherishing the Earth. We also aim to share this awareness with the friends and relatives of our employees. 4. As a company, we support the development of Taiwanese culture. On April 15, 2023, we organized a private screening of the Taiwanese film " Epidemic outbreak" to show our support for the local film industry. The significance of cultural development cannot be overlooked, and we strive to promote it through various means. By doing so, we aim to enrich and diversify Taiwanese culture while achieving our goals of sustainable development. 				

Note 1: If Implementation status is specified “Yes,” please explain the key policies, strategies, and measures taken and the execution progress. If Implementation status is specified “No,” please explain discrepancy and reason of discrepancy in the field titled “Discrepancies with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the reasons,” and provide any policy, strategy and measure planned for the future.

Note 2: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

Note 3: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

(VII) Status the company's performance in the area of ethical corporate management, any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reason for such discrepancies

Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(II) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the Company provide clear operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company has established the "Code of Conduct for Integrity Management," "Operating Procedures and Behavioral Guidelines for Integrity Management," and "Code of Ethics," requiring directors and executives to lead by example and adhere to the principles of honesty and integrity, fostering a corporate culture of trust and integrity .</p> <p>(II) In addition to the established "Code of Conduct for Integrity Management" and "Operating Procedures and Behavioral Guidelines for Integrity Management," the company has also included relevant reward and punishment measures in its employee code of conduct to prevent occurrences of dishonest behavior among employees</p> <p>(III) The company conducts preliminary assessments of legality and integrity of business relationships, ensuring avoidance of dealing with entities lacking integrity. It also complies with relevant laws and regulations. Any donation or sponsorship funds require authorization from the authorized hierarchy before being processed</p>	It generally complies.
<p>II. To implement integrity management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year)</p>	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>(I) To ensure that the Company conducts its business activities in a fair and transparent way, the Company is clearly defined to prohibit conducting business with persons who have a misconduct record.</p> <p>(II) The Company has not established a dedicated unit under the Board of Directors. Currently, the HR Division has</p>	It generally complies.

Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>to the Board of Directors while overseeing such operations?</p> <p>(III) Whether the Company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?</p>	<p>✓</p> <p>✓</p>		<p>been appointed as the executive unit to promote and convey ethical corporate management by conducting various training courses related to ethical corporate management.</p> <p>(III) To communicate the company's management philosophy, direction, concepts and priorities through internal channels on a regular and occasional basis in order to deepen the ethical corporate management best practice principles.</p> <p>(IV) The Company has established an effective accounting system and internal control system. The internal auditors conduct audits on all departments from time to time to implement the supervision mechanism and control various risk management.</p> <p>(V) The company provides various training courses such as new employee training to convey the company's ethical management principles, or the supervisor can convey these concepts within the department.</p>	
<p>III. Operation of integrity channels</p> <p>(I) Has the Company established a reward /punishment system and a complaint hotline? Has the Company established a system where the accused individual can be reached by an appropriate person?</p> <p>(II) Has the Company established standard operating procedures for investigating the complaints received, as well as follow-ups after investigations are completed, and has the Company ensured these investigations are handled confidentially?</p> <p>(III) Does the Company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) When employees discover any dishonest or improper behavior, they can directly report it to senior management. The company also ensures the confidentiality of the whistleblower's identity and the reported content to prevent retaliation. The company has established a disciplinary system and employees can file complaints through normal administrative procedures. Violators will face disciplinary action.</p> <p>(II) The company's "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices" have specified provisions regarding the standard operating procedures for investigating reported matters, the subsequent actions to be taken after the investigation is completed, and the related confidentiality mechanisms.</p> <p>(III) The relevant provisions in the company's "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices" stipulate that confidentiality</p>	It generally complies.

Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
			obligations are imposed on individuals who report misconduct, and they are prohibited from engaging in any improper handling or actions	
Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
IV. Strengthening information disclosure (I) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?		✓	(I) The company has established the "Code of Conduct for Integrity Management," "Operating Procedures and Behavioral Guidelines for Integrity Management," and "Code of Ethics," requiring directors and executives to lead by example and adhere to the principles of honesty and integrity, fostering a corporate culture of trust and integrity.	It generally complies.
V. If the Company has drafted its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please clearly state any discrepancies between the policies and their implementation: The company has implemented the "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices" in accordance with the established standards.				
VI. Other important information facilitating a better understanding of the Company's ethical corporate management policies: To establish a culture of ethical business conduct and ensure the healthy development of the company, we have implemented the "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices." These documents provide guidelines for conducting business with integrity. Furthermore, we disclose the implementation status of these guidelines in our annual report, demonstrating our commitment to transparency and accountability.				

EVERFOCUS ELECTRONICS CORP.

Codes of Ethical Conduct

- I. Purpose of and basis for adoption:
In recognition of the necessity to assist the Company in its establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, and managerial officers of the Company (including president or its equivalents, vice president or its equivalents, deputy assistant general managers or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.
- II. Prevention of conflicts of interest:
 - (1) Company directors shall exercise a high degree of self-discipline. If a director is an interested party with respect to any proposal for a board meeting, and when the interested party relationship is likely to prejudice the interests of the company, the director shall enter recusal during the voting. The director also may not act as another director's proxy to exercise voting rights on that matter. The directors shall practice self-discipline and must not support one another in improper dealings.
 - (2) When a director or manager of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship, the Company shall strictly comply with the relevant regulations of the Company when lending of funds, providing guarantees, and making major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a director or a manager belongs, and shall take the initiative to report to the Board of Directors during the decision-making process to explain the possible conflict of interest and shall recuse themselves.
- III. Minimizing incentives to pursue personal gain:
When the company has an opportunity for profit, it is the responsibility of the directors or managers to maximize the reasonable and proper benefits that can be obtained by the company; shall prevent its directors or managers from engaging in any of the following activities:
 - (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.
 - (2) Obtaining personal gain by using company property or information or taking advantage of their positions.
 - (3) Competing with the company.
- IV. Confidentiality:
The directors or managers of the Company shall be bound by the obligation during their terms or after the terms to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information.
Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.
- V. Fair trade:
Directors or managers of the Company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
- VI. Safeguarding and proper use of company assets:
All directors or managers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes in order to protect the profitability of the Company.
- VII. Legal compliance:
The company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws and regulations.
- VIII. Encouraging reporting on illegal or unethical activities:
The Company shall raise awareness of ethics internally through its employee website and encourage employees to report to a company chief internal auditor upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. The chief internal auditor should carefully investigate and communicate the situation to clarify any confusion if it is not a truth. If there is a fact, he/she should report it to the President, the Board of Directors or the independent directors as soon as possible when appropriate. The chief internal auditor, President, Board of Directors or independent directors shall use their best efforts to ensure the safety of informants and protect them from reprisals.
- IX. Disciplinary measures:
When a director or a manager violates the Code of Ethical Conduct, the Company shall report to the Board of Directors to dismiss the manager or request the shareholders' meeting to dismiss the director if moral advice is ineffective. When the Board of Directors or the shareholders' meeting discusses the dismissal of the violator, the violator shall be notified to appeal in the meeting. When the Board of Directors or the shareholders' meeting passes a resolution to discipline the offender, the Board of Directors or the shareholders' meeting shall disclose on the Market Observation Post System (MOPS) the title and name of the violator, date of violation, reason for the violation, the provisions of the code violated, and the disciplinary actions taken.
- X. Procedures for exemption

A director or manager may be exempt from the Company's Code of Ethical Conduct by resolution of the Board of Directors in order to maintain the Company's normal operations (e.g., purchase and sale of goods) or to develop the Company's long-term interests (e.g., technical cooperation) for the benefit of his or her own family members, spouse, parents, children or third relatives within third degree of kinship. Any exemption for directors or managers from compliance with the code shall be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

- XI. Method of disclosure: The company shall disclose the code of ethical conduct approved by the Board of Directors, and any amendments to it, in its annual reports and prospectuses and on the MOPS.
- XII. Enforcement: The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, and submitted to a shareholders meeting.
- XIII. This code was established on June 15, 2006
The first amendment was made on March 9, 2018.

(VIII) Implementation of internal control system

1. Statement of Internal Control System

EVERFOCUS ELECTRONICS CORP.

Statement of Internal Control System

March 22, 2023

Based on the findings of a self-assessment, EVERFOCUS ELECTRONICS CORP. (“the Company”) states the following with regard to its internal control system during the year 2022 :

- I. The Company’s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control:
 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities.Each component also includes several items which can be found in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Company’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 22, 2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

EVERFOCUS ELECTRONICS CORP.

Chairman and President: Yung-Shun Chuang



2. CPA audit report, where a CPA has been hired to carry out a special audit of the internal control system: Not applicable.

(IX) As of the reporting date, has the Company or its personnel been punished due to violation of regulations or has the Company punished its personnel for violating the Company's internal controls? If so, what were the major deficiencies and the steps taken to improve on the deficiencies? None.

(X) Up to recent year and the publication date of this annual report, major resolutions of shareholders' and board meetings:

1. Major resolutions of shareholders' meeting on July 15, 2022:

Major resolution		Implementation status
Matters for Adoption	1. To approve the Company's 2021 final accounts.	Resolved at the 2022 Annual General Meeting of Shareholders.
	2. To approve the Company's 2021 loss make-up statement.	Resolved at the 2022 Annual General Meeting of Shareholders.

2. Major resolutions of board meeting:

(1) Board meetings in 2022:

Date/Term	Proposals	Result of Resolution
2022.02.07 (Friday) 6th meetings of the 10th term	1. The proposal for the cash capital increase, issuance price, and related matters for the company in the year 2022	Unanimous consent of all directors present at the meeting.
	2. In the company's cash capital increase proposal, directors who are also managers and employees participate in the allocation of employee stock options..	Chairman Yung-Shun Chuang, who has a conflict of interest in this case, recused himself from voting and delegated Independent Director Hsu-Nan Huang to act as the chairperson. After consulting with the remaining attending directors, there were no objections and the motion was passed.
	3. Discussion of the 2021 year-end bonus for the Company's managers	Unanimous consent of all directors present at the meeting.
2022.3.24(Thursday) the 7 th meeting of the 10th term	1. The Company's 2021final accounts.	Unanimous consent of all directors present at the meeting.
	2. The Company's 2021 loss make-up statement.	Unanimous consent of all directors present at the meeting.
	3. Amendments to some articles of the company's "Procedures for Acquisition or Disposal of Assets"	Unanimous consent of all directors present at the meeting.
	4. Declaration of 2021 Internal Control Policies and sssessment of the Effectiveness of Internal Control System	Unanimous consent of all directors present at the meeting.
	5. Performance Evaluation Results of the Board of Directors for the Year 2021.	Unanimous consent of all directors present at the meeting.
	6 The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP	Unanimous consent of all directors present at the meeting.

	7. Annual Shareholders' Meeting of the Year 2022: Date, Venue, and Agenda.	Unanimous consent of all directors present at the meeting. 1. Time: 9:00 a.m., June 15, 2022 (Wednesday). 2. Place: 9F., No. 135, Ln. 235, Baoqiao Rd., Xindian Dist., New Taipei City
2022.05.12 (Wednesday) the 8 th meeting of the 10th term	The Company's Consolidated Financial Statements for the first quarter of 2022	Unanimous consent of all directors present at the meeting.
2022.06.23 (Wednesday) the 9 th meeting of the 10th term	Increase of Taipei Fubon Commercial Bank credit facilities	Unanimous consent of all directors present at the meeting.
2022.08.11 (Thursday) the 10 th meeting of the 10th term	1. The Company's Consolidated Financial Statements for the second quarter of 2022.	Unanimous consent of all directors present at the meeting.
	2. Endorsement and guarantee to EVERFOCUS JAPAN CORP. provided by the Company.	Unanimous consent of all directors present at the meeting.
	3. Increase of Taipei Fubon Commercial Bank credit facilities	Unanimous consent of all directors present at the meeting.
2022.11.10 (Thursday) the 11 th meeting of the 10th term	1. The Company's Consolidated Financial Statements for the third quarter of 2022.	Unanimous consent of all directors present at the meeting.
	2. The business transactions between the Company and the Bank.	Unanimous consent of all directors present at the meeting.
	3. Endorsement and guarantee to EVERFOCUS JAPAN CORP. provided by the Company.	Unanimous consent of all directors present at the meeting.
	4. The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP	Unanimous consent of all directors present at the meeting.
	5. 2022 Audit Plan.	Unanimous consent of all directors present at the meeting.
	6. The company's Participation in the unsecured convertible corporate bond underwriting and Purchasing Scheme of IBASE TECHNOLOGY INC..	Unanimous consent of all directors present at the meeting.
	7. Internal managerial salary adjustment proposal within the company in 2022.	Unanimous consent of all directors present at the meeting.
2022.12.12 (Thursday) the 12 th meeting of the 10th term	2023 annual budget and business plan.	Unanimous consent of all directors present at the meeting.

(2) Board of Directors for the year 2023 as at the date of publication of the annual report:

Date/Term	Proposal	Result of Resolution
2023.03.22 (Wednesday) the 13th meeting of the 10th term	1. The Company's 2022 final accounts.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	2. The Company's 2022 loss make-up statement.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	3. 2022 Internal Control System Effectiveness Assessment and Internal Control System Declaration.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	4. Proposal to Establish [Corporate Governance Practices Guidelines] for the Company	
	5. Proposal to Establish [Code of Business Ethics] for the Company	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	6. Proposal to Establish [Code of Conduct and Operating Procedures for Business Ethics] for the Company	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	7. Proposal to Establish [Assessment Procedures for the Independence and Suitability of External Auditors] for the Company	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	8. Discussion of abolishing the ' Rules for Election of Directors ' and establishing a new ' Procedures for Election of Directors	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	9. Drafting of "Operational Guidelines for Financial Transactions among Related Parties of a Limited Company"	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	10. Amendment to the Company's Board Meeting Regulations	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	11. Amendment to the Company's Significant Information Evaluation Process	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	12. Proposal to Establish [Assessment Framework for Independence and competence of the Company's CPAs	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	13. Proposal to Establish the position of Corporate Governance Officer	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	14. Annual Shareholders' Meeting of the Year 2023: Date, Venue, and Agenda.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	15. Submit the 2022 annual manager performance bonus distribution proposal	Unanimous consent of all directors present at the meeting upon inquiry by the chair.

(XI) Major issues of record or written statements made by any director or supervisor dissenting to important resolutions passed by the Board of Directors during 2022 and as of the date of this annual report: None.

(XII) Resignation or dismissal of the Company's chairman, general manager, accounting director, finance director, internal audit director, corporate governance director, director of R&D and more during 2022 and as of the date of this annual report: None.

V. Information on the professional fees of the external auditors

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Auditing Period	Audit fees	Non-audit fees	Total	Remark
Pricewaterhouse Coopers Taiwan	Mavis Chang	2022.1.1-2022.12.31	2,000	90	2,090	Note
	Shih-Jung Weng					

Note: The non-audit fee is paid to the CPAs for the review of the Company's capital reduction in 2022

- (I) If the ratio of non-audit fees from the signing accountant's firm and its related entities to audit fees exceeds one-fourth, the amounts and nature of audit and non-audit fees should be disclosed: None
- (II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. The facts about the Company chairman, president, managerial officer in charge of financial or accounting affairs having served with the CPA Office or the affiliation thereof over the past year, the name, title and period of employment with the certified public accountant's firm or its affiliates should be disclosed: None

VII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Changes in shareholdings of directors, supervisors, managers and major shareholders

Unit: shares

Title	Name	2022		As of April 16, 2023	
		Increase (decrease) in number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in pledged shares
Chairman and President	Yung-Shun Chuang	7,983,163	0	0	0
Director	Hui-Ming Tsao	0	0	0	0
Director	LCL CAPITAL INC.	0	0	0	0
Corporate Representative	Ching-Kun Chen	0	0	0	0
Corporate Representative	Chieh-Hsi Li	0	0	0	0
Independent director	Hsu-Nan Huang	0	0	0	0
Independent director	Hsueh-Yu Lo	0	0	0	0

Independent director	Chen-An Li	2,950	0	2,950	0
Financial Officer	Chien-Liang Chen	19,000	0	20,000	0
Internal Auditor	Li-Wen Chou	1,000	0	1,000	0
Chief Corporate Governance Officer	Yun-Hua Chiang	0	0	0	0

2. The person to whom shares are transferred is a related party: None.

3. The person to whom shares are pledged is a related party: None.

VIII. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.

Related-Party Relationships Among Top Ten Shareholders

April 16, 2023 Unit: shares; %

Name	Number of shares held by themselves		Shares held by spouse and minors		Shares held by others		NAMES AND THE RELATIONSHIP AMONG THE TOP TEN SHAREHOLDERS IN THE RELATIONSHIP OF RELATED PARTIES OR SPOUSES, BLOOD RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP.		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or abbreviation)	Relationship	
Yung-Shun Chuang	10,655,686	15.95	0	0.00	0	0	Shu-Hua Li Chuang	2nd degree of kinship	None
Chia-Ming Huang	3,971,485	5.95	0	0.00	0	0	Hui-Ming Tsao	Spouse	None
LCL CAPITAL INC.	3,768,021	5.64	0	0.00	0	0	WITTY MATE CORPORATION	Note	None
Wu Shun Investment Co., Ltd.	1,881,682	2.82	-	-	-	-	-	-	None
Hui-Ming Tsao	1,707,541	2.56	0	0.00	0	0	Chia-Ming Huang	Spouse	None
Bi-hui Chen	1,597,696	2.39	-	-	-	-	-	-	None
PEI HSI CO., LTD.	1,589,183	2.38	-	-	-	-	-	-	None
Zhi Pin Industrial Co., Ltd.	1,579,616	2.37	-	-	-	-	-	-	None
WITTY MATE CORPORATION	1,564,220	2.34	-	-	-	-	LCL CAPITAL INC.	Note	None
Shu-Hua Li Chuang	1,018,000	1.52	-	-	-	-	Yung-Shun Chuang	2nd degree of kinship	None

Note: LCL CAPITAL INC. is the major shareholder of WITTY MATE CORPORATION.

IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.

Unit: shares; %

Invested enterprise (Note)	Held by the Company		Held by Directors, Supervisors, Managers, and Directly/Indirectly Controlled Businesses		Total Investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
EVER FOCUS ELECTRONICS CORP.	8,934,000	100.00	0	0	8,934,000	100.00
EVERFOCUS ELECTRONICS (EUROPE) GMBH (Note 4)	3,300,000	100.00	0	0	3,300,000	100.00
EVERFOCUS JAPAN CORP.	200	100.00	0	0	200	100.00
EverFocus Electronics (Shenzhen) Co., Ltd.	USD 2,050,000 (Note 1)	100.00	0	0	USD 2,050,000 (Note 1)	100.00
EVERHIGHLIGHT TECHNOLOGY CORP.	500,000	100.00	0	0	500,000	100.00
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED (Note 2)	2,128,149	75.00	0	0	2,128,149	75.00
EVERFOCUS ELECTRONICS LIMITED (Note 3)	75	75.00	0	0	75	75.00

Note: It is the long-term investment accounted for using the equity method.

Note 1: It is stated as investment amount.

Note 2: EVERFOCUS ELECTRONICS CORP. has lost control of EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED since January 1, 2015 due to its inability to dominate the relevant business activities

Note 3: EVERFOCUS ELECTRONICS LIMITED filed for liquidation with the local court in December 2013.

Note 4: EVERFOCUS ELECTRONICS (EUROPE) GMBH filed for liquidation with the local court on June 28, 2018.

Four. Capital and Shares

I. Capital and shares

(I) Capitalization:

Month/Year	Issue price	Authorized Share Capital		Capital Stock		Remark		
		Number of shares	Amount (NT\$)	Number of shares	Amount (NT\$)	Sources of Capital	Capital Increase by Assets other than Cash	Others
1995.07	10	1,000,000	10,000,000	700,000	7,000,000	Capital upon establishment 7,000,000	-	-
1996.11	10	1,200,000	12,000,000	1,200,000	12,000,000	Cash capital increase 5,000,000	-	-
1997.09	10	9,800,000	98,000,000	9,800,000	98,000,000	Capitalization of retained earnings 5,680,000 Cash capital increase 80,320,000	-	Note 1
1998.07	10	10,918,353	109,183,530	10,918,353	109,183,530	Capitalization of retained earnings 9,800,000 Employee bonus 1,383,530	-	Note 2
1999.09	10	18,000,000	180,000,000	18,000,000	180,000,000	Cash capital increase 10,358,540 Capitalization of retained earnings 53,499,930 Employee bonus 6,958,000	-	Note 3
2000.10	10	42,000,000	420,000,000	24,111,500	241,115,000	Capitalization of retained earnings 50,400,000 Capitalization of capital reserves 3,600,000 Employee bonus 7,115,000	-	Note 4
2001.09	10	42,000,000	420,000,000	35,858,375	358,583,750	Cash capital increase 48,000,000 Capitalization of retained earnings 60,278,750 Employee bonus 9,190,000	-	Note 5
2002.08	10	103,000,000	1,030,000,000	49,775,000	497,750,000	Capitalization of retained earnings 89,645,940 Capitalization of capital reserves 35,858,370 Employee bonus 13,661,940	-	Note 6
2003.06	10	103,000,000	1,030,000,000	64,402,000	644,020,000	Capitalization of retained earnings 99,550,000 Capitalization of capital reserves for employee bonus 29,865,000 16,855,000	-	Note 7
2004.09	10	150,000,000	1,500,000,000	77,260,000	772,600,000	Capitalization of retained earnings 109,483,400 Employee bonus 19,096,600	-	Note 8
2005.08	10	207,000,000	2,070,000,000	94,888,000	948,880,000	Capitalization of retained earnings 154,520,000 Employee bonus 21,760,000	-	Note 9
2006.07	10	207,000,000	2,070,000,000	103,550,700	1,035,507,000	Capitalization of retained earnings 75,910,400 Employee bonus 10,716,600	-	Note 10
2007.06	10	207,000,000	2,070,000,000	107,122,100	1,071,221,000	Capitalization of retained earnings 20,710,000 Employee bonus 15,004,000	-	Note 11
2008.07	10	207,000,000	2,070,000,000	112,249,800	1,122,498,000	Capitalization of retained earnings 31,356,630 Employee bonus 19,920,370	-	Note 12
2009.07	10	207,000,000	2,070,000,000	114,322,796	1,143,227,960	Capitalization of retained earnings 20,729,960	-	Note 13
2010.12	10	207,000,000	2,070,000,000	111,722,796	1,117,227,960	Cancellation of treasury stock to reduce capital -26,000,000	-	Note 14
2011.07	10	207,000,000	2,070,000,000	121,507,847	1,215,078,470	Capitalization of capital reserves 97,850,510	-	Note 15
2011.10	10	207,000,000	2,070,000,000	118,507,847	1,185,078,470	Cancellation of treasury stock to reduce capital -30,000,000	-	Note 16
2015.04	10	207,000,000	2,070,000,000	115,507,847	1,155,078,470	Cancellation of treasury stock to reduce capital -30,000,000	-	Note 17
2019.08	10	207,000,000	2,070,000,000	68,115,093	681,150,930	Capital reduction to offset losses -473,927,540	-	Note 18
2021.09	10	207,000,000	2,070,000,000	53,401,000	534,010,000	Capital reduction to offset losses -147,140,930	-	Note 19
2022.04	10	207,000,000	2,070,000,000	66,801,000	668,010,000	Cash capital increase 134,000,000	-	Note 20

Note 1: Approved with the letter 86 Chien San Kuei Zi No. 238993 dated on September 30, 1997 issued by Department of Reconstruction of the Taiwan Provincial Government

Note 2: Approved with the letter Jing (087) Shang Zi No. 087120921 issued by the Ministry of Economic Affairs

Note 3: Approved with letter (88) Tai Cai Zheng (I) No. 59484 dated on July 6, 1999 issued by the Securities and Futures Institute, Ministry of Finance.

Note 4: Approved with letter (89) Tai Cai Zheng (I) No. 77552 dated on September 15, 2000 issued by the Securities and Futures Institute, Ministry of Finance.

Note 5: Approved with letters (90) Tai Cai Zheng (I) No. 130237 dated on May 16, 2001 and (90) Tai Cai Zheng (I) No. 130236 dated on May 24, 2001 issued by the Securities and Futures Institute, Ministry of Finance.

Note 6: Approved with letter (91) Tai Cai Zheng Yi Zi No. 0910135217 dated on June 27, 2002 issued by the Securities and Futures Institute, Ministry of Finance.

Note 7: Approved with letter Tai Cai Zheng Yi Zi No. 0920120693 dated on May 13, 2003 issued by the Securities and Futures Institute, Ministry of Finance.

Note 8: Approved with letter Tai Cai Zheng Yi Zi No. 0930129867 dated on July 6, 2004 issued by Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan
 Note 9: Approved with letter Jin Guan Zheng Yi Zi No. 0940126083 dated on June 29, 2005 issued by Financial Supervisory Commission, Executive Yuan
 Note 10: Approved with letter Jin Guan Zheng Yi Zi No. 0950128163 dated on July 4, 2006 issued by Financial Supervisory Commission, Executive Yuan
 Note 11: Approved with letter Jin Guan Zheng Yi Zi No. 0960033108 dated on June 29, 2007 issued by Financial Supervisory Commission, Executive Yuan
 Note 12: Approved with letter Jin Guan Zheng Yi Zi No. 0970032585 dated on July 1, 2008 issued by Financial Supervisory Commission, Executive Yuan
 Note 13: Approved with letter Jin Guan Zheng Fa Zi No. 0980032662 dated on July 1, 2009 issued by Financial Supervisory Commission, Executive Yuan
 Note 14: Approved with the letter Jing Shou Shang Zi No. 09901291690 dated on December 31, 2010 issued by the Ministry of Economic Affairs.
 Note 15: Approved with letter Jin Guan Zheng Fa Zi No. 1000030654 dated on July 4, 2011 issued by Financial Supervisory Commission, Executive Yuan
 Note 16: Approved with the letter Jing Shou Shang Zi No. 10001233290 dated on December 31, 2011 issued by the Ministry of Economic Affairs.
 Note 17: Approved with the letter Jing Shou Shang Zi No. 10401075530 dated on December 31, 2010 issued by the Ministry of Economic Affairs.
 Note 18: Approved with the letter Jin Shou Shang Zi No. 10801102490 dated on August 12, 2019 issued by the Ministry of Economic Affairs.
 Note 19: Approved with the letter Jin Shou Shang Zi No. 11001172090 dated on September 24, 2021 issued by the Ministry of Economic Affairs.
 Note 20: Approved with the letter Jin Shou Shang Zi No. 11101064710 dated on April 19, 2022 issued by the Ministry of Economic Affairs.

April 16, 2023

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares (Note 1)	Unissued Shares	Total	
Ordinary shares	66,801,000	140,199,000	207,000,000	None

Note 1: Stock of listed company.

(II) Information on the shelf registration: None.

(III) Shareholder structure

April 16, 2023

Shareholder structure QTY	Government Agencies	Financial institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individual	Total
Number of Shareholders	0	2	27	24	11,927	11,980
Shareholding	0	275,538	12,719,781	464,904	53,340,777	66,801,000
Shareholding percentage	0.00%	0.41%	19.04%	0.7%	79.85%	100%

(IV) Distribution Profile of Share Ownership

April 16, 2023

Shareholding Ownership	Number of Shareholders	Shareholding	Shareholding percentage
1-999	9,245	750,400	1.12%
1,000-5,000	1,870	3,887,382	5.82%
5,001-10,000	349	2,529,162	3.79%
10,001-15,000	138	1,690,206	2.53%
15,001-20,000	77	1,370,954	2.05%
20,001-30,000	80	1,982,141	2.97%
30,001-40,000	46	1,625,837	2.43%
40,001-50,000	37	1,673,450	2.51%
50,001-100,000	69	4,835,435	7.24%
100,001-200,000	25	3,500,692	5.24%
200,001-400,000	21	5,523,539	8.27%
400,001-600,000	6	2,874,407	4.30%
600,001-800,000	5	3,467,265	5.19%
800,001-1,000,000	2	1,757,000	2.63%
>1,000,001	10	29,333,130	43.91%
Total	11,980	66,801,000	100.00%

(V) Preferred shares: None.

(VI) List of major shareholders: List all shareholders with a stake of 5 percent or greater or shareholders who rank in the top 10 in shareholding percentage.

April 16, 2023

Shareholding	Shareholding	Shareholding percentage
Major Shareholders		
Yung-Shun Chuang	10,655,686	15.95%
Chia-Ming Huang	3,971,485	5.95%
LCL CAPITAL INC.	3,768,021	5.64%
Wu Shun Investment Co., Ltd.	1,881,682	2.82%
Hui-Ming Tsao	1,707,541	2.56%
Bi-Hui Chen	1,597,696	2.39%
PEI HSI CO., LTD.	1,589,183	2.38%
Zhi Pin Industrial Co., Ltd.	1,579,616	2.36%
WITTY MATE CORPORATION	1,564,220	2.34%
Shu-Hua Li Chuang	1,018,000	1.52%

(VII) Market Price, Net Worth, Earnings, and Dividends Per Common Share For the Last Two Years

Unit: NT\$/share

Item	Year		2021	2022	As of April 30, 2023 (Note 8)
Market Price Per Share (Note 1)	Highest		19.30	16.9	18.75
	Lowest		12.65	11.45	13.05
	Average		15.82	14.11	15.69
Net Worth Per Share (Note 2)	Before Distribution		9.90	9.53	9.74
	After Distribution		9.90	9.53	9.74
Earnings per share (EPS)	Weighted average shares (Note 9)		53,401,000	63,497,000	66,801,000
	Earnings per share (Note 3)		(0.63)	(1.26)	0.18
Dividends Per Share	Cash dividends		0	0	-
	Stock dividends	0	0	0	
		0	0	0	
	Accumulated Undistributed Dividend (Note 4)		0	0	
Return on investment	Price/Earnings Ratio (Note 5)		(25.12)	(11.2)	
	Price/Dividend Ratio (Note 6)		0	0	
	Cash Dividend Yield (Note 7)		0	0	

* If stock dividends are distributed by capitalization of retained earnings or capital surplus, information on the market price and cash dividends should be disclosed based on the number of shares distributed retroactively.

Note 1: Please list the market share prices, including the highest, lowest and average for the year. Average market share price should be calculated by applying the turnover value and the total turnover volume for the year.

Note 2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note 5: Price/Earnings Ratio = average share market price / earnings per share.

Note 6: Price/Dividend Ratio = average share market price / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividends per share / average share market price.

Note 8: The information on net worth per share and earnings per share should be stated according to the latest quarterly audited ("reviewed") financial statements by the CPA as of the publication date of the annual report; the other columns should be stated according to the current year as of the publication date of the annual report.

(VIII) Dividend Policy and Implementation Status:

1. Information on the Company's dividend policy set forth in the Articles of Incorporation:

When the Company has surplus, it shall set aside 3% to 10.5% as employee compensation, which shall be distributed in shares or cash as resolved by the Board of Directors.

Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements.

In addition, the Company may set aside no more than 2.5% of the above-mentioned profit as director remuneration as resolved by the Board of Directors

However, if the Company still has accumulated losses, the Company shall reserve the amount to offset the losses in advance, and then set aside the employee compensation and director remuneration based on the aforementioned proportions.

If the Company has earnings surplus as evidenced by the year-end accounting settlement, it shall pay taxes and make up for losses in accordance with the law and set aside 10% as a legal reserve, except when the legal reserve has reached the Company's total paid-in capital. The remainder shall be set aside or reversed as a special reserve in accordance with the laws and regulations.

The Board of Directors shall prepare a proposal for the appropriation of earnings and submit it to the shareholders to resolve the distribution of dividends to shareholders if there is still a balance available, together with the accumulated undistributed earnings to allocate 0% to 100% of the distributable earnings.

The distributable dividends or bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Dividends are distributed on the basis that maintaining a sound financial structure and matching future business growth of the Company. In accordance with the Company Act, the Board of Directors prepares a proposal for the distribution of earnings each year after the approval of the shareholders' meeting, taking into account the Company's profitability and future operating needs and to protect the interests of investors. The Company adopts the following three methods to distribute dividends: capitalization of earnings, capitalization of capital surplus and cash dividends.

The distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. If there is an appropriate investment plan that can increase the Company's profitability, the capitalization of earnings or capitalization of capital surplus will be used. When the capital increase affects the dividend level, cash dividends will be paid. Stock dividends will account for 0% to 90% while cash dividends will account for 10% to 100% of the total amount of dividends paid.

2. Implementation Status:

The Company did not distribute any dividends in fiscal 2022 due to accumulated losses.

(IX) Impact of the stock dividend distribution proposed by the shareholders' meeting on the Company's operating performance and earnings per share:

Not applicable. The shareholders' meeting did not propose a stock dividend distribution and the Company was not required to disclose financial forecast information for 2023

(X) Remuneration to employees, directors and supervisors:

1. The percentage or range of remuneration to the employees, directors and supervisors are

delineated under the Articles of Incorporation:

When the Company has surplus, it shall set aside 3% to 10.5% as employee compensation, which shall be distributed in shares or cash as resolved by the Board of Directors.

Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements.

In addition, the Company may set aside no more than 2.5% of the above-mentioned profit as director remuneration as resolved by the Board of Directors

However, if the Company still has accumulated losses, the Company shall reserve the amount to offset the losses in advance, and then set aside the employee compensation and director remuneration based on the aforementioned proportions.

2. The basis for estimating the amount of employee and director remuneration, shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:

The Board of Directors resolved not to distribute remuneration to employees and directors due to the Company's accumulated losses in fiscal 2022

3. Remuneration distribution approved by the Board:

The Board of Directors resolved not to distribute remuneration to employees and directors due to the Company's accumulated losses in fiscal 2022

4. The actual distribution of employee and director/supervisor remuneration for the previous fiscal year (with an indication of the number, value and stock price of the shares distributed) shall be declared.

If there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, the discrepancy, its cause, and its status must also be listed:

As the Company has accumulated losses for both 2021 and 2022, no remuneration to employees and directors has been estimated.

(XI) Share Buyback by the Company: None.

II. Issuance of Corporate Bonds (including Overseas Corporate Bonds): None.

III. Information on convertible bonds: None.

IV. Information on exchangeable bonds: None.

V. Shelf registration for issuing bonds: None.

VI. Information on corporate bonds with warrants: None.

VII. Preferred shares: None.

VIII. Information on preferred stock with warrants:

IX. Issuance of Global Depositary Receipts: None.

X. Status of employee stock option plan: None.

XI. Issuance of New Restricted Employee Shares: None.

XII. Information on employee stock options granted to management team and to top 10 employees: None.

XIII. Information on new restricted employee shares granted to management team and to top 10 employees: None.

XIV. Basic information of the merged and the acquired company: None.

XV. Financing Plans and Implementation:

(I) The Plan

1. Date and Letter No. of Approval: Jin Guan Zheng Fa Zi No. 1100378387 on January 18, 2022 issued by FSC.

2. Total funds required for the plan: NT\$187,600 thousand.

3. Source of funds: Cash capital increase to issue 13,400 thousand new shares with par value NT\$10 per share; the total amount is NT\$134,000 thousand; the issue price is NT\$14 per share; the total capital raised is NT\$187,600 thousand.

4. Plan item and planned schedule: Unit: NT\$ thousand

Plan Item	Planned Completed Date	Total Capital Needed	Planned use of Capital
			2022 second quarter
Repayment of bank loans	2022 second quarter	65,000	65,000
Replenishment of working capital	2022 second quarter	122,600	122,600
Total		187,600	187,600

5. Expected effects:

(1) Repayment of bank loans

The total amount raised from the issuance of common stock was NT\$187,600 thousand, of which NT\$65,000 thousand was used to repay bank loans, and was fully raised in April 2022. The Company immediately repaid the related loans in accordance with the bank loan agreements, and based on the actual borrowing rate of 1.42% for the short-term bank loans to be repaid, it is estimated that the interest expense can be saved by NT\$615 thousand in 2022, and then by NT\$923 thousand in each subsequent year. It can reduce the Company's financial burden and enhance its solvency, and strengthen the Company's financial structure, which is conducive to the Company's overall operational development and flexible capital deployment.

(2) Working capital

The Company raised \$187,600 thousand from the cash capital increase, the remaining \$122,600 thousand is planned to be used to increase its working capital to reserve the operating cash required to enhance its competitiveness and strengthen its financial structure, which will positively contribute to the overall development of the Company's operations. In addition, by using the funds raised to finance future working capital shortfalls, the Company will be able to reduce interest expense by decreasing the bank borrowings. Based on the interest rate of 1.42% for the short-term bank borrowings to be repaid, the Company expects to save \$1,161 thousand in interest expense in 2022 and \$1,741 thousand annually from 2023 onwards.

6. There was no change in the Company's 2021 cash capital increase plan.

7. Date of entering MOPS or Internet Information System: January 19, 2022.

(II) Implementation Status:

Plan Item	Implementation Status	Year 2022		Reasons for being ahead or behind schedule and improvement plans
		Scheduled	Actual	
Repayment of bank loans	expenditure amount	Scheduled	65,000	The execution has been completed according to the planned schedule in the second quarter of 2022
		Actual	65,000	
	Execution progress percentage(%)	Scheduled	100%	
		Actual	100%	
Replenishment of working capital	expenditure amount	Scheduled	122,600	Due to the decline in revenue, it was planned to be completed in the third quarter, and it has been executed and completed in the third quarter of 2022
		Actual	122,600	
	Execution progress percentage(%)	Scheduled	100%	
		Actual	100%	

Five. Operations Overview

I. Business activities

(I) Business Scope

1. Main Business Activities:

- (1) CB01010 Mechanical Equipment Manufacturing
- (2) CC01080 Electronics Components Manufacturing
- (3) E604010 Machinery Installation
- (4) E603050 Automatic Control Equipment Engineering
- (5) F113010 Wholesale of Machinery
- (6) F213080 Retail Sale of Other Machinery and Equipment
- (7) F119010 Wholesale of Electronic Materials
- (8) F219010 Retail Sale of Electronic Materials
- (9) I501010 Product Designing
- (10) E605010 Computer Equipment Installation
- (11) EZ05010 Instrument and Meters Installation Engineering
- (12) I301010 Software Design Services
- (13) E601010 Electric Appliance Construction
- (14) E603010 Cable Installation Engineering
- (15) F401010 International Trade
- (16) CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- (17) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
- (18) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Main Products and Business Breakdown:

Unit: NT\$ thousand

Main Products/Year	Sales Revenues in 2022	Proportion (%)
Digital Video Recorder	156,377	47.06
Camera	117,185	35.26
AV Over IP	1,183	0.36
Others	57,564	17.32
Total	332,309	100.00

3. Current Products/Services:

The new products launched by the Company include:

- (1) H.265 NDAA eZ.IP Series Webcam
 - EZNU251/551 2M/5M pixel autofocus outdoor vandal-proof waterproof IP67 infrared bullet network camera
 - EHNU 251/551 2M/5M pixel autofocus outdoor vandal-proof waterproof IP67 infrared bullet network camera
- (2) MIT eZ.HD H.265 HD DVR
 - UNIGUARD Series 16/32/64/128-channel network-based universal digital video recorder
 - IRONGUARD II 8 POE 8-channel POE network-powered universal digital video recorder
- (3) NOVATEK hybrid HD vehicle digital video recorder with MIT chip
 - EMV800/1200FHD_N 8-ch/12-ch analog high-definition hybrid ruggedized anti-vibration mobile digital video recorder
 - EMV400S ODF_N 4-ch analog high-definition ruggedized anti-vibration SD Card mobile digital video recorder
 - EMV400S ODF_NH 4-ch Advanced Driver Assistance System (ADAS) + 16-in-1 Mobile Digital Video Recorder (MDVR)

(4) AIoT industrial computer system for multi-purpose AI image capture and analysis with digital camera recording and surveillance system

- eIVP Series INTEL Industrial Computer Platform
- eNVP Series NVIDIA Industrial Computer Platform
- EMV Series Novatek Platform AI Intelligent Image Vehicle System
- PG Series IoT Gateway Industrial Network Protocol Gateway
- AVC Series M.2 4K HDMI Video Capture Card

4. New Products and Services in the Planning

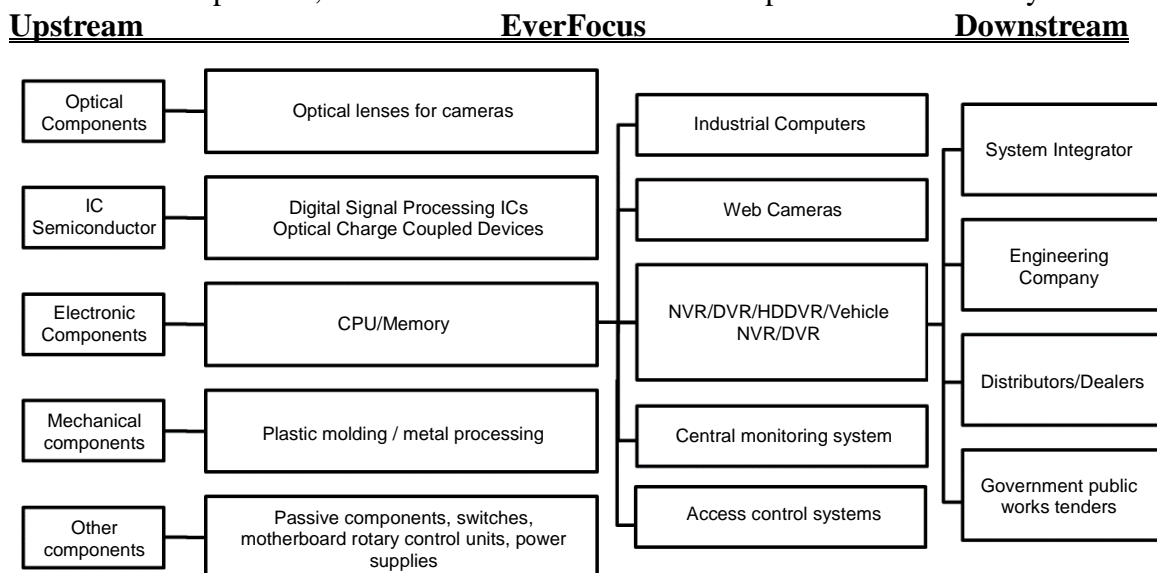
- (1) Next generation MIT video compression technology (NOVATEK) application products, including NVR, DVR, MDVR
- (2) Intelligent recognition HD camera integrated with recognition system
- (3) ADAS Integration of driving image recognition system and integration of driving recorder system
- (4) Rugged NVR software computer system integration
- (5) AIOT related AI application development
- (6) Integration of cloud platform services for driving recorders

(II) Industry Overview

1. Current status and development of the industry

The surveillance business includes optical technology, digital processing, image processing, automatic control, and network technology. Therefore, in addition to the traditional security equipment manufacturers, as IT and digital technology develop vigorously, more and more IT companies are entering into the development and production of the surveillance industry, and the competition from Japanese, Korean, and Chinese manufacturers will make the surveillance market more innovative, more diversified, so that consumers can benefit from more diverse and higher quality surveillance products. The surveillance industry in Taiwan has an export-oriented sales structure, with cameras and digital video recorders being the mainstay among the products sold. At present, the cameras and monitors produced and sold by the manufacturers are all in color with high quality and reasonable price, which are popular all over the world, whether PC-based or Standalone. Being optimistic about the future business opportunities for DVRs, domestic manufacturers have been continuously devoting themselves to the research and development technology, quality improvement and upgrading of surveillance products, thus the overall sales of the surveillance industry in Taiwan continues to grow.

2. The Relevance of Upstream, Midstream and Downstream Companies in the Industry:



3. Product trends:

The future trend for product features and added value is towards integration, connectivity, and centralized monitoring. Products with single functionalities or limited diversification will be at a disadvantage. In addition to developing remote digital monitoring integration software, Huiyou Technology considers an integrated approach in product design and process planning, providing diversified monitoring solutions. Our product line includes networking, analog high-definition, vehicle-mounted systems, and access control systems to meet current and future market trends.

Furthermore, we collaborate with other companies to strengthen our lacking technologies, expand our production lines, integrate multiple enterprises, or act as an agent for a wider range of products. This enhances our overall competitive strength, allowing Huiyou Technology's products and services to meet the diverse needs of our customers.

4. Competition:

CCTV industry has developed from analog products in the early days to the digital market nowadays, so the market for manufacturers now is less profitable. Consider the cost factor and market demand, manufacturers are looking for the best strategy to create market opportunities through vertical integration, horizontal cooperation or cross-industry alliances, which will become the inevitable development trend of the industry.

The major international competitors among the manufacturers of surveillance systems are the U.S., Japan, Korea and China. Although the U.S. and Japan have advanced technologies, their manufacturing costs are relatively high and their organizations are huge, so they are unable to meet the ever-changing market demands. They usually act slowly and lack of R&D efforts as compared to the Taiwanese manufacturers. In addition, most of them use CRB or purchase the whole machine from others directly. The Company has insisted on establishing R&D team for a long time, and has started to develop its own technology, which has been acknowledged by well-known manufacturers in the world. At the same time, we have been able to make use of the overseas subsidiary team in the global market, effectively use the marketing channels, and actively expand the global market, so that we can achieve a new record in a short period of time. The Company has been certified by ISO 9001 and has strengthened its internal organization to ensure that all operating requirements for quality are carefully controlled from the source so that customers can be fully satisfied to achieve co-prosperity together.

(III) R&D Status

1. Percentage of R&D expenses to operating income

Unit: NT\$ thousands; %

Item \ Year	2021	2022	As of March 31, 2023
R&D expenses	39,840	43,558	10,187
Operating income	450,145	332,309	96,267
Percentage of operating income	8.85%	13.11	10.58

2. Technology or products developed successfully

- (1) NOVATEK Smart Series Analog HD Vehicle DVR with MIT chip
- (2) NOVATEK Smart Series H.265 Analog HD DVR with MIT chip
- (3) Full series of 4K /1080p analog HD cameras made in Taiwan
- (4) H.265 IP Camera made in Taiwan
- (5) HD camera with smart AI recognition and identification system
- (6) Rugged industrial computer system design integration

(IV) Long-Term and Short-Term Business Development Plans

1. Short-Term Plans

- (1) Continuously enhance the brand value to meet customers' needs in all aspects.

In addition to continuous work on quality improvement, we also make use from the existing global sales and service channels to provide comprehensive services so that our customers can not only buy high-quality products, but also receive comprehensive technical support and services from us in order to strengthen the brand recognition.

- (2) Introduce integrated solutions to improve the professional service capability for our customers.

Our comprehensive product line and total surveillance solutions have replaced the single-product, price-competitive sales model. The single product line sales model must face the tough challenge from price competition and low gross profit. We must take into account the needs and trends of the overall industry and provide a comprehensive product line and integrated system to solve customers' product compatibility problems and solution needs, as well as to increase the added value of our products and enhance our brand value to create an economic value in the blue ocean market.

- (3) By having a clear market position, our own band, together with the ODM, can operate independently and share the economy of scale.

We choose our OEM customers carefully to avoid market conflicts. We expand our economic scale and production efficiency to reduce overall production costs, and share the profits with our brands and OEM customers to create a win-win situation

- (4) Build a sales channel for high-definition surveillance products to capture the HD and digital business opportunities.

High-definition and digitalization are definitely the future trend in the surveillance industry, and will lead to a new wave of challenges and business opportunities.

The 1080p analog high definition and IP related products launched in recent years are important bases for us to deploy high definition and digital products. Our sales team not only continues to build up marketing channels, but also actively introduces our analog HD and IP systems to global SIs so that we can establish a sales system that integrates hardware and software.

- (5) Continuously expanding vertical applications with image technology as the core With image technology as its foundation, Everfocus has developed related products such as

security monitoring and access control systems, establishing a strong technical expertise and industry experience in the security application field. In recent years, the company has started to combine existing image technology with innovative applications, vertically expanding its core technology to areas such as automotive systems, smart transportation, smart education, and more. The vertical expansion of image technology not only enriches the product line but also plays a significant role in various sectors, driving industry development and promoting social progress

2. Long-Term Plans

(1) Marketing strategy

"Brand with ODM strategy" is the main marketing policy. Brand and ODM revenue are the two key factors supporting the company's growth. The strategic cooperation with ODM customers enhances the quality standard in every department of the Company and strengthen the structure of the Company, so that we can continue to take on new challenges and remain competitive. The increase in scale and operational efficiency will also contribute to the growth of our brands and OEM customers, helping us to become one of the world's leading manufacturers.

(2) R&D strategy

Everfocus is well-versed in the integration of efficient image processing hardware, application software, and cloud services, forming a three-tier architecture for image solutions. The architecture consists of the Image Source Acquisition Layer, Image Processing Layer, and Service Platform Integration Layer. The Source Acquisition Layer involves integrating cameras, sensors, and other data sources, while the Image Processing Layer handles tasks such as image compression, restoration, and recognition to ensure the integrity and reliability of image data. Finally, the Service Platform Integration Layer facilitates the transmission of image data to third-party platforms or applications, such as fleet management, remote control, and video conferencing, through Huiyou Electronics' products. Everfocus image solution enables end-to-end management from image capture to application services, providing customers with convenience, efficiency, and security. Additionally, leveraging technologies like machine learning and deep learning, computers can automatically analyze and recognize objects, behaviors, and contexts in images. This includes camera edge computing, industrial computer edge computing, and back-end server recognition and analysis systems, enabling intelligent monitoring and management of specific scenarios and environments.

(3) Operating strategy

The Company is committed to "excellent quality, prompt service, continuous innovation, and sustainability" business concept, to create more added value products for customers, to achieve customer satisfaction as the ultimate goal, so that the long-term cooperation between the Company and customers can achieve a win-win situation. In addition, at this stage, we are gradually starting to plan and lay out global strategies in order to be globalized in strategy, regionalized in operation and localized in service..

II. Market and sales overview

(I) Market Analysis

1. Sales Region of Main Products:

The Company offers a wide range of electronic surveillance products, including network surveillance systems, CCTV for security, electronic cameras for office and industrial use, indoor and outdoor fast dome cameras, and integrated hardware and software systems for data image processing, recording, and transmission, which are mainly used for live-stream monitoring and operating procedure recording, security, disaster prevention, and theft prevention. The products are widely used in the common security industry. In addition, Everfocus offers industrial computer platforms with AI image recognition capabilities, as well as ADAS products for intelligent vision assistance in vehicles. These solutions are widely applied in industrial automation, smart transportation, commercial fleet management, and other fields.

Unit: NT\$ thousand

Region \ Year	2021		2022	
	Net Sales	Ratio %	Net Sales	Ratio %
America	82,218	18.26	144,150	43.38
Asia	347,323	77.16	166,826	50.20
Europe	16,624	3.69	20,805	6.26
Others	3,980	0.88	528	0.16
Total	450,145	100.00	332,309	100.00

2 Market share

The Company is a professional manufacturer and designer for surveillance systems in Taiwan. Over the years, we have devoted ourselves to the innovative research and development in camera and integrated development in CCTV surveillance system. We have developed many products since the establishment of the Company and have been highly recognized in the industry for the brand and product innovation and development, our own brand is also widely recognized and appreciated by the customers. Moreover, our persistence in quality improvement has been trusted by international manufacturers who have appointed us for OEM/ODM production. We believe that this has greatly contributed to the market share.

3. Demand and supply conditions and growth for the market in the future

(1) Domestic market:

In recent years, people are paying more attention to the safety in daily life, plus the problem of ageing and care for the elderly is becoming more and more common. As the public security gets worse, the demand for personal, family, campus, community security markets and even hospital security systems is increasing, and the demand for electronic surveillance products is growing. Information and communication technology is constantly innovating, which combines various technologies such as information, computer photography, and digital technology for various applications such as burglary prevention, access control, remote surveillance, security, and video conferencing. In addition, the government provides security and surveillance systems to help neighbors to combat crime. This shows that there is still a great potential for the future development in the electronic surveillance products.

(2) Global market:

According to data from the Freedonia Group, Inc., demand for electronic surveillance devices is increasing in many developing countries, where economic liberalization has resulted in a growing wealth gap and higher crime rates that have driven up demand for electronic surveillance devices. In developed countries like UK, US and Canada, the crime rate has

dropped significantly since the early 1990s, but the police force still cannot guarantee all public safety. Moreover, the threats arising from criminal attacks by terrorist organizations and data theft continue to grow, so the need to increase the facilities for electronic surveillance systems is also an important issue that cannot be ignored. As a result, CCTV systems, access control systems and security services will be the most profitable. Moreover, as biometric systems become popular, they are expected to become another high growth market. The Company has been working on this field for a long time. Due to the higher crime rates in developing countries like Asia, Latin America, Eastern Europe, Africa, and the Middle East. The biggest feature of these regions is the vast and untapped private security market, plus the economic expansion, the new business development, the high foreign capital inflow, the increase in the middle and upper classes and the high degree of privatization of banks, airlines and other public utilities and other factors, driving their indefinite demands for electronic surveillance equipment.

(3) Growth:

The security market has experienced continuous growth in recent years, driven by the increasing importance people place on safety and advancements in technology. Smart security solutions offer

more comprehensive and effective security measures. According

to market research agencies, the global smart security market is expected to expand steadily in the coming years, reaching approximately \$108 billion by 2026. The main application areas include smart surveillance systems, smart door lock systems, intrusion detection systems, and fire

safety systems. Furthermore, with the application of artificial intelligence(AI) technology, the smart security market is becoming more intelligent. Technologies such as facial recognition and behavior analysis are widely used, further

driving market development. In addition, the smart automotive market is experiencing significant

growth. With the widespread adoption of autonomous driving and internet technologies, the market

is expected to continue expanding. According to reports from

market research agencies, the smart automotive market is projected to grow rapidly in the coming years, reaching a market size of over \$200 billion by 2026. Smart automotive technologies have become a key trend in the automotive industry, and the market's potential lies in safety, comfort, entertainment, and internet connectivity.

In particular, the maturing autonomous driving technology contributes to the optimistic outlook for the smart automotive market. As more automotive technologies, including ADAS, smart transportation systems, and vehicle connectivity, are applied to vehicles, the growth of the smart automotive market will accelerate.

4. Competitive Niche

- (1) To effectively leverage the capabilities within the electronic industry as a whole to capture the booming global niche market for electronic surveillance systems:

The overall electronics industry in Taiwan has built up its global competitiveness in recent years, driven by the computer, information and semiconductor industries. EverFocus has used this competitive advantage to develop new products promptly and effectively, and has used Taiwan's sophisticated electronic production system and "customer satisfaction" marketing strategy to capture the booming market for electronic surveillance products worldwide, and to rapidly accumulate profound knowledge and experience in market demand, channels, product technology, and parts supply chain.

- (2) To establish EverFocus brand awareness and marketing bases, and to provide quality after-sales service:

With the strategy of "Top Brand to Lead ODM", EverFocus is working on building a

comprehensive sales and service network around the world to promote our own brands, strengthen our customer service, and expand our local sales channels. Not only can we immediately understand the changes in demand in important markets around the world and provide prompt and convenient sales and quality after-sales services to our customers, but also achieve the highest customer satisfaction and quickly enter the mainstream in the market to increase the global market share.

(3) Strong technical development capabilities:

The Company was initially founded by a bunch of shareholders with technical backgrounds, so that we can fully control the product technology and develop all kinds of niche products. Our R&D department has developed many high-tech products with our strong analog circuit design capability and computer multimedia technology. Our core technologies include digital video processing, real-time digital video processing, and network communication technologies. In the future, we will integrate these core technologies to improve product functions, reduce costs, expand market share and increase profits. The internet infrastructure is becoming more and more sophisticated, and it is an inevitable trend for security systems to use the internet to provide services. We are using the internet technology to expand our R&D capability to develop internet security terminal equipment.

(4) Business team and corporate culture that can keep up with future trends:

The Company has successfully established its corporate culture to keep up with the fast-changing environment. As technology is changing rapidly, the internet is becoming more and more popular, electronic surveillance system products are facing the same challenges, our corporate culture of "Fast, Innovation, Service, Teamwork, Sharing, Value" is sufficient to ensure the leading position in the future. The management team has not only done an outstanding job in business ethics, management, and technology capabilities, but also actively collects information, interprets the direction of new technology, and fully grasps the future development trend to quickly lead the company into the niche market.

5. Positive and negative factors for future development, and the company's response to such factors:

(1) Positive factors for future development

1. Increased demand for security: As economic development becomes more advanced and the overall knowledge level among consumers improves, the demand for residential security or workplace security will increase.
2. Labor cost increase: The higher the economic development, the higher the wage and salary cost for security guards, the human labor is not economic, leading the industry to gradually change to advanced surveillance equipment to replace the human labor.
3. Technology enhancement: Digital technology is gradually being applied to the security industry to improve product quality.
4. Quality advantage: We have been using our own brand "EverFocus" as the main brand, and the quality of our products is outstanding, which has been highly appreciated by our customers. We have been ISO certified for product quality, which provides an additional quality assurance for our products..
5. Emphasis on research and development: Over the years, the Company has maintained a reasonable proportion of R&D expenses to sales in order to provide customers with new products.
6. Vehicle Regulation Verification: Hotech Electronics has established a long-term partnership with ARTC Vehicle Testing Center for vehicle regulation verification. Through ARTC's professional testing and certification, Hotech Electronics ensures that our products comply with relevant vehicle regulatory standards. This collaboration allows consumers to trust and use our products with confidence, while also enhancing our brand image and reputation in the market

7. Market-oriented approach: Our company's marketing strategy is designed with an international market focus. We have established subsidiary companies in regions with potential for growth worldwide, enabling us to stay close to customers' needs and provide prompt services.
8. Highly skilled team: Our company has a team of outstanding employees who are stable and highly motivated. We consider talent to be a crucial asset in our company's operations. To enhance our business performance, we not only attract high-quality talent to join our company but also actively invest in the education and training of our employees.

(2) Negative factors for future development

1. Most of the manufacturers in the industry are small and medium-sized companies. The more companies put into production, the more competitive they are, so that some products with lower technology level are cutting prices to be competitive among the peers, resulting in decreasing the profit.

Countermeasures:

- a Actively develop new products to not only make the product line more comprehensive, but also to clearly differentiate from the price competition from small companies.
 - b Establish a complete after-sales service system to fully satisfy customer needs with high quality products and real-time services through our overseas subsidiaries in order to increase the added value of our products.
 - c We have adopted the ISO quality certification system to manage our products from specification, function design to material certification and mass production. This differentiates our products from those in our competitors.
2. The Company is facing competition from Japanese, Korean and Chinese companies in the security industry. In addition to focusing on sales and business channels, the Company must also strengthen its research and development in order to maintain its competitive position.

Countermeasures:

- a Develop the "EverFocus" brand and establish subsidiaries worldwide to strengthen existing marketing channels and increase market shares.
 - b R&D diversification and integration of new products to meet the different customer needs by combining digital, Internet and personal PC technologies to make our product functions more advanced and diversified.
 - c Actively build up product modules, so that the products can match the diverse and small order trends during mass production, and allow for quick line changes.
3. Labor shortage and higher wage costs have resulted in higher operating costs.

Countermeasures:

- a Develop automated test fixtures for mass production to reduce manual judgement, cut down labor costs and standardize product quality.
 - b Shift the production line for mature products with less technical difficulties to mainland China gradually.
 - c Integrate the competitive advantages from different outsourcing companies so that the overall production cost and capacity can be optimized.
4. Products are mainly for export, the company's revenue and profit are vulnerable to exchange rate fluctuations.

Countermeasures:

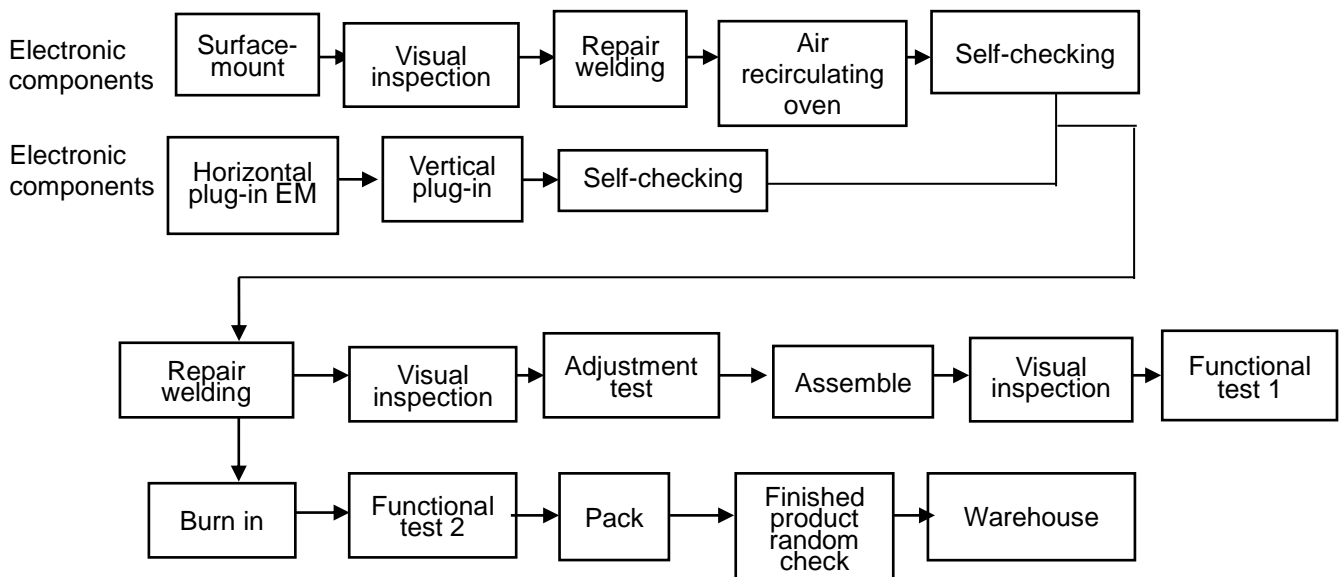
- a Take hedging financial measures to reduce the risk of exchange rate fluctuations that could significantly affect revenue and profitability.
- b We collect information on local economic market through our overseas subsidiaries, and negotiate and plan with the parent company on product prices and exchange rates.

(II) Important Applications and Manufacturing Process of Main Products

1. Applications of Main Products

- (1) IP Camera and Analog HD Camera: These products are mainly used in the on-site surveillance and operational procedures recording, security, disaster prevention, and theft prevention, which are widely used in the general security industry.
- (2) NVR/DVR: Digital Video Recorder: digital recording systems can handle and record the images taken by multiple cameras, including live monitoring, recording, playback, remote transmission and surveillance, etc.
- (3) High-speed dome camera: It can rotate 360 degrees horizontally, tilt 180 degrees vertically, rotate and monitor up to 360 degrees per second.
- (4) Video Processor: It is used to process the images captured by multiple cameras and can also be switched between multiple screens to be used for security industry as well.
- (5) Access Control System (e-Attendance): Combining "traditional access control" and "biometric fingerprint recognition technology", the new access control system with high security and user-friendly is mainly used in company attendance management.
- (6) Rugged computers: Rugged computers are designed for use in harsh environments and have longer durability for the new generation of surveillance products, which can be used in different fields and environments.
- (7) Other electronic equipment: Our diversified electronic equipment is widely used in all kinds of electronic industries.

2. Manufacturing Process



(III) Supply of Raw Materials

Main raw materials	Supply status
Active component (IC)	Good
PC board	Good
Passive components (resistors, capacitors, etc.)	Good
Wires	Good
Material for outer structure (shell, screws, etc.)	Good
Lens	Good
Packing materials	Good

(IV) Major suppliers and customers for the most recent two years

1. Suppliers accounting for more than 10% of annual net procurement for the most recent two years:

Unit: NT\$ thousands

Item	2021				2022				Up to the previous quarter of 2023			
	Name	Amount	As % of 2021 Total Net Procurements	Relation with the Company	Name	Amount	As % of 2022 Total Net Procurements	Relation with the Company	Name	Amount	Percentage of net procurement for the previous quarter in the current year (%)	Relation with the Company
1	Company G	33,115	13.21	None	Company I	70,852	28.08	None	Company I	5,103	10.03	None
2	Others	217,658	86.79	None	Others	181,487	71.92	None	Company J	5,860	11.52	None
3	-	-	-	-	-	-	-	-	Others	39,907	78.45	Non
	Total net procurement	250,772	100.00		Total net procurement	252,339	100.00		Total Net	50,870	100.00	

2. Customers that accounted for at Least 10% of annual net revenue for the most recent two years:

Unit: NT\$ thousands

Item	2021				2022				Up to the previous quarter of 2023			
	Name	Amount	As % of 2021 Total Net Revenues (%)	Relation with the Issuer	Name	Amount	As % of 2022 Total Net Revenues (%)	Relation with the Issuer	Name	Amount	Percentage of net sales for the previous quarter in the current year (%)	Relation with the Issuer
1	Customer H	119,663	26.58	None	Customer H	19,420	5.84	None	Customer K	37,740	39.20	None
2	Customer D	109,428	24.31	None	Customer K	39,524	11.89	None	Customer C	25,495	26.48	None
3	Customer C	43,154	9.59	None	Customer C	111,945	33.69	None	Customer L	4,673	4.86	None
4	Others	177,900	39.52	None	Others	161,420	48.58	None	Others	28,359	29.46	None
	Net Sales	450,145	100.00		Net Sales	332,309	100.00		Net Sales	96,267	100.00	

(V) Production volume and value for the most recent 2 fiscal years

Unit: NT\$ thousands

Year of production Production volume value Main product	2021			2022		
	Production capacity (Note 1)	Production volume (Note 2)	Product value	Production capacity (Note 1)	Production volume (Note 2)	Product value
Camera	91,836	54,777	69,486	91,836	43,280	74,235
Digital Video Recorder	152,400	57,020	215,346	152,400	11,351	98,447
AV Over IP				12,000	1,577	12,567
Others	190,000	13,687	18,049	178,000	13,336	29,723
Total	424,236	125,475	302,881	424,236	69,544	214,972

(Note 1) Production capacity refers to the production volume (excluding outsourcing) that the Company can produce under normal operation using existing production facilities after taking into account necessary shutdowns and holidays.

(Note 2) Actual production volume includes output from outsourcing.

(VI) Sales in the Most Recent Two Years

Unit: unit/NT\$ thousands

Sales Volume Value Main product	Year of Sales	2021				2022			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Camera		4,430	13,840	29,351	57,764	2,994	7,776	39,681	109,410
Digital Video Recorder		15,648	198,443	5,271	54,820	8,187	85,793	5,473	70,583
AV Over IP		-	-	-	-	1,313	1,183	-	-
Others		22,467	92,611	103,910	32,667	10,791	16,641	107,815	40,923
Total		42,545	304,894	138,532	145,251	23,285	111,393	152,969	220,916

III. Employee information (including subsidiaries) for the most recent two fiscal years and as of the publication date of annual report

April 30, 2023

Year		2021	2022	As of April 30, 2023
Number of employees	Direct labor	17	17	18
	Indirect labor	96	97	92
	Total	113	114	110
Average age		44.15	45.21	44.68
Average year of services		9.41	9.55	9.43
Educational background	Ph.D	0.92	0.91	0
	Master	14.68	10.91	9.62
	Bachelor	65.14	68.18	70.19
	Senior High School	10.09	11.82	11.54
	Below Senior High School	9.17	8.18	8.65

IV. Disbursements for environmental protection

The Company did not suffer any losses and penalties due to environmental pollution in 2022 and up to the publication date of the annual report. Furthermore, in order to improve the environmental management performance and to implement the environmental conservation, the Company appointed a professional consulting company at the end of October 2008 to assist in the adoption of ISO14001

environmental management system. In August 2009, the Company was certified to meet the requirements of international standards through the efforts made by our staff to improve the system, in the hope of establishing a foundation for corporate sustainability and protecting the interests of consumers. The Company applied for audit certificate renewal in April 2022, the latest certificate is valid from 2021/06/08 to 2024/06/08.

V. Labor relations

(I) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements:

The Company has always believed that "employees" are the foundation of the Company and are the most important resource for the Company's development.

Therefore, the Company's Articles of Incorporation have stipulated the employee bonus benefits; at the same time, it also enhances the motivation of the employees and enables them to work together with the Company so that the overall objectives for customer satisfaction can be accomplished by both the Company and the employees.

1. Employee benefit plans:

On December 14, 1998, the Company established the "Employee Welfare Committee". The welfare plan includes: wedding and funeral subsidies, childbirth subsidies, injury and illness assistance, disaster relief, birthday bonuses, meal subsidies, field trip grants, and festival gifts.

2. Further education and training of employees:

- (4) In order to help new employees understand the company's business and the functions in related departments as soon as possible, the human resources department is responsible for organizing training for new employees so that they can understand the company's environment, business, organization, rules and regulations and products.
- (5) For the long-term development of the Company, employees may receive internal and external professional training courses, including professional skills, work performance management, etc., depending on their job requirements; through systematic training development, all education and training can be effective to strengthen employees' functions, improve work efficiency, increase professional knowledge and skills, and enhance business performance and competitiveness.
- (6) The Company's personnel related to financial information transparency and their attained licenses: None.

3. Retirement plan and implementation status

The Company has adopted an employee retirement plan in accordance with the Labor Standards Act. All regular employees of the Company are eligible to participate in this retirement plan. "The Labor Pension Act" became effective on July 1, 2005. Employees may choose the retirement mechanism prescribed in the Labor Standards Act, or to apply the pension plan under the Labor Pension Act and to retain the years of service prior to the adoption of the Act.

The Company's retirement plan under the Labor Pension Act is a defined benefit pension plan. Starting from July 1, 2005, For employees covered by the pension plan under the Labor Pension Act, the Company shall make monthly contributions of 6% of their wages to the employees' individual pension accounts. The pension fund for employees with old pension system is calculated according to the Company's original pension plan.

Retirement plan:

- (1) A worker may apply for voluntary retirement under any of the following conditions:
 - A. Where the worker attains the age of fifty-five and has worked for fifteen years.
 - B. Where the worker has worked for more than twenty-five years.
- (2) The Company shall force a worker to retire if any of the following situations has occurred:
 - A. Where the worker attains the age of sixty.
 - B. Where the worker is unable to perform his/ her duties due to disability.
- (3) The criteria for payment of worker pensions shall be as follows:

Two bases are given for each full year of service rendered. But for the rest of the years

over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months. The employee's pension is calculated based on the length of service and the average salary (base) of the six months before retirement.

(4) Pension fund:

- A. The Supervisory Committee of the Labor Retirement Reserve Fund was established on December 29, 1997 by Letter No. 489694 (86), approved by the Labor Affairs Bureau of the Taipei City Government, and is responsible for the management and application of the retirement reserve fund and making monthly contributions of 2% of total salaries and wages to a special account in the Bank of Taiwan.
- B. The Company has engaged an actuary to calculate the pension fund since 1998 and has accrued the amount as required.

4. Regulations on employee behavior or code of ethics

(1) For employee behavior and code of ethics, the Company has established relevant operating rules and regulations to be followed, which are listed below:

- A. Corporate Charter: Clearly regulate the company and employee perspectives, hierarchical responsibilities and departmental responsibilities.
- B. Regulations for approval authority: To provide a clear division of authority and responsibility between different operating hierarchies in the Company's organization, and to enhance management and work efficiency.
- C. Regulations for Employee Rewards and Punishments: To provide employees with a basis for rewards and punishments at work.
- D. Regulations for internal communication: To establish proper communication procedures within the company and to ensure the effectiveness of the quality/environmental management system.
- E. Regulations for management and certified personnel management: To ensure that the competence and qualifications of personnel related to product quality and environmental management meet the job requirements.
- F. Education and training practices: Through a systematic training and development system, we can improve the work efficiency and professional knowledge and skills for our employees to achieve our business objectives.
- G. Regulations for job substitution: When the employee is on leave or taking business trip, the business he/she undertakes can be operated normally.
- H. Employee attendance management: To improve work performance so that employees can be on-time and follow attendance management rules.
- I. Internal Procedures for Handling Significant Information: To regulate the procedures for information confidentiality and the handling of abnormal situations.
- J. Code of Ethical Conduct: To make the company's stakeholders more aware of the company's ethical standards.

(2) In order to provide employees with real-time information on the Code of Conduct and Ethical Best Practice Principles, in addition to the information listed above, the Company also has other related rules and regulations that are available in the Company's public information system for employees to review at any time.

5. Work environment and personal safety protection measures

- (1) In order to ensure the safety of work environment and employees, the company's business premises and factory are insured with public accident liability insurance. There is also a fire prevention manager assigned in accordance with the relevant regulations of the Fire Department of the Ministry of the Interior, who receives training at least once every two years and conducts fire drills twice a year regularly; there is also a supervisor and an administrator for the management of labor safety and health, who are responsible for implementing various promotional training for work environment improvement and safety maintenance, conducting annual safety and health education and training courses for all employees, and

providing clinical health services by arranging weekly visits from medical personnel, so that the Company and its employees can implement the occupational safety and health management system and jointly maintain a healthy workplace.

- (2) The Company provides group insurance and other measures to enhance the well-being and protection of employees, in addition to providing employees with labor and national health insurance and contributing 6% of their monthly salaries to the pension accounts. Active employees are also entitled to free general health check-ups once a year.
- (3) To comply with the "Gender Equality Act" implemented by the government, to prevent sexual harassment in the workplace, and to protect gender equality and human dignity, the Company formulated the Regulations for Establishing Measures of Prevention, Complaint and Punishment of Sexual Harassment at Workplace in March 2002. HR Department is responsible for receiving complaints and ensuring that complaints are handled confidentially. Any employee who engages in sexual harassment will be severely punished; those who are involved in serious incidents will be terminated.
- (4) In compliance with the national legislation to ban smoking in the workplace and to protect the health of all employees from second-hand smoke, the Company established the " Regulations for the Tobacco Pollution in the Factory" in May 2008 according to the Tobacco Hazards Prevention Act. Apart from the explicit anti-smoking regulations, the disciplinary actions for violators are also linked to personal performance; if external suppliers come to the Company for business that violate the rules and fail to comply with the instructions, the violations will be included in the evaluation of the suppliers.

6. Agreements between the Company and employees

The Company has not established a labor union, but has established a labor welfare committee to coordinate and promote various employee welfare measures and to maintain a smooth communication channel between employees and the Company. Up to date, labor relations between the Company and employees remain harmonious and no dispute has occurred.

- (II) The Company maintained good labor relations with its employees in 2022 and up to the date of publication of the annual report, and no losses were incurred due to labor disputes.

VI. Cyber security management

- (I) List the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

1. Cyber security risk management framework:

- (1) In order to strengthen the cyber security management and ensure the security of data, system and network, the Company has designated the Resource Service Division in the Information Department to be responsible for coordinating and promoting information security management activities. To raise employees' awareness of cyber security, we send emails from time to time to promote information security knowledge in order to reduce the damage caused by cyber security incidents.
- (2) The information unit is responsible for the research, establishment and evaluation of information security policies, plans and technical specifications, as well as the research, use control and protection of information and the security requirements for information systems.

2. Information Security Policy: Everyone is responsible for information security.

3. Concrete actions:

- (1) Computer system security management: Users install anti-virus software from legitimate sources and keep the virus code updated regularly to ensure that the operating system is well protected.
- (2) Network security management: In addition to changing passwords regularly and using multiple protection measures, it is important to stay alert to information security at all times.
- (3) System access control: From time to time check the access authority, user password, and data storage.

- (4) System development and maintenance security management: Regularly update hardware equipment that is easy to wear out, backup important data, and install uninterrupted power supply system to prevent data loss caused by power failure.
 - (5) Personnel management and information security education and training: System management, maintenance, design and operation personnel should be appropriately divided, authority and responsibility should be divided, and a backup labor support team should be established.
 - (6) The Company performs information security audits from time to time to review the implementation status for the access privilege and information security management system to ensure that the information system and business continue to operate normally. In the future, depending on the business scale and needs, the Company will continue to strengthen information security and train quality IT personnel to establish a secure and reliable electronic operating environment to protect information security.
4. Resources put into IT security management: Resource Service Department, Information Division.
- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.
- VII. Important contracts: Important contracts as of the publication date of the Company's annual report for fiscal year 2022: None.

Six. Financial Information

I. Condensed Balance Sheets and Comprehensive Income Statements in the Most Recent Five Years

1. Condensed consolidated balance sheet and comprehensive income statement:

(1) Condensed Consolidated Balance Sheet - In accordance with the IFRS

Unit: NT\$ thousands

Item	Year	Financial information in the most recent five years					As of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		488,538	351,417	377,805	396,699	493,163	501,262
Property, plant and equipment		227,384	133,809	132,694	144,104	132,899	132,131
Intangible assets		0	0	0	0	0	0
Other assets		138,828	258,459	240,914	238,990	258,126	256,959
Total assets		854,750	743,685	751,413	779,793	884,188	890,352
Current liabilities	Before Distribution	154,098	138,971	192,849	241,919	237,836	231,740
	After Distribution	154,098	138,971	192,849	241,919	237,836	231,740
Non-current liabilities		2,644	5,998	3,284	9,056	9,420	8,271
Total liabilities	Before Distribution	156,742	144,969	196,133	250,975	247,256	240,011
	After Distribution	156,742	144,969	196,133	250,975	247,256	240,011
Equity attributable to owners of the Company		881,506	698,008	555,280	528,818	636,932	650,341
Capital stock		1,155,079	681,151	681,151	534,010	668,010	668,010
Capital surplus		0	0	0	0	55,312	55,312
Retained earnings	Before Distribution	(473,927)	(99,705)	(147,150)	(32,961)	(110,651)	(98,668)
	After Distribution	(473,927)	(99,705)	(147,150)	(32,961)	(110,651)	(98,668)
Other equity items		16,856	17,270	21,279	27,769	24,261	25,687
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Equity Total	Before Distribution	698,008	598,716	555,280	528,818	636,932	650,341
	After Distribution	698,008	598,716	555,280	528,818	636,932	650,341

Note 1: The amounts as of March 31, 2023 have been reviewed by the CPAs.

(2) Condensed standalone balance sheet - in accordance with IFRS

Unit: NT\$ thousands

Item	Year	Financial information in the most recent five years					As of March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		477,548	376,667	411,352	368,241	473,046	Not Applicable (NA)
Property, plant and equipment		226,183	133,191	132,301	143,727	132,462	
Intangible assets		—	—	—	—	—	
Other assets		137,702	244,852	242,351	248,215	265,161	
Total assets		841,433	754,710	786,004	760,183	870,669	
Current liabilities	Before Distribution	87,627	69,378	130,570	133,767	117,291	
	After Distribution	87,627	69,378	130,570	133,767	117,291	
Non-current liabilities		55,798	86,616	100,154	97,598	116,446	
Total liabilities	Before Distribution	143,425	155,994	230,724	231,365	233,737	
	After Distribution	143,425	155,994	230,724	231,365	233,737	
Equity attributable to owners of the Company		—	—	—	—	—	
Capital stock		1,155,079	681,151	681,151	534,010	668,010	
Capital surplus		—	—	—	—	55,312	
Retained earnings	Before Distribution	(473,928)	(99,705)	(147,150)	(32,961)	(110,651)	
	After Distribution	(473,928)	(99,705)	(147,150)	(32,961)	(110,651)	
Other equity items		16,857	17,270	21,279	27,769	24,261	
Treasury stock		—	—	—	—	—	
Non-controlling interests		—	—	—	—	—	
Equity Total	Before Distribution	698,008	598,716	555,280	528,818	636,932	
	After Distribution	698,008	598,716	555,280	528,818	636,932	

(3) Condensed consolidated comprehensive income statement - in accordance with IFRS

Unit: NT\$ thousands

Year Item	Financial information in the most recent five years					As of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating Income	424,431	285,642	310,453	450,145	332,309	96,267
Operating gross profit	(4,305)	48,097	59,516	96,904	94,728	28,353
Operating profit (loss)	(220,614)	(129,323)	(82,971)	(36,031)	(50,718)	(6,860)
Non-operating income and expenses	2,211	11,275	42,538	4,501	(31,116)	18,859
Net profit (loss) before tax	(218,403)	(118,048)	(40,433)	(31,530)	(81,834)	11,999
Net income from continuing operations	(183,960)	(101,270)	(48,080)	(33,577)	(79,939)	11,983
Loss of discontinuing operations	0	0	0	0	0	0
Net income (loss) for the period	(183,960)	(101,270)	(48,080)	(33,577)	(79,939)	11,983
Other comprehensive income (net after tax) for the period	462	1,978	4,644	7,115	(1,259)	1,426
Total comprehensive income (loss) for the period	(183,498)	(99,292)	(43,436)	(26,462)	(81,198)	13,409
Net income (loss) attributable to owners of the parent company	(183,960)	(101,270)	(48,080)	(33,577)	(79,939)	11,983
Net income (loss) attributable to noncontrolling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	(183,498)	(99,292)	(43,436)	(26,462)	(81,198)	13,409
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings (losses) per share	(2.70)	(1.49)	(0.9)	(0.63)	(1.26)	0.18

Note 1: The amounts as of March 31, 2023 have been reviewed by the CPAs.

(4) Condensed standalone comprehensive income statement - in accordance with IFRS

Unit: NT\$ thousands

Year Item	Financial information in the most recent five years					As of March 31, 2023
	2018	2019	2020	2021	2022	
Operating Income	330,827	232,063	267,351	416,893	294,081	Not Applicable (NA)
Operating gross profit	(15,906)	13,856	30,829	55,449	68,434	
Operating profit (loss)	(120,049)	(96,806)	(67,872)	(43,471)	(37,889)	
Non-operating income and expenses	(101,115)	(23,566)	20,350	8,806	(43,945)	
Net profit (loss) before tax	(221,164)	(120,372)	(47,522)	(34,665)	(81,834)	
Net income from continuing operations	(183,960)	(101,270)	(48,080)	(33,577)	(79,939)	
Loss of discontinuing operations	0	0	0	0	0	
Net income (loss) for the period	(183,960)	(101,270)	(48,080)	(33,577)	(79,939)	
Other comprehensive income (net after tax) for the period	462	1,978	4,644	7,115	(1,259)	
Total comprehensive income (loss) for the period	(183,498)	(99,292)	(43,436)	(26,462)	(81,198)	
Net income (loss) attributable to owners of the parent company	-	-	-	-	-	
Net income (loss) attributable to noncontrolling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings (losses) per share	(2.70)	(1.49)	(0.9)	(0.63)	(1.26)	

2. The Names of CPAs and Their Opinions in the Most Recent Five Years.

Year	Name of Accounting Firm	Name of CPA	Audit Opinions
2018	Deloitte & Touche Taiwan	Ke-Chang Wu and Kuo-Tien Hung	Unqualified opinion
2019	Deloitte & Touche Taiwan	Ming-Chong Hsieh and Kuo-Tien Hung	Unqualified opinion
2020	Deloitte & Touche Taiwan	Ming-Chong Hsieh and Kuo-Tien Hung	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Mavis Chang and Shih-Jung Weng	Unqualified opinion
2022	PricewaterhouseCoopers Taiwan	Mavis Chang and Shih-Jung Weng	Unqualified opinion

II. Financial analyses for the past 5 fiscal years

(1) Consolidated Financial Analysis - in accordance with IFRS

Year Item		Financial analyses for the past 5 fiscal years					As of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	18.34	19.49	26.1	32.18	27.96	26.96
	Ratio of long-term capital to property, plant and equipment	308.14	451.92	420.94	373.25	486.35	498.45
Solvency%	Current ratio	317.03	252.87	195.91	163.98	207.35	216.3
	Quick ratio	249.28	195.70	136.85	125.94	139.15	145.85
	Times interest earned	-	-	-	-	-	10.51
Operating capabilities	Accounts receivable turnover ratio (times)	6.72	6.47	7.17	10.6	5.81	5.06
	Average collection days	54.3	56.40	50.91	34.43	62.82	72.13
	Inventory turnover (times)	2.44	2.67	2.69	3.62	2.03	1.86
	Accounts payable turnover ratio (times)	10.75	6.77	5.12	6.86	5.57	5.33
	Average sales days	149.59	136.60	135.69	100.83	179.8	196.24
	Property, plant and equipment turnover (times)	1.78	1.47	2.33	3.25	2.4	2.91
	Total asset turnover ratio (times)	0.44	0.23	0.42	0.59	0.40	0.43
Profitability	Return on assets (%)	(19.15)	(12.52)	(6.35)	(4.15)	(9.27)	5.86
	Return on equity (%)	(23.29)	(15.62)	(8.33)	(6.19)	(13.71)	7.45
	Ratio of pre-tax income to paid-in capital (%)	(18.91)	(17.33)	(5.94)	(5.9)	(12.25)	7.18
	Profit margin (%)	(43.34)	(35.45)	(15.49)	(7.46)	(24.06)	12.45
	Earnings per share (NT\$) (Note 2)	(2.70)	(1.49)	(0.9)	(0.63)	(1.26)	0.18
Cash flow	Cash flow ratio (%)	(98.4)	(61.42)	(46.16)	(16.84)	(58.14)	21.06
	Cash flow adequacy ratio (%)	(413.28)	(700.11)	(323.19)	(592.72)	(368.96)	(222.92)
	Cash reinvestment ratio (%)	(19.43)	(13.97)	(17.76)	(9.74)	(26.57)	9.12
Leverage	Operating leverage	-	-	-	-	-	-
	Financial leverage	1.00	0.99	0.99	0.94	0.94	0.84

Please state the reasons for changes in financial ratios over the past 2 fiscal years: (Analysis is waived if the change is less than 20%)

1. The increase in the ratio of long-term funds to property, plant, and equipment in 2022 was primarily due to the increase cash capital .
2. The increase in the current ratio in 2022 was mainly attributed to the growth in accounts receivable and inventory.
3. The decrease in accounts receivable turnover ratio, property, plant, and equipment turnover ratio, total assets turnover ratio, and the increase in average collection days in 2022 were primarily caused by the decrease in operating revenues.
4. The decrease in inventory turnover ratio and the increase in average sales days in 2022 were mainly due to the decrease in operating costs.
5. The decline in return on assets, return on equity, profit margin, and earnings per share in 2022 were primarily caused by the increase in net losses for the period.
6. The decline in the ratio of pre-tax net income to paid-in capital in 2022 was mainly due to the increase in pre-tax net losses.
7. The decline in the cash flow ratio and cash reinvestment ratio in 2022 were primarily caused by the increase in net cash outflow from operating activities.
8. The growth in the cash flow adequacy ratio in 2022 was mainly due to the increase in inventory during the year.

Note 1: The amounts as of March 31, 2023 were reviewed by the CPAs.

Note 2: Earnings per share has been adjusted retroactively
(2) Standalone Financial Analysis - in accordance with IFRS

Year		Financial analyses for the past 5 fiscal years (Note1)					As of March 31, 2023
		2018	2019	2020	2021	2022	
Item							
Financial structure (%)	Debt to assets ratio	17.05	20.67	29.35	30.44	26.85	Not Applicable (NA)
	Ratio of long-term capital to property, plant and equipment	333.27	514.55	495.41	435.84	568.75	
Solvency %	Current ratio	544.98	542.92	315.04	275.29	403.31	
	Quick ratio	465.85	451.71	228.35	212.92	279.69	
	Times interest earned	—	—	—	—	—	
Operating capabilities	Accounts receivable turnover ratio (times)	4.01	4.70	6.26	9.79	4.55	
	Average collection days	91.07	77.68	58.3	37.28	80.22	
	Inventory turnover (times)	3.44	3.39	2.76	3.83	2.11	
	Accounts payable turnover ratio (times)	8.38	5.98	4.46	6.66	5.71	
	Average sales days	105.97	107.72	132.24	95.3	172.99	
	Property, plant and equipment turnover (times)	1.45	1.29	2.01	3.02	2.13	
	Total asset turnover ratio (times)	0.36	0.29	0.35	0.54	0.36	
Profitability	Return on assets (%)	(19.85)	(12.69)	(6.24)	(4.25)	(9.75)	
	Return on equity (%)	(23.29)	(15.62)	(8.33)	(6.19)	(13.71)	
	Ratio of pre-tax income to paid-in capital (%)	(19.15)	(17.67)	(6.98)	(6.49)	(12.25)	
	Profit margin (%)	(55.61)	(43.64)	(17.98)	(8.05)	(27.18)	
	Earnings per share (NT\$)(Note 1)	(2.70)	(1.49)	(0.9)	(0.63)	(1.26)	
Cash flow	Cash flow ratio (%)	(203.16)	(77.99)	(71.74)	(26.64)	(119.15)	
	Cash flow adequacy ratio (%)	(123.45)	(141.82)	(232.64)	(492.17)	(358.95)	
	Cash reinvestment ratio (%)	(21.77)	(8.76)	(15.83)	(7.18)	(23.07)	
Leverage	Operating leverage	0.22	0.18	(0.43)	(2.58)	(1.06)	
	Financial leverage	1.00	1.00	1.00	0.98	0.99	

Please state the reasons for changes in financial ratios over the past 2 fiscal years: (Analysis is waived if the change is less than 20%)

- In 2022, the increase in the ratio of long-term funds to property, plant, and equipment was primarily due to cash capital increase.
- The increase in the current ratio in 2022 was mainly due to the increase in accounts receivable and inventory.
- The increase in the quick ratio in 2022 was mainly due to the increase in accounts receivable.
- The decrease in accounts receivable turnover ratio, property, plant, and equipment turnover ratio, total assets turnover ratio, and the increase in average collection days in 2022 were primarily due to the decrease in operating income.
- The decrease in inventory turnover ratio and the increase in average sales days in 2022 were mainly due to the decrease in operating costs.
- The decline in asset turnover ratio, equity turnover ratio, profit margin, and earnings per share in 2022 were primarily due to the increase in net loss for the period.
- The decline in the ratio of pre-tax profit to paid-in capital in 2022 was mainly due to the increase in pre-tax net loss.
- The decline in the cash flow ratio and cash reinvestment ratio in 2022 were primarily due to the increase in net cash outflow from operating activities.
- The growth in the cash flow adequacy ratio in 2022 was mainly due to the increase in inventory in 2022.
- The increase in operating leverage in 2022 was primarily due to the increase in expense ratio.

Note 1: Earnings per share have been adjusted retroactively.

The calculation is as follows:

1. Financial structure
 - (1) Ratio of liabilities to assets = Total liabilities / Total assets.
 - (2) Ratio of long-term funds to property, plant, and equipment = (Net equity + Non-current liabilities) / Net property, plant and equipment.
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities.
 - (2) Quick ratio = (Current assets - Inventory - Prepayment) / Current liabilities.
 - (3) Times interest earned = Net profit before income tax and interest expenses / Interest expenses for the period.
3. Operating capabilities
 - (1) Receivables (including accounts receivable and notes receivable from operation) turnover ratio = Net sales / Average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
 - (2) Average collection days = 365 / Accounts receivable turnover ratio.
 - (3) Inventory turnover = Cost of sales / Average inventory.
 - (4) Payables (including accounts payable and notes payable from operation) turnover ratio = Cost of sales / Average of accounts payable (including accounts payable and notes payable from operation) balance.
 - (5) Average sales days = 365 / Inventory turnover.
 - (6) Property, plant and equipment turnover ratio = Net sales / Average net property, plant and equipment.
 - (7) Total assets turnover ratio = Net sales / Average total assets.
4. Profitability
 - (1) Return on assets = [Profit and loss after tax + Interest expense x (1 - Tax rate)] / Average total assets.
 - (2) Return on equity = Profit and loss after tax / Average total equity.
 - (3) Net profit margin = Profit and loss after tax / Net sales.
 - (4) EPS = (Profit and loss attributable to owners of parent company - Dividends from preferred shares) / Weighted average number of outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (Capital expenditure + Increase in inventory + cash dividends) in the most recent five years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross of property, plant and equipment + Long-term investment + Other non-current assets + Operating funds).
6. Leverage
 - (1) Operating leverage = (Net operating revenue - Variable costs and expenses of operations) / Operating profit
 - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

III. Audit committee's report for the most recent year's financial statement

Audit Committee's Review Report

Please approve:

The Board of Directors has prepared the Company's 2022 Financial Statements (including the Consolidated Financial statements). The CPAs Mavis Chang and Shih-Rung Wang of PricewaterhouseCoopers Taiwan were retained to audit the Company's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and Loss for Make-up Statement have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and the Article 219 of the Company Act, we hereby submit this report.

To

EVERFOCUS ELECTRONICS CORP.

2023 Annual General Shareholders' Meeting

EVERFOCUS ELECTRONICS CORP.

Convener of the Audit Committee, Hsu-Nan Huang



March 22, 2023

- IV. Please refer to pages 102-183 for annual financial statements in the most recent year.
- V. Please refer to pages 184-256 for audited consolidated financial reports of the parent and subsidiaries in the most recent year.
- VI. The Company and its affiliates did not encounter any financial difficulties in the most recent year or as of the publication date of the annual report, and therefore had no effect on the financial position.
- VII. Impairment of Assets:
The treatment of asset impairment by the company follows the disclosure requirements of IAS 36, 'Impairment of Assets'.

VIII. Assessment basis and foundation for asset and liability recognition

1. Estimated impairment loss on accounts receivable

Lifetime ECL is recognized as an allowance for loss for all accounts receivable. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If credit risk has not increased significantly since initial recognition, a 12 month ECL is recognized as an allowance for loss, and if it has increased significantly, a lifetime ECL is recognized as an allowance for loss.

Expected credit loss is a weighted average credit loss weighted with the probability of default as the weight. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

2. Inventory impairment

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical sales experience for similar products. It is possible that changes in market conditions could materially affect the results of these estimates.

Seven. Review and analysis of financial status and financial performance and risk management

I. Analysis of Financial Status

Unit: NT\$ thousands

Item	Year		Difference	
	2022	2021	Amount	%
Current assets	493,163	396,699	96,464	24.32
Non-current assets	391,025	383,094	7,931	2.07
Total assets	884,188	779,793	104,395	13.39
Current liabilities	237,836	241,919	(4,083)	(1.69)
Non-current liabilities	9,420	9,056	364	4.02
Total liabilities	247,256	250,975	(3,719)	(1.48)
Capital stock	668,010	534,010	134,000	25.09
Capital surplus	55,312	-	55,312	-
Retained earnings	(110,651)	(32,961)	(77,690)	(235.70)
Other equity items	24,261	27,769	(3,508)	(12.63)
Treasury stock	-	-	-	-
Total equity attributable to owners of the Company	636,932	528,818	108,114	20.44
Non-controlling interests	-	-	-	-
Total equity	636,932	528,818	108,114	20.44

Explanation:

- The increase in current assets in 2022 was primarily due to (1) an increase in accounts receivable as a result of higher revenue in the fourth quarter, and (2) an increase in inventory to meet customer demand.
- The increase in share capital and capital surplus in 2022 was due to the cash capital increase carried out in the same year.
- The decrease in retained earnings in 2022 was a result of the net loss incurred during the year.

II. Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year		2021		Amount increased (decreased)	Change in proportion (%)
	2022	2021	Subtotal	Total		
Sales revenues	332,309		450,145		(117,836)	(26.18)
Total operating incomes		332,309		450,145	(117,836)	(26.18)
Total operating costs		237,581		353,241	(115,660)	(32.74)
Cost of goods sold	237,581		353,241		(115,660)	(32.74)
Operating gross profit		94,728		96,904	(2,176)	(2.25)
Operating expense		145,446		132,935	12,511	9.41
Operating loss		(50,718)		(36,031)	(14,687)	40.76
Non-operating income and expenses		(31,116)		4,501	(35,617)	(791.31)
Other income	12,434		13,133		(699)	(5.32)
Other gains and losses	(35,049)		(137)		(34,912)	25,483.21
Finance costs	(3,494)		(2,226)		(1,268)	56.96
Expected credit loss	(5,007)		(6,269)		1,262	(20.13)
Loss before income tax		(81,834)		(31,530)	(50,304)	159.54
Income tax expenses		1,895		(2,047)	3,942	(192.57)
Net loss for the period		(79,939)		(33,577)	(46,362)	138.08
Other comprehensive income (loss)		(1,259)		7,115	(8,374)	(117.70)
Total comprehensive income (loss) for the period		(81,198)		(26,462)	(54,736)	206.85

Changes in the ratios of the analysis:

1. The decrease in operating revenue, operating costs, gross profit, and the increase in operating loss in 2022 were primarily due to a decrease in orders for onboard products.
2. The decrease in non-operating income and expenses in 2022 was mainly due to a decrease in net gains from financial assets measured at fair value through profit or loss.

III. Cash flow (consolidated)

Liquidity Analysis in 2022 and 2021

Item	Year		Increase (decrease) in proportion (%)
	2022	2021	
Cash flow ratio (%)	(58.14)	(16.84)	245.25
Net cash flow adequacy ratio (%)	(368.96)	(592.72)	(37.75)
Cash flow coverage ratio (%)	(26.57)	(9.74)	172.79

Changes in the ratios of the analysis:

1. The decline in the cash flow ratio and cash reinvestment ratio in 2022 was primarily due to an increase in net cash outflow from operating activities.
2. The growth in the cash flow adequacy ratio in 2022 was mainly due to an increase in inventory during the year.

Cash flow analysis of the year ahead

Unit: NT\$ in thousands

Cash balance at beginning	Projected net cash flow from operating activities in current period	Projected cash outflow in current period	Projected amount of cash surplus (deficit)	Remedy for cash deficit	
				Investment plan	Financing plan
A	B	C	A+B+C		
75,558	4,600	17,100	97,258	0	0

Liquidity analysis for the coming year:

Operating activities: It is mainly the cash generated from operations.

Investing activities: Cash outflow is mainly attributable to the acquisition of operating assets.

Financing activities: The main factor was the inflow of short-term bank borrowings.

- IV. The recent major capital expenditures have had an impact on the financial operations : Not applicable.

V. The investment Strategy in the most recent year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

Unit: NT\$ thousand

Description Item	Original investing Amount (Note)	Carrying amount as of December 31, 2021	Policy	Main reason for profit or loss	Improvement plan	Other investment plan in the future
EverFocus Electronics Corp. USA	93,941	(59,589)	Sell the Company's products and provide customer service	The business scale is not large enough.	Transformation and development of AI industrial control market	None
EverFocus Electronics (Shenzhen) Co., Ltd.	64,748	11,353	Develop, manufacture and sell commercial surveillance equipment	Insufficient competitiveness in access control/surveillance products in China, the business scale is not large enough.	Transformation and development of AI industrial control market	None

Note: Investment amount exceeding 5% of paid-in capital

VI. Risk management and assessment:

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Effect on the Company's profits (losses):

Item	2021 (NT\$ thousands)
Interest income	1,023
Foreign exchange loss	(1,888)

1. In terms of interest rate:

The Company does not expect to have long-term financial liabilities in the near future, although it has bank loans in fiscal 2022; therefore, the impact of interest rate fluctuations on the Company is not significant.

2. In terms of exchange rate:

Some of the Company's revenues and payables are quoted in U.S. dollars. By offsetting foreign-currency assets and liabilities, the Company significantly reduces its exchange rate risk thereby resulting in a natural hedge.

3. In terms of inflation:

The products of the Company and its subsidiaries are not directly sold to general consumers, so inflation has no direct and immediate impact on the Company and its subsidiaries, and there has been no significant impact of inflation on profit or loss in the most recent year and as of the printing date of the annual report.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. High-risk and high-leverage investments:

The Company is mainly engaged in R&D, manufacturing and sales, and does not engage in high-risk, high-leverage investments.

2. Loans to other parties, endorsements and guarantees:

Follow the "Procedures for Lending of Funds and Endorsement and Guarantee" stipulated by the Company. As of the publication date of the annual report, the external endorsements and guarantees provided by the Company were to its 100%-owned subsidiaries, EVERFOCUS JAPAN CORP. and EVER FOCUS ELECTRONICS CORP. in the amounts of JPY\$250 million and US\$1.5 million, respectively. The Company also provided certificates of deposit equivalent to JPY 210 million and real estate with a carrying value of NT\$66,061 thousand, to pledge these endorsements and guarantees. As of the publication date of the annual report, the Company did not lend any funds to

others.

3. Derivatives transactions:

The Company did not engage in derivative transactions in 2022.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

As a professional surveillance manufacturer, we have developed a wide range of integrated products to provide the functions and added value to our future products, which will be integrated, networked and under centralized control.

We have combined digitalization, internet and personal PC technologies to make our products more advanced and diversified to meet the needs from different customers.

The projected research and development expenses for 2023 are approximately NT\$50,000 thousand

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company is always attentive to significant domestic and foreign policy and legal changes. At present, there is no significant impact on the Company's financial operations from these changes.

The Company hires domestic and foreign legal advisors, project insurance agents and professionals from related departments to understand and respond to various policies and legal changes promptly so that the Company's financial and business impact can be minimized.

(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

There is no financial impact on the Company under current technological and industry changes.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company has always been operating with professionalism and integrity, and has attached great importance to corporate image and risk management. There is no recent change in corporate image that has affected corporate crisis management.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The Company is in a sound operating position and has no plans for mergers and acquisitions for the most recent year and up to the publication date of the annual report.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

In order to meet business needs and expand production capacity, the primary objective is to improve the efficiency of factory and warehouse management; the Company has no plans to purchase new factories for now.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The Company produces and sells a variety of products. In 2022, two customers accounted for more than 10% of the global consolidated sales volume. Please refer to page 77 of the annual report for the sales amount and ratio. While supporting the growth of the Company, the Company continues to actively develop new customers in order to diversify the risks associated with the concentration of sales. Furthermore, we have at least two suppliers for each raw material required.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

The Company's directors and major shareholders holding more than 10% of the shares have good relations with the Company and fully support the implementation of the policies, and there has been no significant transfer or change of ownership.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

The Company's operations have been sound and stable for the most recent year and up to the publication date of the annual report, and the Company is committed to improving the operating performance and maximizing shareholders' benefits, which should have a positive impact on the Company's operations.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. Any litigation, non-litigious proceeding, or administrative dispute involving the company that remained pending during the current fiscal year up to the date of publication of the annual report: None.
2. If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during 2022 or during the current fiscal year up to the publication date of the annual report:

There is no litigation, non-litigious proceeding, or administrative dispute involving a company director, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during 2022 or during the current fiscal year up to the publication date of the annual report.

VII. Other important matters: None.

Eight. Special Disclosure

I. Information on Affiliates

(I) Affiliates Chart

1. Organization chart for affiliates

EVERFOCUS ELECTRONICS CORP.						
100%	Liquidation in progress	100%	100%	100%	Non-controlling	Liquidation in progress
EVER FOCUS ELECTRONICS CORP. Located in U.S.A.	EVERFOCUS ELECTRONICS (EUROPE) GMBH Located in Germany	EVERFOCUS JAPAN CORP. Located in Japan	EverFocus Electronics (Shenzhen) Co., Ltd. Located in China	EVERFOCUS ELECTRONICS CORP. Located in Taiwan	EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED Located in India	EVERFOCUS ELECTRONICS LIMITED. Located in U.K.

Note: As of January 1, 2015, EverFocus Electronics Corporation was unable to dominate the business activities of EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED and therefore lost control of the EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED.

2. The entities that are required to be included in the combined financial statements of EVERFOCUS ELECTRONICS CORP. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVERFOCUS ELECTRONICS CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

3. Affiliation report: None.

(II) Profiles of the subsidiaries as of December 31, 2022

Unit: Foreign Currency (dollar)/NT\$

Name of enterprise	Date of Incorporation	Address	Paid-in Capital	Main business activities or products
EVER FOCUS ELECTRONICS CORP.	1996.05	324 W.Blueridge Ave. Orange, CA92865, USA	USD2,117,800	Selling products and providing customer service for the Company
EVERFOCUS ELECTRONICS (EUROPE) GMBH	1998.12	Albert-Einstein-Strasse1,D-46446 Emmerich	EUR3,300,000	Selling products and providing customer service for the Company
EverFocus Electronics (Shenzhen) Co., Ltd.	1998.04	2nd Floor, Building A, Area A, Longquan Technology Park, Tongfuyu Phase II, Henglang Community, Dalang Street, Longhua District, Shenzhen City	USD2,050,000	Develop, manufacture and sell commercial surveillance equipment
EVERFOCUS JAPAN CORP.	2002.04	1-1 Nichinichi Kan, 7-6-4 Takashimadaira, Itabashi-ku, Tokyo, Japan	JPY10,000,000	Selling products and providing customer service for the Company
EVERHIGHLIGHT TECHNOLOGY CORP.	2003.07	2F, No. 8, Lane 270, Sec. 3, Beishen Road, Shenkeng District, New Taipei City	NTD5,000,000	Manufacture and sale of optical electronic devices
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	2010.04	Suite#803, Housefin Bhavan, C-21, Bandra Kurla Complex, Bandra(EAST), Mumbai-400051	INR 37,484,985.75	Distribute and sell the Company's products and CCTV-related software and hardware
EVERFOCUS ELECTRONICS LIMITED.	2010.08	Unit12 Spitfive Business Parks Hawker Road, Croydon Surrey, CRO4WD, UK	GBP961,415	Selling products and providing customer service for the Company

(III) Entities concluded as the existence of the controlling and subordinate relation: Not Applicable.

(IV) The industries covered by the business operated by the affiliates overall.

The industries covered by the business operated by the affiliates overall include:

1. Main business: Design, manufacture, assembly and sales of various optoelectronic equipment, electronic circuits, electronic automation equipment, import and export business and customer service for all kinds of products.
2. General Investment Business.

(V) The names of the directors, supervisors, and general manager of each affiliate:

Unit: NT\$ thousands; shares; %

Name of enterprise	Title	Representative	Shares held	
			Number of shares	Shareholding percentage
EVER FOCUS ELECTRONICS CORP.	Director	Yung-Shun Chuang	0	0
	President	Francis Kao	0	0
EVERFOCUS JAPAN CORP.	Director	Yung-Shun Chuang	0	0
	Director	Hui-Ming Tsao	0	0
	Director	Yun-Hua Chiang	0	0
	Supervisor	Chien-Liang Chen	0	0
EverFocus Electronics (Shenzhen) Co., Ltd.	Legal representative	Yung-Shun Chuang	0	0
EVERHIGHLIGHT TECHNOLOGY CORP.	Chairman	Hui-Ming Tsao	0	0
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	Director	Chia-Ming Huang	0	0
	Director	Ren-Ming Weng	0	0
	Director and President	Rajesh Solanki	709,383	25%
EVERFOCUS ELECTRONICS LIMITED.	Director	Ren-Ming Weng	0	0
	Director	J Singh	0	0

(VI) Operating highlights of the affiliates

Unit: NT\$ thousands/foreign currency (dollar)

Name of enterprise	Share capital		Total assets	Total liabilities	Net value	Operating Income	Operating revenues	Profit or loss for the period (after tax)	Earnings per share (NT\$) (after tax)
EverFocus Electronics Corp.	USD	2,117,800	46,279	102,768	(56,489)	143,774	(6,213)	(8,617)	Not applicable
EverFocus Electronics (Shenzhen) Co., Ltd.	USD	2,050,000	30,065	17,312	12,752	49,309	(4,454)	(2,315)	Not applicable
EVERFOCUS JAPAN CORP.	JPY	10,000,000	2,925	50,818	(47,893)	1,507	(3,281)	(4,071)	Not applicable
EVERHIGHLIGHT TECHNOLOGY CORP.	NTD	5,000	908	481	426	218	(221)	(5)	Not applicable
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	INR	49,980	The Company has lost control over the entity since January 1, 2015 (Note 2)						

Note 1: The exchange rates of foreign companies' assets and liabilities at the reporting date were:

NTD : USD=27.685 : 1,NTD : JPY=0.2404 : 1,NTD : RMB=4.3430 : 1

Note 2: As of January 1, 2015, EverFocus Electronics Corporation was unable to dominate the business activities of EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED and therefore lost control of the EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED, the related debts were derecognized from the accounts.

- II. Any private placement of securities in the recent years up to the publication of this annual report: None.
- III. The shares in the Financial Holding Company held or disposed of by subsidiaries in the recent years up to the publication of this annual report: None.
- IV. Other important supplementary information: None.

Nine. Events occurred which significantly affect shareholders' equity or price of shares pursuant to subparagraph 2, paragraph 3, article 36 of the Securities and Exchange Act:

Events occurred in the previous year or up to the publication of this annual report, which significantly affect shareholders' equity or price of shares pursuant to subparagraph 2, paragraph 3, article 36 of the Securities and Exchange Act: None

Independent Auditors' Report
(2023) Financial Audit Report No. 22004516
The Board of Directors and Shareholders of EVERFOCUS ELECTRONICS CORP.

Opinion

We have audited the accompanying separate company only financial statements of EVERFOCUS ELECTRONICS CORP. (the "Company"), which comprise the separate company only balance sheets as of December 31, 2022 and 2021 and the separate company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the separate company only financial statements (including a summary of significant accounting policies) of 2022 and 2021.

In our opinion, the aforementioned separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and are sufficient to present the separate financial position of EverFocus Electronics Corporation as of December 31, 2022 and 2021, and the separate financial performance and its cash flows for the years ended December 31, 2022 and 2021.

Basis for Opinion

We conducted our audit in accordance with the Regulations for Certified Public Accountants' Audit and Attestation of Financial Statements and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further explained in the Auditor's Responsibilities section of our report on the audit of the financial statements. The personnel in our firm, who are subject to the independence requirements, have complied with the Professional Ethics for Certified Public Accountants in the Republic of China and have maintained independence from EverFocus Electronics Corp. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the separate 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 for the Company's 2022 separate company only financial statements are stated as follows:
Existence for incorporating the revenues of newly listed top ten sales customers

Description

Please refer to Note 4(28) to the separate company only financial statements for the accounting policy on revenue recognition and Note 6(18) to the separate company only financial statements for the description of operating income items.

The Company's main business is the manufacture and sale of all kinds of video processors, electronic cameras and other electronic surveillance products. As the orders for these products are easily affected by the customers' project cycles, while the Company is committed to exploring new markets and taking orders for new projects; therefore, the newly added top ten sales customers had a material effect on the sales revenue for the year. With that, the CPA listed the existence for incorporating the revenues of the Company's newly listed top ten sales customers as one of the key audit matters.

Audit procedures for the key audit matter

The audit matters cover the Company and part of its subsidiaries (investments accounted for using the

equity method). The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. For the assessment and testing of the financial statements, the internal control procedures of sales transactions are based on the Company's internal control system.
2. Viewing the relevant industry background information of newly listed top ten sales customers.
3. Obtaining and sampling relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

Accounting estimate of inventory valuation

Description

Regarding the accounting policy for inventory valuation, please refer to Note 4(13) of the separate company only financial statements. For the accounting estimates and uncertainties related to inventory valuation, please refer to Note 5 of the separate company only financial statements. For the description of inventory accounting items, please refer to Note 6(5) of the separate company only financial statements.

The Company's main business is the manufacture and sale of all kinds of video processors, electronic cameras and other electronic surveillance products. Given long production cycle of industrial computer products, and that some products or spare parts have long inventory period due to long-term supply and maintenance needs of customers. The order adjustments or lower-than-expected market conditions may lead to fluctuations in product prices or low inventory correction, which may result in higher risk in inventory devaluation or obsolescence. The Company's inventories are measured at the lower of inventory cost and net realizable value. For the inventories that exceed its age and are individually identified to be out of date and obsolete, losses based on the policy of allowance for inventory impairment are recognized through individual assessment.

Corresponding to the sales market and development strategies, the Company readily adjusts its stocking demands, with significant inventory balances. In addition, given high uncertainty from the management's subjective estimates on the net realizable value used in evaluating obsolete inventories, the allowance for inventory devaluation is listed as one of the key audit matters.

Audit procedures for the key audit matter

The audit matters cover the Company and part of its subsidiaries (investments accounted for using the equity method). The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. Assessing the policy of allowance for inventory impairment with the understanding of the Company's operations and the nature of the industry.
2. Checking the management's details of outdated inventories as well as relevant documentary evidence.
3. Testing the price basis of net realizable value for each inventory item, and randomly checking the correctness of net realizable other matters.

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

Management is responsible for the preparation and fair presentation of the separate 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 separate company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Company Only Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the separate 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 EverFocus Electronics 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate company only financial statements, including the disclosures, and whether the separate 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 or business activities within EverFocus Electronics Corp to express an opinion on the separate company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 separate company only financial statements of 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Mavis Chang

CPA

Shih-Jung Weng

The previous Approval No. issued by FSC, Executive Yuan:
Jin-Guan-Zheng-Shen Zi No. 0990042602

The previous approval No. issued by Securities and Futures
Institute, Ministry of Finance: (88) Tai-Tsai-Zheng (VI) No.
95577

March 22, 2023


EVERFOCUS ELECTRONICS CORP.
 Separate company only Balance Sheets
 For December 31, 2022 and 2021

Unit: NT\$ thousands

Assets	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 55,057	6	\$ 80,522	11
1110	Current financial assets at fair value through profit or loss	6(2) and 8	99,547	11	128,502	17
1136	Current financial assets at amortized cost	6(3) and 8	68,527	8	46,813	6
1150	Notes receivable, net	6(4)	4,061	1	1,177	-
1170	Accounts receivable, net	6(4)	50,559	6	16,198	2
1180	Accounts receivable - related party, net	6(4) and 7	47,452	5	9,710	1
1200	Other receivables	7	1,716	-	1,336	-
130X	Inventories	6(5)	135,345	16	78,743	10
1470	Other current assets		10,782	1	5,240	1
11XX	Total current assets		<u>473,046</u>	<u>54</u>	<u>368,241</u>	<u>48</u>
Non-current assets						
1517	Non-current financial assets at fair value through Other comprehensive income or loss	6(6)	12,800	2	-	-
1550	Investments accounted for using equity method	6(7)	11,779	1	13,072	2
1600	Property, plant and equipment	6(8) and 8	132,462	15	143,727	19
1760	Investment property, net	6(9) and 8	86,542	10	78,828	10
1840	Deferred income tax assets	6(24)	92,019	11	90,124	12
1930	Long-term notes and accounts receivable	6(4)	16,135	2	20,133	3
1990	Other non-current assets - other	6(10)(13)	45,886	5	46,058	6
15XX	Total non-current assets		<u>397,623</u>	<u>46</u>	<u>391,942</u>	<u>52</u>
1XXX	Total assets		<u>\$ 870,669</u>	<u>100</u>	<u>\$ 760,183</u>	<u>100</u>

(Continued)

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

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Chairman:



Manager:



Accounting Officer:




EVERFOCUS ELECTRONICS CORP.
 Separate company only Balance Sheets
 For December 31, 2022 and 2021

Unit: NT\$ thousands

Liabilities and Equity	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current Liabilities						
2100	Short-term borrowings	6(11)	\$ 30,000	3	\$ 65,000	9
2130	Contract liabilities - current	6(18)	5,485	1	9,907	1
2170	Accounts payable		49,872	6	29,208	4
2180	Payables to related parties	7	2,491	-	3,295	-
2200	Other payables	6(12)	22,200	3	22,045	3
2250	Provisions - current		1,699	-	2,029	-
2300	Other current liabilities		5,544	1	2,283	-
21XX	Total current liabilities		<u>117,291</u>	<u>14</u>	<u>133,767</u>	<u>17</u>
Non-current liabilities						
2550	Provisions - noncurrent		4,990	1	5,926	1
2570	Deferred income tax liabilities	6(24)	2,802	-	2,239	-
2645	Guarantee deposits		972	-	874	-
2650	Credit balance of investments accounted for using the equity method	6(7)	107,682	12	88,559	12
25XX	Total non-current liabilities		<u>116,446</u>	<u>13</u>	<u>97,598</u>	<u>13</u>
2XXX	Total liabilities		<u>233,737</u>	<u>27</u>	<u>231,365</u>	<u>30</u>
Equity						
Capital stock						
3110	Ordinary share	6(15)	668,010	77	534,010	70
Capital Surplus						
3200	Capital Surplus	6(16)	55,312	6	-	-
Deficit to be offset						
3350	Deficit to be offset	6(17)	(110,651)	(13)	(32,961)	(4)
Other equity items						
3400	Other equity items		24,261	3	27,769	4
3XXX	Total equity		<u>636,932</u>	<u>73</u>	<u>528,818</u>	<u>70</u>
3X2X	Total Liabilities and Equity		<u>\$ 870,669</u>	<u>100</u>	<u>\$ 760,183</u>	<u>100</u>

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

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Chairman:



Manager:



Accounting Officer:




EVERFOCUS ELECTRONICS CORP.
SEPARATE COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands
(Except Losses Per Share)

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating income	6(18) and 7	\$ 294,081	100	\$ 416,893	100
5000 Operating cost	6(5)(22) (23) and 7	(225,647)	(77)	(361,444)	(86)
5900 Operating gross profit		68,434	23	55,449	14
5910 Unrealized loss on sales		(3,000)	(1)	100	-
5950 Net operating margin		65,434	22	55,549	14
Operating expense	6(22)(23) and 7				
6100 Selling expense		(31,960)	(11)	(31,706)	(8)
6200 General and administrative expenses		(27,690)	(9)	(27,598)	(7)
6300 Research and development expense		(43,558)	(15)	(39,840)	(9)
6450 Expected credit impairment gains	12(2)	115	-	124	-
6000 Total operating expenses		(103,323)	(35)	(99,020)	(24)
6900 Operating loss		(37,889)	(13)	(43,471)	(10)
Non-operating income and expenses					
7100 Interest income		998	1	492	-
7010 Other income	6(19)	8,923	3	9,184	2
7020 Other gains and losses	6(20)	(34,405)	(12)	804	-
7050 Finance costs	6(21)	(546)	-	(935)	-
7055 Expected credit loss	7	(5,007)	(2)	6,269	(1)
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method	6(7)	(13,908)	(5)	(5,530)	(1)
7000 Non-operating income and expenses		(43,945)	(15)	8,806	2
7900 Loss before income tax		(81,834)	(28)	(34,665)	(8)
7950 Income tax (expense) benefit	6(24)	1,895	1	1,088	-
8200 Net loss for the period		<u>(\$ 79,939)</u>	<u>(27)</u>	<u>(\$ 33,577)</u>	<u>(8)</u>
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(13)	\$ 2,812	1	\$ 781	-
8349 Income tax related to components that will not be reclassified to profit or loss	6(24)	(563)	(1)	156	-
8310 Total components of other comprehensive income that will not be reclassified to profit or loss		2,249	-	625	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Exchange differences arising on translation of foreign operations		(3,508)	(1)	6,490	2
8360 Total components of other comprehensive income that will be reclassified to profit or loss		(3,508)	(1)	6,490	2
8300 Net other comprehensive income		<u>(\$ 1,259)</u>	<u>(1)</u>	<u>\$ 7,115</u>	<u>2</u>
8500 Total comprehensive income (loss) for the period		<u>(\$ 81,198)</u>	<u>(28)</u>	<u>(\$ 26,462)</u>	<u>(6)</u>
Basic/Diluted Losses Per Share					
9750 Basic/Diluted Losses Per Share	6(24)		1.26		0.63
Diluted losses per share					
9850 Diluted losses per share	6(24)		1.26		0.63

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




EVERFOCUS ELECTRONICS CORP.
SEPARATE COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
As of January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands

	Note	Capital Surplus				Exchange differences arising on translation of foreign operations	Total equity
		Common share capital	Capital Surplus - Additional Paid-In Capital	Capital Surplus - Other	Deficit to be offset		
2021							
BALANCE, JANUARY 1, 2021		\$681,151	\$-	\$-	(\$147,150)	\$21,279	\$555,280
Net loss for the period		-	-	-	(33,577)	-	(33,577)
Other comprehensive income		-	-	-	625	6,490	7,115
Total comprehensive income (loss)		-	-	-	(32,952)	6,490	(26,462)
Capital reduction to offset losses	6(15)	(147,141)	-	-	147,141	-	-
BALANCE, DECEMBER 31, 2021		<u>\$534,010</u>	<u>\$-</u>	<u>\$-</u>	<u>(\$32,921)</u>	<u>\$27,769</u>	<u>\$528,818</u>
2022							
BALANCE, JANUARY 1, 2022		\$534,010	\$-	\$-	(\$32,921)	\$27,769	\$528,818
Net loss for the period		-	-	-	(79,939)	-	(79,939)
Other comprehensive income (loss) for the period		-	-	-	2,249	(3,508)	(1,259)
Total comprehensive income (loss) for the period		-	-	-	(77,690)	(3,508)	(81,198)
Stock-based compensation cost		-	2,051	261	-	-	2,312
Capital reduction to offset losses	6(14)	-	-	-	-	-	-
Cash Capital Increase	6(15)	134,000	53,000	-	-	-	187,000
BALANCE, DECEMBER 31, 2022		<u>\$668,010</u>	<u>\$55,051</u>	<u>\$261</u>	<u>(\$110,651)</u>	<u>\$24,261</u>	<u>\$636,932</u>

Chairman:



Manager:



Accounting Officer:




EVERFOCUS ELECTRONICS CORP.
SEPARATE COMPANY ONLY STATEMENTS OF CASH FLOWS
As of January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands

	Note	As of January 1 to December 31, 2022	As of January 1 to December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before income tax		(\$ 81,834)	(\$ 34,665)
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(22)	4,802	3,853
Amortization expense	6(22)	1,485	1,122
Expected credit loss		5,122	6,145
Loss(Gain) on financial instruments at fair value through profit or loss, net	6(2)(20)	32,289	(11,393)
Finance costs	6(21)	546	935
Interest income		(998)	(492)
Dividend income	6(19)	(2,378)	(2,260)
Stock-based compensation cost	6(14)	2,312	
Share of (gain) loss of associates and joint ventures accounted for using equity method	6(7)	13,908	(5,530)
Unrealized loss on sales		3,000	(100)
Unrealized loss on financial assets measured at amortized cost		1,070	
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		(3,334)	(1,247)
Notes receivable		(2,884)	(170)
Accounts receivable		(30,478)	3,028
Receivable from related parties		(37,742)	8,101
Other receivables		(600)	3,692
Inventories		(56,602)	31,162
Other current assets		(5,542)	64
Other non-current assets		(2,536)	3,240
Changes in operating liabilities			
Contract liabilities		(4,422)	5,074
Accounts payable		20,664	(20,781)
Payables to related parties		(804)	(22,798)
Other payables		155	(3,246)
Provisions		(1,266)	4,631
Other current liabilities		3,261	(5,757)
Cash flows used in operations		(142,806)	(37,392)
Interest received		998	492
Dividends received		2,598	2,004
Interest paid		(546)	(935)
Income taxes received		-	192
Net cash flows used in operating activities		(139,759)	(35,639)
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income.		(12,800)	-
Acquisition of financial assets at amortized cost		(22,784)	5,245
Acquisition of property, plant and equipment	6(8)	(1,251)	(4,575)
Decrease in other receivables from related parties		-	55,679
Refundable deposits (paid) refunded		674	(500)
Acquisition of intangible assets		(1,646)	1,529
Net cash flows generated by (used in) investing activities		(37,807)	43,830
Cash flows from financing activities			
Increase(decrease) in short-term borrowings	6(26)	(35,000)	52,000
Guarantee deposits received		98	314
Cash Capital Increase	6(15)	187,000	-
Net cash generated by financing activities		152,098	52,314
Increase (decrease) in cash and cash equivalents		(25,465)	60,505
Cash and cash equivalents at beginning of period		80,522	20,017
Cash and cash equivalents at end of period		\$ 55,057	\$ 80,522

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




EVERFOCUS ELECTRONICS CORP.
NOTES TO SEPARATE COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Unit: NT\$ in thousands
(Unless Specified Otherwise)

I. Company History

EVERFOCUS ELECTRONICS CORP. (hereinafter referred to as the "Company") was established in the Taiwan. The Company is engaged in the design, manufacture, installation, sales and import/export of all kinds of surveillance products such as video processors and electronic cameras. The Company's shares were listed on the Taipei Exchanges (OTC) in March 2001 and subsequently listed on the TWSE in August 2003.

II. Date and Procedures for the Authorization of Separate Financial Statements

These separate financial statements were approved by the Board of Directors on March 22, 2023.

III. Application of New, Amended and Revised Standards and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use"	January 1, 2022
Amendments to IAS 37, "Onerous contracts—cost of fulfilling a contract"	January 1, 2022
Annual improvements to IFRS Standards 2018–2020.	January 1, 2022

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

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023
The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.	

(III) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are as below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the	

Company's assessment.

IV. Summary of Significant Accounting Policies

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

(I) Statement of compliance

The separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Except for the following significant items, these separate financial statements have been prepared under the historical cost convention:

(1) Financial assets at fair value through profit or loss.

(2) Financial assets measured at fair value through other comprehensive income.

(3) Defined benefit liabilities (or assets) recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the separate financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and presentation currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

2. Translation of foreign operations:

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- C. All resulting exchange differences are recognized in other comprehensive income.

(IV) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:
 - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the balance sheet date;

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Company classifies all assets that do not meet the above criteria as non-current assets.

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

(1) Liabilities that are expected to be settled within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be settled within twelve months from the balance sheet date;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all liabilities that do not meet the above criteria as non-current liabilities.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments should be recognized as cash equivalents.

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

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

2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

3. At initial recognition, the Company measures the financial liabilities at fair

value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VII) Financial assets measured at fair value through other comprehensive income

1. This refers to an irrevocable election made at initial recognition to present the fair value changes of equity instruments classified as non-trading investments in other comprehensive income
2. The Company adopts the settlement date accounting for financial assets measured at fair value through other comprehensive income in accordance with trading conventions.

3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently measures them at fair value:

For equity instruments, changes in fair value are recognized in other comprehensive income and are not reclassified to profit or loss upon derecognition, but transferred to retained earnings. Dividends are recognized in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VIII) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
 - (1) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. Time deposits held by the Company that do not meet cash equivalents criteria are measured at the amount invested due to the short holding period and the effect of discounting is not significant.

(IX) Accounts and notes receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(X) Impairment of financial assets

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

(XI) Derecognition of financial assets

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

(XII) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(XIII) Inventories

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

the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIV) Investments accounted for using equity method-subsiidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
4. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
6. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company

recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
8. When the Company disposes of an associate and loses significant influence over the associate, any amounts previously recognized in other comprehensive income related to the associate are accounted for in the same manner as if the Company were to dispose of the relevant assets or liabilities directly. This means that any gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of the relevant assets or liabilities if the Company loses significant influence over the associate. However, if the Company still has significant influence over the associate, any amounts previously recognized in other comprehensive income will be transferred out on a proportionate basis as described above.
9. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit (loss) and other comprehensive income in the separate financial statements should be the same as the amount attributable to the owners of the separate in the financial statements prepared on a consolidated basis. The owners' equity in the individual financial statements should be the same as the equity attributable to the owners of the separate in the financial statements prepared on a consolidated basis.

(XV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and

maintenance are charged to profit or loss during the financial period in which they are incurred.

3. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated economic lives of various assets are as follows:

Buildings and structures	55 years
Machinery and equipment	2 to 5 years
Transportation equipment	6 years
Other equipment	3 to 5 years

(XVI) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

(XVII) Intangible assets

Computer software is recognized at acquisition cost and amortized by the straight-line method over its estimated useful life of 1 to 5 years.

(XVIII) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in

prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XIX) Borrowings

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

(XX) Notes and accounts payable

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

(XXI) Derecognition of financial liabilities

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

(XXII) Provisions

Provisions (including warranty) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(XXIII) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plan

For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

B. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognized immediately in profit or loss.

3. Employees' compensation and directors' and supervisors' remuneration
Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(XXIV) Share-based payment for employees

Equity-settled share-based payment arrangements involve the provision of equity instruments based on the fair value of employee services at the grant date, which are recognized as a cost of compensation over the vesting period with corresponding adjustments to equity. Fair value reflects the effect of both vested and non-vested conditions on the market price. Recognition of compensation costs is adjusted for the number of awards that are expected to vest under service and non-market vesting conditions. The final measure of the compensation cost is recognized as the number of awards that have vested at the vesting date.

(XXV) Income tax

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

and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(XXVI) Share capital

Common stock is classified as equity. The net amount after deducting income tax from the increased cost of issuing new shares or exercising subscription rights is directly attributed as a deduction from equity.

(XXVII) Dividends

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

(XXVIII) Revenue recognition

1. Sales of goods

- (1) The Company manufactures and sells digital video recorders, vehicle video recorders and security surveillance related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (2) Sales revenue from digital video recorders, vehicle video recorders, and security surveillance related products is recognized based on contract price net of estimated quantity discounts and sales

allowances. As the time interval between the transfer of goods or services and the customer payment does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

(3) The Company provides standard warranty on the products sold, and has the refund obligation for product defects. The provisions are recognized when the goods are sold.

(4) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Services revenue

The Company provides equipment installation services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of actual labor hours incurred to the total number of estimated labor hours. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

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

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

Critical accounting estimates and assumptions

1. Investment property

As inventories are stated at the lower of cost and net realizable value, the

Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid change in the industry, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. This valuation of inventories is based on demand of products in the future specific period, thus there might be significant changes in the valuation.

As of December 31, 2022, the carrying amount of inventories is NT\$135,345.

2. Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2022, the Company recognized deferred income tax assets of \$92,019.

VI. Explanation of Significant Accounts

(XXIX) Cash and cash equivalents

	2022/12/31	2021/12/31
Cash on hand and working fund	\$ 354	\$ 248
Checking accounts and demand deposits	45,180	80,274
Time deposits	9,523	-
Total	<u>\$ 55,057</u>	<u>\$ 80,522</u>

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

2. Regarding the situation where the Company provides cash and cash equivalents as collateral, please refer to Note 8.

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

<u>Item</u>	2022/12/31	2021/12/31
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Current items:			
Financial assets at fair value through profit or loss, mandatorily measured at fair value			
Stocks of listed companies	\$	99,599	\$ 95,480
Valuation adjustments		(52)	33,022
	\$	99,547	\$ 128,502

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

	2022	2021
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Equity Instruments	(\$ 32,289)	\$ 11,393

2. The Company pledged its financial assets at fair value through profit or loss, please refer to Note 8.

(XXXI) Financial assets at amortized cost

Item	2022/12/31	2021/12/31
Current items:		
Restricted bank deposits	\$ 65,727	\$ 46,813
Restricted time deposits	2,800	-
	\$ 68,527	\$ 46,813

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2022	2021
Interest income	\$ 463	\$ 1

2. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of financial assets at amortized cost as of December 31, 2022 and 2021 were NT\$68,527 and NT\$46,813, respectively.

3. The Company pledged its financial assets measured at amortized costs, please refer to Note 8.

4. Please refer to Note 12 for information on the credit risk of financial assets measured at amortized cost, The Company invests in fixed deposits with financial institutions of good credit quality, and expects that the probability of default is very low.

(XXXII) Notes and accounts receivable

	<u>2022/12/31</u>	<u>2021/12/31</u>
Notes receivable	\$ 4,061	\$ 1,177
Accounts receivable	\$ 50,881	\$ 16,220
Receivables from related parties	47,452	9,710
Installment receivables	4,228	4,181
Less: Unrealized interest income - installment receivables	(265)	(33)
Less: Loss allowance	(4,285)	(4,170)
	<u>\$ 98,011</u>	<u>\$ 25,908</u>
Long-term installment receivables	\$ 16,609	\$ 21,090
Less: Unrealized interest income - long-term installment receivables	(474)	(1,057)
	<u>\$ 16,135</u>	<u>\$ 20,133</u>

1. The aging analysis of accounts receivable and notes receivable (both current and non-current) are as follows:

	<u>2022/12/31</u>	<u>2021/12/31</u>
Not yet due	\$ 110,484	\$ 42,245
Up to 30 days	1,172	1,640
31 to 60 days	7,380	932
61 to 90 days	57	523
91 to 180 days	-	-
181 to 360 days	-	-
Over 360 days	4,138	4,138
	<u>\$ 123,231</u>	<u>\$ 52,478</u>

The above ageing analysis was based on past due date.

2. The Company does not hold any collateral over the accounts and notes receivables.
3. Accounts receivable and notes receivable as of December 31, 2022 and 2021 were arising from customer contracts. As of January 1, 2021, the accounts receivable balance and allowance for losses on customer contracts were \$62,347 and \$4,294, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2022 and 2021 were NT\$4,061 and NT\$1,177 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2022 and 2021 were NT\$114,146 and NT\$46,041, respectively.
5. Please refer to Note 12(2) for information on the credit risk of notes and accounts receivable.

(XXXIII) Inventories

	2022/12/31		
	Cost	Allowance for decline in value	Carrying amount
Raw materials	\$ 110,652	(\$ 27,180)	\$ 83,472
Semi-finished goods	25,674	(10,639)	15,035
Work in progress	10,320	-	10,320
Finished goods	48,418	(23,169)	25,249
Merchandise Inventory	749	(292)	457
Goods in transit	812	-	812
Total	<u>\$ 196,625</u>	<u>(\$ 61,280)</u>	<u>\$ 135,345</u>

	2021/12/31		
	Cost	Allowance for decline in value	Carrying amount
Raw materials	\$ 48,147	(\$ 18,122)	\$ 30,025
Semi-finished goods	16,043	(8,495)	7,548
Work in progress	7,163	-	7,163
Finished goods	55,879	(25,164)	30,715
Merchandise Inventory	920	(649)	271
Goods in transit	3,021	-	3,021
Total	<u>\$ 131,173</u>	<u>(\$ 52,430)</u>	<u>\$ 78,743</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 210,913	\$ 359,222
Gain(Loss) on reversal of decline in market value of inventory	8,850	(9,338)
Gain on physical inventory	43	(551)
Loss on scrap of inventory	5,841	12,111
	<u>\$ 225,647</u>	<u>\$ 361,444</u>

Note : The Company recognizes gain on reversal of decline in value of inventories in 2021 as a result of the scrapping and write-off of inventories for which a loss on decline in value was recorded in previous years.

(XXXIV) Financial assets measured at fair value through other comprehensive income

Item	<u>2022/12/31</u>
Non-current assets:	
Equity Instruments	
Unlisted and non-OTC stock	\$ <u>12,800</u>

As of December 31, 2021, there is no such situation.

1. The company chooses to classify the aforementioned stocks that belong to strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of such investments as of December 31, 2022 was \$12,800.
2. The fair value of the financial assets measured at fair value through other comprehensive income for the year ended 2022 is recognized in the amount of \$0 in the income statement and comprehensive income.
3. The Company has not provided any collateral with financial assets measured at fair value through other comprehensive income.

(XXXV) Investments accounted for using equity method

	<u>2022/12/31</u>	<u>2021/12/31</u>
Subsidiaries		
EVER FOCUS ELECTRONICS CORP.	(\$ 59,589)	(\$ 43,300)
EVERFOCUS JAPAN CORP.	(48,093)	(45,259)
EverFocus Electronics (Shenzhen) Co., Ltd.	11,353	12,641
EVERHIGHLIGHT TECHNOLOGY CORP.	426	431
EVERFOCUS ELECTRONICS (EUROPE) GMBH (Note 1)	-	-
EVERFOCUS ELECTRONICS LIMITED. (Note 2)	-	-
Affiliates:		
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED(Note 3)	-	-

Add: Transferred credit balance of long-term investments to liabilities

107,682	88,559
<u>\$ 11,779</u>	<u>\$ 13,072</u>

Note 1: EVERFOCUS ELECTRONICS (EUROPE) GMBH had filed a bankruptcy petition with the local court on June 28, 2018, and ceased the operation on September 28, 2018; therefore, the Company no longer recognizes the investment gain or loss in this company since that date.

Note 2: EVERFOCUS ELECTRONICS LIMITED. filed for liquidation in 2013, therefore, the Company no longer recognized investment (loss) in this company since 2013.

Note 3: Since 2015, the Company lost its control over EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED due to its inability to dominate the main business; therefore, from that year, the Company no longer included EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED in the consolidated entity and instead reclassified as an investment accounted for using the equity method.

1. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.
2. Share of profit (loss) of associates accounted for using the equity method is as follows:

	<u>2022</u>	<u>2021</u>
Subsidiaries		
EVER FOCUS ELECTRONICS CORP.	(\$ 8,617)	\$ 6,189
EVERFOCUS JAPAN CORP.	(4,071)	(3,842)
EverFocus Electronics (Shenzhen) Co., Ltd.	(1,215)	3,529
EVERHIGHLIGHT TECHNOLOGY CORP.	(5)	(346)
EVERFOCUS ELECTRONICS (EUROPE) GMBH	-	-
EVERFOCUS ELECTRONICS LIMITED.	-	-
Affiliates:		
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	-	-
	<u>(\$ 13,908)</u>	<u>\$ 5,530</u>

3. No investment accounted for using the equity method is pledged.

(XXXVI) Property, plant and equipment

2022						
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
At January 1						
Cost	\$ 89,728	\$ 66,627	\$ 25,588	\$ 1,045	\$ 19,501	\$ 202,489
Accumulated depreciation and impairment	-	(18,532)	(23,877)	(1,045)	(15,308)	(58,762)
	<u>\$ 89,728</u>	<u>\$ 48,095</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ 4,193</u>	<u>\$ 143,727</u>
At January 1	\$ 89,728	\$ 48,095	\$ 1,711	\$ -	\$ 4,193	\$ 143,727
Additions	-	-	257	190	804	1,251
Reclassification	(3,660)	(5,537)	-	-	-	(9,197)
Depreciation expense	-	(1,046)	(951)	(18)	(1,304)	(3,319)
At December 31	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,017</u>	<u>\$ 172</u>	<u>\$ 3,693</u>	<u>\$ 132,462</u>
At December 31						
Cost	\$ 86,068	\$ 57,916	\$ 25,845	\$ 1,235	\$ 20,305	\$ 191,369
Accumulated depreciation and impairment	-	(16,404)	(24,828)	(1,063)	(16,612)	(58,907)
	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,017</u>	<u>\$ 172</u>	<u>\$ 3,693</u>	<u>\$ 132,462</u>
2021						
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
At January 1						
Cost	\$ 86,068	\$ 57,915	\$ 76,115	\$ 1,045	\$ 26,027	\$ 247,170
Accumulated depreciation and impairment	-	(14,334)	(75,123)	(1,045)	(24,367)	(114,869)
	<u>\$ 86,068</u>	<u>\$ 43,581</u>	<u>\$ 992</u>	<u>\$ -</u>	<u>\$ 1,660</u>	<u>\$ 132,301</u>
At January 1	\$ 86,068	\$ 43,581	\$ 992	\$ -	\$ 1,660	\$ 132,301
Additions	-	-	1,277	-	3,298	4,575

Reclassification	3,660	5,666	(-)	-	(-)	(9,326)
Depreciation expense	-	(1,152)	(558)	-	(765)	(2,475)
At December 31	<u>\$ 89,728</u>	<u>\$ 48,095</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ 4,193</u>	<u>\$ 143,727</u>
At December 31						
Cost	\$ 89,728	\$ 66,627	\$ 25,588	\$ 1,045	\$ 19,501	\$ 202,489
Accumulated depreciation and impairment	-	(18,532)	(23,877)	(1,045)	(15,308)	(58,762)
	<u>\$ 89,728</u>	<u>\$ 48,095</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ 4,193</u>	<u>\$ 143,727</u>

1. The property, plant and equipment mentioned above are assets held for self-use.
2. For information on the pledge of property, plant and equipment by the Company, please refer to Note 8.

(XXXVII) Investment property

	2022		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 29,887	\$ 75,010	\$ 104,897
Accumulated depreciation and impairment	-	(26,069)	(26,069)
	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>
At January 1	\$ 29,887	\$ 48,941	\$ 78,828
Reclassification	(3,660)	(5,537)	(9,197)
Depreciation expense	-	(1,483)	(1,483)
At December 31	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>
At December 31			
Cost	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation and impairment	-	(30,727)	(30,727)
	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>

	2021		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation and impairment	-	(27,737)	(27,737)
	<u>\$ 33,547</u>	<u>\$ 55,985</u>	<u>\$ 89,532</u>
At January 1	\$ 33,547	\$ 55,985	\$ 89,532
Reclassification	(3,660)	(5,666)	(9,326)
Depreciation expense	-	(1,378)	(1,378)
At December 31	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>
At December 31			
Cost	\$ 29,887	\$ 75,010	\$ 104,897
Accumulated depreciation and impairment	-	(26,069)	(26,069)
	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>

1. Rental income from the investment property and direct operating expenses arising from investment property are shown below:

	2022	2021
Rental income from the investment property	<u>\$ 5,505</u>	<u>\$ 3,690</u>
Direct operating expenses arising from investment property that generated rental income	<u>\$ 1,483</u>	<u>\$ 1,378</u>

2. The fair value of the investment property held by the Company, namely the Shih Chih office building, as of December 31, 2022 and 2021 was NT\$228,537 and NT\$173,334, respectively, which were valued by independent appraisers in 2020. Valuations were made using the comparison and income approaches and there were no significant changes in the fair value of the investment property as assessed by the Company's management. The above mentioned fair values were classified as Level 3 fair values with the following assumptions:

	<u>2022</u>	<u>2021</u>
Gross margin	2.94%	2.89%
Earnings capitalization rate	0.61%	0.49%

3. The Group pledged its investment properties, please refer to Note 8 for more information.

(XXXVIII) Other non-current assets

	<u>2022/12/31</u>	<u>2021/12/31</u>
overdue receivables	\$ 20,422	\$ 24,110
Guarantee deposits paid	2,141	2,815
Net defined benefit assets	19,928	17,040
Others	3,395	2,093
	<u>\$ 45,886</u>	<u>\$ 46,058</u>

Please refer to Note 7(2) for details of the collections.

(XXXIX) Short-term borrowings

Type of borrowings	2022/12/31	Interest rate range	Collateral
Bank borrowings			Land, buildings and construction (recognized as Property, plant and equipment)
Secured borrowings	<u>\$ 30,000</u>	1.91%~2.07%	

Type of borrowings	2021/12/31	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 65,000</u>	1.50%	Land, buildings and construction (recognized as investment property)

1. The interest expense recognized in profit or loss for the years ended December 31, 2022 and 2021 were \$543 and \$932, respectively.

2. Please refer to Note 8 for the information on short-term loans pledge.

(XL) Other payables

	2022/12/31	2021/12/31
Salaries and bonuses payable	\$ 11,767	\$ 12,346
Payable for labor services	260	908
Labor insurance payable	840	1,147
National health insurance payable	757	463
Others	8,576	7,181
	<u>\$ 22,200</u>	<u>\$ 22,045</u>

(XLI) Pensions

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit plan, two units are accrued for each year of service for the first

15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next end of March.

In March 2022 and December 2021, the Company was approved by the Labor Affairs Department, New Taipei City Government to suspend the contribution to the labor retirement reserve for 2022 and 2021, respectively.

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

	<u>2022/12/31</u>	<u>2021/12/31</u>
Present value of defined benefit obligations	(\$ 8,517)	(\$ 10,030)
Fair value of plan assets	28,445	27,070
Net defined benefit liability((including other non-current assets)	<u>\$ 19,928</u>	<u>\$ 17,040</u>

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

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 10,030)	\$ 27,070	\$ 17,040
Current service cost	(30)	-	(30)
Interest expense (income)	(63)	169	106
	(10,123)	27,239	17,116
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,121	2,121
Change in financial assumptions	411	-	411
Experience adjustments	280	-	280
	691	2,121	2,812
Pay retirement pension	915	(915)	-
Balance at December 31	(\$ 10,030)	\$ 27,070	\$ 17,040
	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 10,388)	\$ 26,596	\$ 16,208
Current service cost	(30)	-	(30)
Interest expense (income)	(52)	133	81
	(10,470)	26,729	16,259
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	341	341
Change in demographic assumptions	(214)	-	(214)
Change in financial assumptions	133	-	133
Experience adjustments	521	-	521
	440	341	781
Balance at December 31	(\$ 10,030)	\$ 27,070	\$ 17,040

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" Article 6: (i.e: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with Paragraph 142 of IAS 19. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2022	2021
Discount rate	1.375%	0.625%
Future salary increases	2.50%	2.25%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
2022/12/31				
Effect on present value of defined benefit obligation	(\$ 192)	\$ 199	\$ 193	(\$ 188)
2021/12/31				
Effect on present value of defined benefit obligation	(\$ 263)	\$ 274	\$ 265	(\$ 256)

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

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

- (6) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 is \$0.
 - (7) As of December 31, 2022, the weighted average duration of the retirement plan is 9.1 years.
2. (1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$4,248 and \$4,266, respectively.

(XLII) Share-based payments

1. The share-based payment agreement of the Company for the year 2022 is as follows:

Arrangement type	Grant date	No. of units (shares in thousands)	Contract period	Vested conditions
Cash capital increase with employee subscription rights reserved	2022.02.07	887	Not applicable	Immediately vested

The above share-based payment agreement is settled in equity.

There is no such situation for the year 2022.

2. The share-based payment transactions granted by the Company were estimated using the Black-Scholes option pricing model to determine the fair value of employee subscription rights reserved in the cash capital increase. The related information is as follows:

Arrangement type	Grant date	Stock price	Exercise price	Expected price Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase with employee subscription rights reserved	2022.02.07	\$ 16.6	\$ 14	22.60%	0.09Year	0.34%	\$ 2.6061

3. The expenses arising from equity-settled transactions are as follows:

	2022	2021
Cash capital increase with employee subscription rights reserve	\$ 2,312	\$ -

(XLIII) Capital stock

1. As of December 31, 2022, the Company's authorized capital was \$2,070,000, consisting of 207 million shares of ordinary stock (including 30 million shares reserved for employee stock options), and the paid-in capital was \$668,010, divided into 66,801 thousand shares with par value of \$10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 53,401	\$ 68,115
increase cash capital	13,400	-
Capital reduction to offset losses	-	(14,714)
At December 31	<u>\$ 66,801</u>	<u>\$ 53,401</u>

2. On July 1, 2021, the shareholders' meeting resolved to reduce capital to offset the deficit. The number of shares reduced was 14,714 thousand, the amount of capital reduction was \$147,141, which resulted in total paid-in capital of \$534,010. The effective date of capital reduction set on August 31, 2021. The registration was completed on September 24, 2021.
3. On December 9, 2021, the Board of Directors resolved to issue 13,400 thousand shares of common stock at NT\$14 per share for a total offering of \$187,600,000. The issuance was effective on January 18, 2022 upon filing with the competent authorities, with necessary costs deducted at \$600, resulting in a net fundraising of \$187,000. The aforementioned cash capital increase was completed and registered on April 19th, 2022.

(XLIV) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(XLV) Deficit to be offset

1. According to Article of Incorporation, if the Company has earnings surplus as evidenced by the year-end accounting settlement, it shall pay taxes and make up for losses in accordance with the law and set aside 10% as a legal reserve, except when the legal reserve has reached the Company's total paid-in capital. The remainder shall be set aside or reversed as a special reserve in accordance with the laws and regulations. The Board of Directors shall prepare a proposal for the appropriation of earnings and submit it to the shareholders to resolve the distribution of dividends to shareholders if there is still a balance available, together with the accumulated undistributed earnings to allocate 0% to 100% of the distributable earnings.

The distributable dividends or bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. Dividends are distributed on the basis that maintaining a sound financial structure and matching future business growth of the Company. In accordance with the Company Act, the Board of Directors prepares a proposal for the distribution of earnings each year after the approval of the shareholders' meeting, taking into account the Company's profitability and future operating needs and to protect the interests of investors. The Company adopts the following three methods to distribute dividends: capitalization of earnings, capitalization of capital surplus and cash

dividends. If there is an appropriate investment plan that can increase the Company's profitability, the capitalization of earnings or capitalization of capital surplus will be used. When the capital increase affects the dividend level, cash dividends will be paid. Stock dividends will account for 0% to 90% while cash dividends will account for 10% to 100% of the total amount of dividends paid. The actual amount of dividends paid will be determined by the amount approved at the shareholders' meeting.

3. The proposals for offsetting losses for 2021 and 2010 were approved by the shareholders' meeting on June 15, 2022 and July 1, 2021, respectively, and information on the Board of Directors' approval and the offsetting losses resolved at the shareholders' meeting is available on the "Market Observation Post System (MOPS)" of the TWSE.
4. As of December 31, 2022 and 2021, the Company had no earnings available for appropriation.

(XLVI) Operating Income

	2022	2021
Revenue from Contracts with Customers	\$ 294,081	\$ 416,893

1. Disaggregation of revenue from contracts with customers

The Company's revenue comes from the provision of goods and services that are transferred over time and at a point in time. The revenues are segmented into the following types:

2022	Sales revenue - surveillance products	Service revenue	Total
Revenue from contracts	\$ 286,219	\$ 7,862	\$ 294,081
Time of income recognition			
Income recognized at a point in time	\$ 286,219	\$ -	\$ 286,219
Revenue recognized over time		7,862	7,862
Total	\$ 286,219	\$ 7,862	\$ 294,081
2021	Sales revenue - surveillance products	Service revenue	Total
Revenue from contracts	\$ 343,359	\$ 73,534	\$ 416,893
Time of income recognition			

Income recognized at a point in time	\$	343,359	\$	-	\$	343,359
Revenue recognized over time		-		73,534		73,534
Total	\$	<u>343,359</u>	\$	<u>73,534</u>	\$	<u>416,893</u>

2.Contract liability

(I)Recognized contract liabilities relative to revenue from contracts with customers are as follows:

	<u>2022/12/31</u>	<u>2021/12/31</u>	<u>2021/1/1</u>
Contract liability			
- electronic monitoring products	\$ 5,485	\$ 9,907	\$ 4,833

(II) Recognized income of contract liabilities at January 1

	<u>2022</u>	<u>2021</u>
Beginning balance of contract liabilities		
Recognized income-electronic monitoring products	\$ 8,666	\$ 4,446

(XLVII) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 5,533	\$ 3,875
Dividend income	2,378	2,260
Other incomes	1,012	3,049
	<u>\$ 8,923</u>	<u>\$ 9,184</u>

(XLVIII) Other gains and losses

	<u>2022</u>	<u>2021</u>
Loss on foreign exchange	(\$ 2,116)	(\$ 10,590)
Net gain(Loss) on financial assets and liabilities at fair value through profit or loss	(32,289)	11,393
	<u>(\$ 34,405)</u>	<u>\$ 804</u>

(XLIX) Finance costs

	2022	2021
Interests on bank borrowings	\$ 543	\$ 932
Other interest expenses	3	3
	<u>\$ 546</u>	<u>\$ 935</u>

(L) Costs and Expenses by nature

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 24,175	\$ 68,198	\$ 92,373	\$ 25,224	\$ 66,232	\$ 91,456
Depreciation expense	1,165	3,637	4,802	1,187	2,666	3,853
Amortization expense	31	1,454	1,485	31	1,091	1,122

(LI) Employee benefit expenses

	2022	2021
Wages and salaries	\$ 75,026	\$ 73,904
Labor and health insurance fees	8,705	8,865
Pension costs	4,172	4,215
Directors' remuneration	540	645
Other personnel expenses	3,930	3,827
	<u>\$ 92,373</u>	<u>\$ 91,456</u>

1. The Company has 118 and 121 employees in 2022 and 2021, respectively; the number of directors who are not concurrently serving as employees is 7.

(1) The average employee benefit expenses for the year were \$827; the average employee benefit expenses for the previous year were \$797.

(2) Average employee wages and salaries for the year was \$676; average employee wages and salaries for the previous year was \$648.

(3) The average employee salary expense adjustment increased by 4.32%.

(4) The Company's compensation policy (covering directors, managers and employees) is described as follows

a. The remuneration to directors is in accordance with Article 19 of the Company's Articles of Incorporation. If the Company has a

profit in a year, the Board of Directors shall resolve to set aside not more than 2.5% of the above-mentioned profit as remuneration to directors. However, if the Company still has accumulated losses, the Company should set aside the offsetting amount in advance and then allocate the directors' remuneration in accordance with the aforementioned ratio. In accordance with Article 7 of the Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to periodically evaluate the performance objectives of the Company's managers, determine the content and amount of their individual remuneration, and submit its recommendations to the Board of Directors for discussion.

- b. In accordance with Article 7 of the Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to periodically evaluate the performance objectives of the Company's managers, determine the content and amount of their individual remuneration, and submit its recommendations to the Board of Directors for discussion. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles: 1. Ensuring that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent. 2. Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
- c. Compensation for employees is determined by the internal fairness and external competitiveness, including fixed and variable salaries. The Company also pays bonuses promptly to share operating results with employees in order to attract, motivate and retain talents. Article 19 of the Article of Incorporation states: When the Company has surplus, it shall set aside 3% to 10.5% as employee

compensation, which shall be distributed in shares or cash as resolved by the Board of Directors. Qualification requirements of employees, including the employees of separate s or subsidiaries of the company meeting certain specific requirements. However, if the Company still has accumulated losses, the Company should set aside the offsetting amount in advance and then allocate the employees' compensation in accordance with the aforementioned ratio. Individual wage is determined based on job duties and professional skills. Bonus and employee compensation are rewarded based on individual performance and contribution to the company.

- (5) The Company has set up an audit committee, so it is not applicable to disclose information on the remuneration to the supervisors.
2. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of 3%~10.5% and remuneration of directors and supervisors at rates of no higher than 2.5%, of the remaining profit after deducting accumulated losses.
 3. As of December 31, 2022 and 2021, the Company has accumulated losses; therefore, there is no need to estimate the compensation to employees and directors and supervisors. The information is available on the Market Observation Post System.

(LII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the year	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	(1,895)	(1,088)
Income tax benefit	<u>(\$ 1,895)</u>	<u>(\$ 1,088)</u>

(2) The income tax relating to components of other comprehensive income is as follows:

	<u>2022</u>	<u>2021</u>
Re-measurement of defined benefit obligations	\$ 563	\$ 156

2. Reconciliation between income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Income tax calculated by applying statutory rate to the profit before tax	(\$ 16,367)	(\$ 6,693)
Expenses disallowed by tax regulation	6,615	-
Income exempt from tax regulation	(633)	(2,730)
Tax losses unrecognized as deferred tax assets	5,708	10,346
Net investment gains and losses are not included in income	2,782	1,106)
Change in realized valuation for deferred income tax assets	-	(665)
Income tax benefit	<u>(\$ 1,895)</u>	<u>(\$ 1,088)</u>

Deferred income tax liabilities				
Re-measurement of defined benefit plans	(\$ 2,083)	\$ -	(156)	(\$ 2,239)
Subtotal	(2,083)	-	(156)	(2,239)
Total	\$ 86,953	(\$ 1,088)	(\$ 156)	\$ 87,885

4. Expiration dates of unused net operating tax losses of the Company and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022					
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2015	\$ 56,076	\$ 28,696	\$ 28,696	2025	
2017	49,598	49,598	49,598	2027	
2018	89,436	89,436	65,975	2028	
2019	94,256	94,256	-	2029	
2020	69,562	69,562	-	2030	
2021	51,809	51,809	-	2031	
2022	26,162	26,162	-	2032	
	<u>\$ 436,899</u>	<u>\$ 409,519</u>	<u>\$ 144,269</u>		

December 31, 2021					
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year	
2015	\$ 56,076	\$ 28,696	\$ 28,696	2025	
2017	49,598	49,598	49,598	2027	
2018	89,436	89,436	37,475	2028	
2019	94,256	94,256	-	2029	
2020	69,562	69,562	-	2030	
2021	49,471	49,471	-	2031	
	<u>\$ 408,399</u>	<u>\$ 381,019</u>	<u>\$ 115,769</u>		

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

(LIII) Losses per share

	2022		
	Profit after tax	Retroactively adjusted weighted-average common shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			

Net loss for the period	(\$ 79,939)	63,497	(\$ 1.26)
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	2021		
	Profit after tax	Retroactively adjusted weighted-average common shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period	(\$ 33,577)	53,401	(\$ 0.63)

Note: The above retroactive adjustments to the number of shares outstanding have been made based on the number of outstanding shares after the capital reduction effective date in August 2021.

(LIV) Changes in liabilities arising from financing activities

	2022	2021
	<u>Short-term borrowings</u>	
At January 1	\$ 65,000	\$ 13,000
Changes in financing cash flows	(35,000)	52,000
At December 31	\$ 30,000	\$ 65,000

VII. Related Party Transactions

(LV) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
EVER FOCUS ELECTRONICS CORP.	Subsidiaries
EVERFOCUS JAPAN CORP.	Subsidiaries
EverFocus Electronics (Shenzhen) Co., Ltd.	Subsidiaries
EVERHIGHLIGHT TECHNOLOGY CORP.	Subsidiaries
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	Affiliates (Note 1)
EVERFOCUS ELECTRONICS LIMITED.	Subsidiaries in the liquidation (Note 2)
EVERFOCUS ELECTRONICS (EUROPE) GMBH	Subsidiaries in the liquidation (Note 2)
AAEON Technology Inc.	Other related parties
AAEON TECHNOLOGY (SU ZHOU) INC.	Other related parties
Onyx Healthcare Inc.	Other related parties
LYDS TECHNOLOGIES INC.	Other related parties
ONYX HEALTHCARE USA, INC.	Other related parties
AAEON TECHNOLOGY (EUROPE) B.V.	Other related parties

Note 1: The Company owns 75% of the ownership of that entity. However, since January 1, 2015, the Company has lost control over that entity due to the Company's inability to manage relevant activities, so the Company has recognized a 100% provision for the related debt.

Note 2: Please refer to Note (6)7.

(LVI) Significant transactions and balances with related parties

1. Operating Income

	<u>2022</u>	<u>2021</u>
Sales of goods		
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ 122,490	\$ 58,342
Subsidiary -EverFocus Electronics (Shenzhen) Co., Ltd.	17,376	4,378
Subsidiary - Other	658	1,624
Other related parties	551	841
Total	<u>\$ 141,075</u>	<u>\$ 65,185</u>

The transaction price and payment terms for the sales of goods to related parties by the Company are based on the agreed price and terms between both parties.

2. Purchases

	<u>2022</u>	<u>2021</u>
Purchases of goods		
Subsidiary - EverFocus Electronics (Shenzhen) Co., Ltd.	\$ 14,497	\$ 53,196
Other related parties	809	861
Total	<u>\$ 15,306</u>	<u>\$ 54,057</u>

The transaction price for the Company's purchases from related parties is based on the agreed-upon price by both parties, with a payment term of 60 days from the end of the month, which is not significantly different from that of other suppliers.

3. Accounts receivable

	<u>2022/12/31</u>	<u>2021/12/31</u>
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ 35,416	\$ 6,160
Subsidiary - EverFocus Electronics (Shenzhen) Co., Ltd.	11,301	2,114
Subsidiary - EVERFOCUS JAPAN CORP.	542	1,282
Subsidiary - Other	-	28
Other related parties	193	126
Total	<u>\$ 47,452</u>	<u>\$ 9,710</u>

4. Other receivables

	<u>2022/12/31</u>	<u>2021/12/31</u>
Subsidiary - EverFocus Electronics (Shenzhen) Co., Ltd.	\$ 273	\$ 387

5. Accounts payable

	<u>2022/12/31</u>	<u>2021/12/31</u>
Subsidiary - EverFocus Electronics (Shenzhen) Co., Ltd.	\$ 2,443	\$ 2,391
Subsidiary - Other	15	31
Other related parties	33	333
Total	<u>\$ 2,491</u>	<u>\$ 3,295</u>

6. Other accounts receivable

The lending of funds to related parties:

A. Ending balance for Actual amount drawn down

	<u>2022/12/31</u>	<u>2021/12/31</u>
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ -	\$ -
Subsidiary - EVERFOCUS JAPAN CORP.	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

B. Interest income

	<u>2022</u>	<u>2021</u>
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ -	\$ 279
Subsidiary - EVERFOCUS JAPAN CORP.	-	186
Total	<u>\$ -</u>	<u>\$ 465</u>

During the fiscal year 2021, the Company charged an annual interest rate of 1.5% to 1.8% on the funds loaned to the above subsidiary.

7. Receivables from related parties (included in other non-current assets)

	<u>2022/12/31</u>	<u>2021/12/31</u>
EVERFOCUS ELECTRONICS LIMITED.	\$ 26,930	\$ 26,930
EVERFOCUS ELECTRONICS (EUROPE) GMBH	81,936	80,617
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	26,040	26,040
Less: Allowance for doubtful accounts	(114,484)	(109,477)
Total	<u>\$ 20,422</u>	<u>\$ 24,110</u>

The Company assessed the recoverability of the outstanding receivables from EVERFOCUS ELECTRONICS (EUROPE) GMBH in 2022 and 2021, respectively, and evaluated their credit risk status. As a result, expected credit losses of \$5,007 and \$6,269 were recognized, respectively.

8. Endorsements and guarantees to related parties:

	<u>2022/12/31</u>	<u>2021/12/31</u>
Subsidiary - EVERFOCUS JAPAN CORP.	\$ 58,263	\$ 60,100
Subsidiary - EVER FOCUS ELECTRONICS CORP..	46,080	41,528
	<u>\$ 104,343</u>	<u>\$ 101,628</u>

9. Operating expense

	2022	2021
Other related parties	\$ 297	\$ 3,174

The above operating expenses are mainly for management consulting fees, which are recognized as administrative expenses.

(LVII) Key management compensation

	2022	2021
Salaries and other short-term employee benefits	\$ 1,684	\$ 2,371
Stock-based compensation	20	-
Total	\$ 1,704	\$ 2,371

VIII. Pledged Assets

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

Pledged assets	Book value		Guarantee purpose
	2022/12/31	2021/12/31	
Restricted time deposit (Listed in current financial assets at amortized cost)	\$ 65,727	\$ 46,813	Performance bonds for tenders, customs declarations and bank loans
Restricted time deposit (Listed in Amortized cost financial assets - current)	2,800	-	Government grant project guarantee deposit
Land, Building and Construction (Listed in property, plant and equipment)	127,580	137,824	Bank credit line guarantee
Land, Building and Construction (Listed in investment property)	86,542	78,828	Bank Loan Guarantee
Stocks (listed as financial assets at fair value through profit or loss)	-	61,440	Bank credit line guarantee
	\$ 282,649	\$ 324,905	

IX. Significant contingent liabilities and unrecognized commitments

(LVIII) Contingencies

None.

(LIX) Commitments

1. Please refer to Note 7(2) for details of the endorsement and guarantee provided by the Company to its subsidiaries.
2. As of December 31, 2022 and 2021, the Company has issued a promissory note of NT\$320,000 and NT\$350,000 required for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts, respectively.
3. As of December 31, 2022, and December 31, 2021, the Company has engaged financial institutions to issue guarantee letters as performance bonds for the execution of government subsidy projects. The amounts of performance bonds were \$90,750 and \$0, respectively.

X. Significant Disaster Loss

None.

XI. Significant events after the reporting period

None.

XII. Others

(I) Capital management

The capital management objective of the Company is to ensure its ability to continue as a going concern, maintain an optimal capital structure to reduce the cost of funds, and provide returns to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(II) Financial instrument

1. Type of financial instrument

	2022.12.31	2021.12.31
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss, mandatorily measured at fair value	\$ 99,547	\$ 128,502
Designation of equity instrument	12,800	-
Financial assets at amortized cost		
Cash and cash equivalents	55,057	80,522
Financial assets at amortized cost	68,527	46,813
Notes receivable	4,061	1,177
Accounts receivable	50,559	16,198
Receivables from related parties	47,452	9,710
Other receivables	1,716	1,336
Long-term notes and accounts receivable	16,135	20,133
Guarantee deposits paid (Listed as other non-current assets)	2,141	2,815
overdue receivables (Listed as other non-current assets)	20,422	24,110
	<u>\$ 378,417</u>	<u>\$ 331,316</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 30,000	\$ 65,000
Accounts payable	49,872	29,208
Payables to related parties	2,491	3,295
Other receivables	22,200	22,045
Guarantee deposit received	972	874
	<u>\$ 105,535</u>	<u>\$ 120,422</u>

2. Risk management policy

The Company adopts a comprehensive risk management system for the management to clearly identify, measure and control all risks to achieve effective control and measurement.

The Company's Control and management strategies are as follows:

(1) Interest rate risk:

The Company continuously keep track on the trend of interest rates and set up stop-loss points to control interest rate risks.

(2) Foreign exchange risk:

The Company uses derivative financial instruments such as forward foreign exchange transactions to hedge for foreign currency assets or liabilities or highly probable transactions to reduce the risks in cash flows and fair value from fluctuation in foreign exchange rates. In addition, the changes foreign exchange rate is closely monitored, with a stop loss point to mitigate exchange rate risks.

(3) Credit risk:

The Company has a stringent credit evaluation policy and only trades with counterparties of good credit quality, with regular application of credit protection measures to mitigate credit risk.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

A. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and CNY. Exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

B. The Company's management formulated policies to manage exchange rate risks relative to the functional currency of the Company and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing

inventories.

C. The Company's businesses involve some non-functional currency operations (The functional currency of the Company is New Taiwan Dollars). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		2022/12/31		
		Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$	5,107	30.720	\$ 156,887
JPY: NTD		4,175	0.233	973
EUR: NTD		635	32.748	20,926
<u>Non-monetary items</u>				
CNY: NTD		2,574	4.411	11,353
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$	524	30.720	\$ 16,097
<u>Non-monetary items</u>				
USD: NTD		1,940	30.720	59,589
JPY: NTD		206,362	0.233	48,093
		2021/12/31		
		Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$	540	27.685	\$ 14,950
JPY: NTD		244,007	0.240	58,659

EUR: NTD		854	31.314	26,742
<u>Non-monetary items</u>				
CNY: NTD		2,911	4.343	12,641
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$	231	27.685	\$ 6,395
<u>Non-monetary items</u>				
USD: NTD		1,564	27.685	43,300
JPY: NTD		188,265	0.240	45,259

D. The total exchange losses (including realized and unrealized) resulting from significant currency fluctuations on all monetary items of the Company amounted to \$2,116 and \$10,589 for the fiscal years 2022 and 2021, respectively.

E. The analysis of the Company's foreign currency market risk due to material exchange rate fluctuations is as follows:

	2022		
	Sensitivity analysis		
	Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 1,569	\$ -
JPY: NTD	1%	10	-
EUR: NTD	1%	209	-
<u>Non-monetary items</u>			
CNY: NTD	1%	\$ -	\$ 114
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 161	\$ -
<u>Non-monetary items</u>			
USD: NTD	1%	\$ -	\$ 596
JPY: NTD	1%	-	481

	2021		
	Sensitivity analysis		
	Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 149	\$ -
JPY: NTD	1%	587	-
EUR: NTD	1%	267	-
<u>Non-monetary items</u>			
CNY: NTD	1%	\$ -	\$ 126
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 64	\$ -
<u>Non-monetary items</u>			
USD: NTD	1%	\$ -	\$ 433
JPY: NTD	1%	-	453

Price risk

- A. The Company is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss. To manage the price risk arising from investments in equity instruments, the Company has diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The company primarily invests in domestic equity instruments issued by domestic companies. The prices of these equity instruments are influenced by the uncertainty of the future value of the underlying investments. If the prices of these equity instruments increase or decrease by 1%, while all other factors remain unchanged, the post-tax net profit for the fiscal years 2022 and 2021 would increase or decrease by \$995 and \$1,285, respectively, due to gains or losses from equity instruments measured at fair value through profit or loss. The other

comprehensive income would increase or decrease by \$128 and \$0, respectively, due to gains or losses from equity investments classified as fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk arises mainly from short-term borrowings with variable rates which expose the Group to cash flow interest rate risk. The risk is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in TWD.
- B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2022 and 2021 will decrease or increase by \$60 and \$163, respectively, mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.

- B. The Company manages its credit risk taking into consideration the entire group's concern. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for its new clients before standard payment and delivery terms and conditions are offered. To control internal risk, the Company assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Company adopts the assumptions under IFRS 9. The Company determines that the default occurs when the contract payments were past due over 90 days based on the terms.
- D. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (B) The disappearance of an active market for that financial asset because of financial difficulties;
 - (C) Default or delinquency in interest or principal repayments;
- F. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- G. The Company has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2022 and 2021, the Company had no recourse claims that had been written off.
- H. (1) The expected loss rate of customers who have better credit ratings was 0.03%, and the total carrying value of accounts and notes receivable (including current, non-current and related

parties) was \$72,350 and \$36,258 as of December 31, 2022 and 2021, respectively.

- (2) The Company considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2022 and 2021 is as follows:

	Not yet due	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 180 days past due	181 - 360 days past due	Over 360 days past due	Total
<u>December 31, 2022</u>								
Expected loss rate	0.24%	4.02%	13.19%	37.51%	100%	100%	100%	
Total book value	\$ 45,571	\$ 1,172	\$ -	\$ -	\$ -	\$ -	\$ 4,138	\$ 50,881
Loss allowance	\$ 99	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ 4,138	\$ 4,285
	Not yet due	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 180 days past due	181 - 360 days past due	Over 360 days past due	Total
<u>December 31, 2021</u>								
Expected loss rate	0.24%	4.45%	14.17%	22.97%	50.00%	100%	100%	
Total book value	\$ 12,018	\$ 60	\$ 4	\$ -	\$ -	\$ -	\$ 4,138	\$ 16,220
Loss allowance	\$ 29	\$ 3	\$ 1	\$ -	\$ -	\$ -	\$ 4,138	\$ 4,170

- I. The Company's simplified approach of notes receivable and changes in allowance for doubtful accounts are as follows:

	Notes and accounts receivable (including related parties)	
	2022	2021
At January 1	\$ 4,170	\$ 4,294
Recognition of impairment losses	115	-
Reversal of impairment loss	-	(124)
At December 31	\$ 4,285	\$ 4,170

From the loss recognized in 2022 and 2021, the impairment losses (gains on recovery) for accounts receivables arising from customer contracts were NT\$115 and (NT\$124), respectively.

J For financial assets at amortized cost, the credit rating levels are presented below:

	2022/12/31			
	duration of existence			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 68,527	\$ -	\$ -	\$ 68,527

	2021/12/31			
	duration of existence			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 46,813	\$ -	\$ -	\$ 46,813

The financial assets held by the Company, measured at amortized cost, consist of restricted bank deposits and fixed-term deposits. There are no significant abnormalities in the credit risk ratings.

(3) Liquidity risk

- A. Cash flow forecasting is performed by the financial department of the Company. Company's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- B. The Company's unused loan amount as of December 31, 2022 and 2021 was \$214,183 and \$251,387, respectively.
- C. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

2022/12/31	Within 1 year	1 to 2 years	2 to 5 years
Short-term borrowings	\$ 30,259	\$ -	\$ -
Accounts payable	49,872	-	-
Payables to related parties	2,491	-	-
Other payables	22,200	-	-
Non-derivative financial liabilities			
2021/12/31	Within 1 year	1 to 2 years	2 to 5 years
Short-term borrowings	\$ 65,070	\$ -	\$ -
Accounts payable	29,208	-	-
Payables to related parties	3,295	-	-
Other payables	22,045	-	-

D. The Company's cash flows are not expected to occur significantly earlier than the maturity date, or to be significantly different from the actual amount.

(III) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

2. Financial instruments not measured at fair value

The cash and cash equivalents, financial assets measured at amortized

cost - current, notes receivable, accounts receivable, other receivables, long-term notes and accounts receivable and amounts due, deposits for guarantee (presented as other non-current assets), overdue receivable (presented as other non-current assets), short-term borrowings, notes payable, accounts payable, and other payables of the Company are recorded at amounts that reasonably approximate their fair values.

3. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

- (1) The related information of the nature of the assets and liabilities:

2022/12/31	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 99,547	\$ -	\$ -	\$ 99,547
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	12,800	12,800
Total	<u>\$ 99,547</u>	<u>\$ -</u>	<u>\$ 12,800</u>	<u>\$ 112,347</u>

2021/12/31	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 128,502	\$ -	\$ -	\$ 128,502

- (2) The Company's approaches and assumptions for fair value measurement are as follows:

A. The Company adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

	Shares of listed (OTC) companies	Open-end funds
Quoted market price	Closing market prices	Net value

B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.

C. The output of the valuation models represents estimated approximations, and the valuation techniques may not capture all relevant factors related to the financial and non-financial instruments held by the Group. Therefore, the estimated values from the valuation models are appropriately adjusted based on additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value measurement policies and related control procedures, management believes that these valuation adjustments are necessary and appropriate to fairly represent the fair value of financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the valuation process are carefully evaluated and adjusted as deemed appropriate considering the current market conditions.

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

5. The table below illustrates the changes in the third category during the fiscal year 2022:

	2022
	Equity instruments
At January 1	\$ -
Current purchases	12,800
At December 31	\$ 12,800

6. There were no transfers into or out of the third level during the fiscal year

2022.

7. The Company's valuation process for financial instruments classified in the third level of fair value is conducted by the Finance and Accounting department. It involves independent fair value verification of the financial instruments, using data from independent sources to ensure that the valuation results reflect market conditions. The data sources are independent, reliable, consistent with other resources, and representative of executable prices. The department also regularly updates the input values and data required by the valuation models, as well as any necessary fair value adjustments, to ensure the reasonableness of the valuation results.
8. The quantifiable information on significant unobservable input values used in the valuation models for items classified in the third level of fair value measurement and the sensitivity analysis of significant unobservable input value changes are explained as follows:

	2022/12/31		Significant unobservable inputs	Range (weighted average)	Relationship between input and fair value
	Fair value	Valuation techniques			
Non-derivative equity instruments					
Unlisted and non-OTC stocks	\$ 12,800	Discounted Cash Flow method	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating income, lack of market liquidity discount, minority interest discount.	Not applicable	The higher the long-term revenue growth rate and long-term pre-tax operating income, the higher the fair value.

The higher the weighted average cost of capital and minority discount, the lower the fair value.
The higher the lack of market liquidity discount, the lower the fair value.

XIII. SUPPLEMENTARY DISCLOSURES

(I) Significant transactions information

1. Lending funds to others: Please refer to table 1.
2. Provision of endorsements and guarantees to others: Please refer to table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to relate parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.

8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

9. Trading in derivative instruments undertaken during the reporting periods: None.

10. Information for significant inter-company transactions during the reporting periods: Please refer to table 5.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(III) Information on investments in Mainland China

1. Basic information: Please refer to table 7.

2. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(IV) Major shareholders information

The names of shareholders with at least 5% shareholding: Please refer to Table 8.

XIV. Segment Information

Not applicable.

EVERFOCUS ELECTRONICS CORP.

Lending funds to others

January 1 to December 31, 2022

Table 1

Unit: NT\$ in thousands

(Unless Specified Otherwise)

Serial No. (Note 1)	Lending company	Loan recipient	Transaction item	Related party or not	Maximum amount of the current period (Note 3)	Ending balance	Actual drawdown amount	Interest rate range %	Loan nature (Note 4)	Business transaction amount	Reason for short-term financing	Provision for bad debts	Collateral		Loans and limits to individual objects (Note 7)	Loans and total limit (Note 7)	Remark	
													Name	Value				
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	Other receivables - related parties	Yes	\$ 11,653	\$ -	\$ -	1.50%	Financing	\$ -	Operation turnover	\$ -	-	None	\$ -	\$ 63,693	\$ 127,386	None

Note 1: The description 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 from Arabic numeral 1.

Note 2: This field shall be filled in for accounts receivable from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc., if the nature is lending funds to others.

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

Note 4: The nature of the lending funds to other shall be filled in if it is a business transaction or if there is a need for short-term financing.

Note 5: Where the nature of the lending funds to other is a business transaction, the amount of the business transaction shall be filled in. The business transaction amount refers to the amount of business transactions between the lending company and the borrowing object in the most recent year.

Note 6: If the nature of the lending funds to other is necessary for short-term financing, the reason for the loan and the purpose of the loan borrower shall be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: (1) For lending funds to companies or firms with which the Company has business transactions, the total loan amount shall not exceed 20% of the Company's net value; and the amount of individual loans shall not exceed the amount of business transactions between the two parties in the most recent year. The business transaction amount refers to the higher of the purchase or sale amount between the parties.

(2) For lending funds to companies or firms with short-term financing needs, the total amount of such lending shall not exceed 20% of the Company's net value; the amount of individual lending shall not exceed 10% of the Company's net value.

Note 8: If a public company submits its lending to the board of directors' meeting for resolution one by one in accordance with paragraph 1, Article 14 of the Regulations Governing Lending Funds to Others 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 tranches 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.

EVERFOCUS ELECTRONICS CORP.

Endorsements for others

January 1 to December 31, 2022

Table 2

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Serial No. (Note 1)	Name of Endorsement / guarantor company	Counterparty of guarantee and endorsement Company name	Relationship (Note 2)	Limitation on amount of guarantees and endorsements for one party (Note 3)	Maximum balance of endorsements / guarantees in the current period (Note 4)	Ending balance of endorsements and guarantees (Note 5)	Actual drawdown amount (Note 6)	Endorsement / guarantee amount secured by property	Ratio of accumulated endorsements / guarantees amount to the net value in the latest financial statements	Maximum endorsement / guarantee amount (Note 3)	Separate company endorsement / guarantees to others on behalf of subsidiary (Note 7)	Subsidiary endorsement / guarantees to others on behalf of separate company (Note 7)	Endorsements / guarantees to others on behalf of company in Mainland China (Note 7)	Remark
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	2	\$ 191,080	\$ 34,958	\$ 34,958	\$ 31,685	\$ 31,695	5.49	\$ 318,466	Y	N	N	
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	2	191,080	23,305	23,305	16,780	16,780	3.66	318,466	Y	N	N	
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	2	191,080	46,080	46,080	46,080	46,080	7.23	318,466	Y	N	N	

Note 1: The description 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 from Arabic numeral 1.

Note 2: There are 6 kinds of relations between the endorsement / guarantor and the endorsed / guaranteed indicated as follows:

- (1). A company with business contacts.
- (2). A company with more than 50% of its voting shares held by the Company.
- (3). The total common stock held by the separate and the subsidiary exceeds 50% of the investee company.
- (4). Separate company that directly holds or indirectly holds through its subsidiaries more than 50% of the total common stock.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry for the purpose of contracting the project.
- (6). A company that has been endorsed / guaranteed by the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

Note 3: The Company's endorsement / guarantee limits for individual counterparty and the maximum endorsement / guarantee limits stipulated in the procedures for endorsement / guarantee for others.

- (1) The limit of endorsement and guarantee provided to a single party shall not exceed 20% of the Company's net value, except that for a single overseas affiliate, the limit shall not exceed 30% of the net value.

If the endorsement and guarantee is for business purposes, it shall not exceed the total amount of transactions with the Company in the most recent year (whichever is the higher of purchase or sale between the two parties).

- (2) The total amount of external endorsements / guarantees shall not exceed 50% of the Company's net value.

Note 4: The maximum balance of Endorsements for others in the current year.

Note 5: The Company shall assume the obligation of endorsement or guarantee when the endorsement or guarantee contract or note lines are approved by the bank at the end of the period. Any other related endorsement or guarantee should be included in the endorsement or guarantee balance.

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

Note 7: For the separate company providing endorsement guarantees to its subsidiary, for the subsidiary providing endorsement guarantees to the separate company, and for endorers from mainland China, please indicate "Y" in the respective columns.

EVERFOCUS ELECTRONICS CORP.

Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)

31-Dec-22

Table 3

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Holding company	Type and name of securities		Relationship with the securities issuer	General ledger account	As of December 31, 2022				Remark
	Type	Name (Note 1)			Number of shares	Carrying amount (Note 2)	Shareholding percentage	Fair value	
EVERFOCUS ELECTRONICS CORP.	Stock	MACHVISION, INC.	-	Financial assets at fair value through profit or loss - current	110,000	\$ 14,355	0.25%	\$ 14,355	None
"	"	Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	53,000	23,770	-	23,770	"
"	"	CHENBRO MICOM CO., LTD.	-	"	130,000	9,412	0.11%	9,412	"
"	"	ONENESS BIOTECH CO., LTD.	-	"	185,000	45,418	-	45,418	"
"	"	GRAND PROCESS TECHNOLOGY CORP.	-	"	5,000	1,135	0.02%	1,135	"
"	"	Top Union Electronics Corp	-	"	228,808	<u>5,457</u>	0.19%	<u>5,457</u>	"
						<u>\$ 99,547</u>		<u>\$ 99,547</u>	
EVERFOCUS ELECTRONICS CORP.	Stock	Acrosser Technology Co.,LTD.	-	Financial assets at fair value through profit or loss - non current	880,000	\$ 8,800	10.00%	\$ 8,800	None
"	"	AREC INC.	-	"	400,000	<u>4,000</u>	2.64%	<u>4,000</u>	"
						<u>\$ 12,800</u>		<u>\$ 12,800</u>	

Note 1: The term "securities" in this table refers to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 "Financial instruments."

Note 2: For those measured at fair value, the column for the carrying amount should be the balance of the carrying amount after fair value adjustment and net of accumulated impairment. For those who are not measured at fair value, the column for the carrying amount should be the carrying amount of the initial acquisition cost or amortized cost less accumulated impairment.

EVERFOCUS ELECTRONICS CORP.

Total purchases form or sales to related parties of at least \$100 million or 20% of the paid-in capital
January 1 to December 31, 2022

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Table 4

Company Name	Related Party	Nature of Relationship	Purchase (sales)	Transaction		Payment terms	Unit Price	Payment terms	Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)	Accounts and notes receivable (payable)	Note
				Amount	Percentage to total purchase (sales) (%)					Ending Balance	
EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONIC S CORP.	Subsidiary	sales	\$ 122,490	42	month-end 60 days	-	-		\$ 35,416	35

Note: Sales transactions are conducted under normal conditions (market prices) and do not significantly differ from transactions with regular customers.

EVERFOCUS ELECTRONICS CORP.

**Business relations and important transactions between the parent and the subsidiaries and the amounts
January 1 to December 31, 2022**

Table 5

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Serial No. (Note 1)	Name of transaction party	Transaction counterparty	Relationship with the counterparty (Note 2)	Transaction situation			Percentage of the total consolidated revenue or total assets (Note 3)
				Account name	Amount	Terms of transaction	
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	1	Accounts receivable	\$ 35,416	Credit on 60 days	4.07%
"	"	"	"	Sales	122,490	"	36.86%
"	"	EverFocus Electronics (Shenzhen) Co., Ltd.	"	Accounts receivable	11,301	Credit on 180 days	1.30%
"	"	"	"	Sales	17,376	"	5.23%
"	"	"	"	Accounts payable	2,443	Credit on 60 days	0.28%
"	"	"	"	Purchases	14,497	"	4.36%
1	EverFocus Electronics (Shenzhen) Co., Ltd.	EVER FOCUS ELECTRONICS CORP.	3	Sales	1,522	Credit on 30 days	0.46%

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

(1). Fill in 0 for the separate company.

(2). Subsidiaries are numbered in sequence in each company type starting from Arabic numeral 1.

Note 2: There are three types of relationship with the trading party; just indicate the type (There is no need to disclose repeatedly if the same transaction occurs between the separate and subsidiary or between subsidiaries). For example, if a separate company has disclosed a transaction with a subsidiary, the subsidiary does not need to disclose the same transaction.

If a subsidiary has disclosed a transaction with another subsidiary, the other one does not need to disclose it repeatedly):

(1.) Represents separate company to subsidiary transactions.

(2). Represents subsidiary to separate transactions.

(3). Represents transactions between subsidiaries.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if it belongs to the account of assets and liabilities, it shall be calculated in the way that the ending balance accounts for the total consolidated assets; if it belongs to the account of income, it shall be calculated in the way that the accumulated amount in the period accounts for the total consolidated revenue.

Note 4: Individual transactions less than \$1,000 will not be disclosed; in addition, the asset income is used as the disclosure method, and its relative transactions will not be disclosed.

EVERFOCUS ELECTRONICS CORP.
information on investees (excluding the investees in Mainland China)
January 1 to December 31, 2022

Table 6

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Name of Investor	Name of investee	Location	Main business items	Initial investment amount		Holding at the end of the period			Current income (loss) of the investee	Investment Income (loss) for the period	Remark
				End of the period	End of last year	Number of shares	Ratio (%)	Carrying amount			
EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	U.S.A.	Selling products and providing customer service for the Company	\$ 93,941	\$ 93,941	8,934,000	100	(\$ 59,589)	(\$ 8,617)	(\$ 8,617)	Subsidiary of the Company
"	EVERFOCUS JAPAN CORP.	Japan	Selling products and providing customer service for the Company	35,697	35,697	2,600	100	(48,093)	(4,071)	(4,071)	Subsidiary of the Company
"	EVERHIGHLIGHT TECHNOLOGY CORP.	Taiwan	Manufacture and sale of optical electronic devices	5,000	5,000	500,000	100	(426)	(5)	(5)	Subsidiary of the Company
"	EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	India	Selling the company's products and dealing with CCTV related software and hardware	22,068	22,068	2,128,149	75	-	-	-	The Company's investees accounted for using the equity method and Note 1
"	EVERFOCUS ELECTRONICS (EUROPE) GMBH	Germany	Selling products and providing customer service for the Company	111,610	111,610	-	-	-	-	-	Subsidiary of the Company and Note 2
"	EVERFOCUS ELECTRONICS LIMITED.	UK	Selling products and providing customer service for the Company	47,743	47,743	-	-	-	-	-	Subsidiary of the Company and Note 3

Note 1: As of January 1, 2015, EverFocus Electronics Corporation was unable to dominate the business activities of EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED and therefore lost control of the EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED. The Company no longer included it in the consolidated entity and reclassified it as an investment accounted for using the equity method since that year, and recognized full amount as an allowance for the debt.

Note 2: EverFocus Germany has filed for bankruptcy and liquidation with the local court on June 28, 2018 and ceased operations as of September 28, 2018; therefore, the Company no longer recognizes its investment gain (loss) on September 28, 2018.

Note 3: EverFosus UK has filed for liquidation in 2013 and therefore the Company no longer recognize its investment gain (loss) since 2013.

EVERFOCUS ELECTRONICS CORP.
Basic Information on investment in Mainland China
January 1 to December 31, 2022

Table 7

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Investee in Mainland China	Main business items	Paid-in capital (Note 2)	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 3)	Amount remitted from Taiwan to Mainland China		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 3)	Net profit (loss) of the investee for this period	Percentage of shares held by the Company (direct or indirect)	Investment gains or losses recognized for the current period (Note 4)	Carrying amount of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Remarks
					Remitted from Taiwan	Remitted back to Taiwan							
EverFocus Electronics (Shenzhen) Co., Ltd.	Develop, manufacture and sell commercial surveillance equipment	\$ 64,748	Note 1	\$ 64,748	\$ -	\$ -	\$ 64,748	(\$ 2,315)	100%	(\$ 1,215)	\$ 11,353	\$ -	

Note 1: Invested in Mainland China by other remittances.

Note 2: That Company's paid-in capital was RMB15,119 thousand in original currency.

Note 3: The accumulated amount of remittance from Taiwan to Mainland China in original currency at the beginning and end of the period were both US\$2,050 thousand.

Note 4: The investment gains or losses recognized in the current period were evaluated and disclosed in accordance with the financial statements audited by the separate company's accountants in Taiwan.

2. The limit for

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 2)	The investment limit in Mainland China is in accordance with the rules set by the Investment Commission of the Ministry of Economic Affairs.
EVERFOCUS	\$ 64,748	\$ 64,748	\$ 382,159

Note 1: The accumulated amount of remittance from Taiwan to Mainland China in original currency was US\$2,050 thousand at the end of the period.

Note 2: The amount of investment approved by the Investment Commission of the Ministry of Economic Affairs is US\$2,050 thousand.

EVERFOCUS ELECTRONICS CORP.
Major shareholders information
31-Dec-22

Table 8

Major Shareholders	Shares	
	Number of shares held	Shareholding percentage (%)
Yung-Shun Chuang	10,655,686	15.95%
Chia-Ming Huang	4,167,485	6.23%
LCL CAPITAL INC.	3,768,021	5.64%

"Note 1: The major shareholder information in this table is based on the Central Depository's record of common shares and special shares of the Company (including treasury shares) held by shareholders, which reached 5% or more on the last business day at the end of the quarter. There may be a difference between the number of shares recorded in the Company's consolidated financial statements and the number of shares actually delivered for scripless registration due to a different calculation basis.

Note 2: If the above information is about the shareholder delivered the shares to the trust, it shall be disclosed as individual subaccounts of the trustee who opened the trust account. As for the shareholders who report their insider shares in excess of 10% under the Securities and Exchange Act, the insider shares include their own shares plus shares held in a trust with discretionary power over the trust property. Please refer to the Market Observation Post System for information on insider ownership reporting.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Representation Letter

The entities required to be included in the combined financial statements of EVERFOCUS ELECTRONICS CORP. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVERFOCUS ELECTRONICS CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

EVERFOCUS ELECTRONICS CORP.

Yung-Shun Chuang, Chairman



March 22, 2023

Independent Auditors' Report

(2023) Financial Audit Report No. 22005065

To the Board of Directors and Shareholders of EVERFOCUS ELECTRONICS CORP. :

Opinion

We have audited the accompanying consolidated balance sheets of EVERFOCUS ELECTRONICS CORP. and its subsidiaries (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Existence for incorporating the revenues of newly listed top ten sales customers

Description

Please refer to Note 4(29) to the consolidated financial statements for the accounting policy on revenue recognition and Note 6(18) to the consolidated financial statements for the description of operating income items.

The Group's main business is the manufacture and sale of all kinds of video processors, electronic cameras and other electronic surveillance products. As the orders for these products are easily affected by the customers' project cycles, while the Group is committed to exploring new markets and taking orders for new projects; therefore, the newly added top ten sales customers had a material effect on the sales revenue for the year. With that, the CPA listed the existence for incorporating the revenues of Group's newly listed top ten sales customers as one of the key audit matters this year.

Audit procedures for the key audit matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. For the assessment and testing of the financial statements, the internal control procedures of sales transactions are based on the Company's internal control system.
2. Viewing the relevant industry background information of newly listed top ten sales customers.
3. Obtaining and sampling relevant vouchers for the transactions involving operating revenue of the newly listed top ten sales customers.

Accounting estimate of inventory valuation

Description

Refer to Notes 4 (14), 5 and 6(5) to the consolidated financial statements for the information on the Group's inventory accounting policy, estimates and assumptions and allowance for inventory valuation losses.

The Group's main business is the manufacture and sale of all kinds of video processors, electronic cameras and other electronic surveillance products. Given long production cycle of industrial computer products, and that some products or spare parts have long inventory period due to long-term supply and maintenance needs of customers. The order adjustments or lower-than-expected market conditions may lead to fluctuations in product prices or low inventory correction, which may result in higher risk in inventory devaluation or obsolescence. The Group's inventories are measured at the lower of inventory cost and net realizable value. For the inventories that exceed its age and are individually identified to be out of date and obsolete, losses based on the policy of allowance for inventory impairment are recognized through individual assessment.

Corresponding to the sales market and development strategies, the Group readily adjusts its stocking demands, with significant inventory balances. In addition, given high uncertainty from the management's subjective estimates on the net realizable value used in evaluating obsolete inventories, the allowance for inventory evaluation is listed as one of the key audit matters.

Audit procedures for the key audit matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Assessing the policy of allowance for inventory impairment with the understanding of the Group's operations and the nature of the industry.
2. Checking the management's details of outdated inventories as well as relevant documentary evidence.
3. Testing the price basis of net realizable value for each inventory item, and randomly checking the correctness of net realizable value.

Other Matters - Parent company only financial reports

We have audited the parent company only financial statements of the EVERFOCUS ELECTRONICS CORP. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for Financial Statements

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

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

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

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

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

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

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

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 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Mavis Chang


CPA

Shih-Jung Weng

The previous Approval No. issued by FSC, Executive Yuan:
Jin-Guan-Zheng-Shen Zi No. 0990042602

The previous approval No. issued by Securities and Futures
Institute, Ministry of Finance: (88) Tai-Tsai-Zheng (VI) No.
95577

March 22, 2023


EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
For December 31, 2022 and 2021

Unit: NT\$ thousands

Assets	Note	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 75,558	9	\$ 97,556	13
1110	Current financial assets at fair value through profit or loss	6(2) and 8	99,547	11	128,502	16
1136	Current financial assets at amortized cost	6(3) and 8	68,527	8	46,813	6
1150	Notes receivable, net	6(4)	4,061	-	1,177	-
1170	Accounts receivable, net	6(4) and 7	80,405	9	28,775	4
1200	Other receivables		1,534	-	995	-
130X	Inventories	6(5)	148,876	17	85,430	11
1479	Other current assets - other		14,655	2	7,451	1
11XX	Total current assets		<u>493,163</u>	<u>56</u>	<u>396,699</u>	<u>51</u>
Non-current assets						
1517	Non-current financial assets at fair value through Other	6(6)	12,800	1		
1600	Property, plant and equipment	6(7) and 8	132,899	15	144,104	18
1755	Right-of-use assets	6(8)	1,288	-	863	-
1760	Investment property, net	6(9) and 8	86,542	10	78,828	10
1840	Deferred income tax assets	6(24)	94,655	11	92,500	12
1930	Long-term notes and accounts receivable	6(4)	16,135	2	20,133	3
1990	Other non-current assets - other	6(10) and 7	46,706	5	46,666	6
15XX	Total non-current assets		<u>391,025</u>	<u>44</u>	<u>383,094</u>	<u>49</u>
1XXX	Total assets		<u>\$ 884,188</u>	<u>100</u>	<u>\$ 779,793</u>	<u>100</u>

(Continued)

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

Chairman:



Manager:



Accounting Officer:



EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
For December 31, 2022 and 2021



Unit: NT\$ thousands
December 31, 2021

Liabilities and Equity	Note	December 31, 2022			December 31, 2021		
		Amount	%		Amount	%	
Current Liabilities							
2100	Short-term borrowings	6(11)	\$ 124,555	14	\$ 151,242	20	
2130	Contract liabilities - current	6(18)	6,850	1	10,312	1	
2150	Bills payable		11	-	-	-	
2170	Accounts payable	7	52,853	6	32,410	4	
2200	Other payables	6(12)	44,222	5	41,390	5	
2250	Provisions - current		2,613	-	2,851	-	
2280	Lease liabilities - current		643	-	764	-	
2399	Other current liabilities - other		6,089	1	2,950	1	
21XX	Total current liabilities		<u>237,836</u>	<u>27</u>	<u>241,919</u>	<u>31</u>	
Non-current liabilities							
2550	Provisions - noncurrent		4,990	1	5,926	1	
2570	Deferred income tax liabilities	6(24)	2,802	-	2,239	-	
2580	Lease liabilities - non-current		656	-	115	-	
2670	Other non-current liabilities - other		972	-	776	-	
25XX	Total non-current liabilities		<u>9,420</u>	<u>1</u>	<u>9,056</u>	<u>1</u>	
2XXX	Total liabilities		<u>247,256</u>	<u>28</u>	<u>250,975</u>	<u>32</u>	
Equity							
Equity attributable to owners of the Company							
Capital stock							
3110	Ordinary share	6(15)	668,010	76	534,010	68	
Capital Surplus							
3200	Capital Surplus	6(16)	55,312	6	-	-	
Deficit to be offset							
3350	Deficit to be offset	6(17)	(110,651)	(13)	(32,961)	(4)	
Other equity items							
3400	Other equity items		24,261	3	27,769	4	
31XX	Total equity attributable to owners of the Company		<u>636,932</u>	<u>72</u>	<u>528,818</u>	<u>68</u>	
3XXX	Total equity		<u>636,932</u>	<u>72</u>	<u>528,818</u>	<u>68</u>	
Significant contingent liabilities and unrecognized commitments							
3X2X	Total Liabilities and Equity	9	<u>\$ 884,188</u>	<u>100</u>	<u>\$ 779,793</u>	<u>100</u>	

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

Chairman:



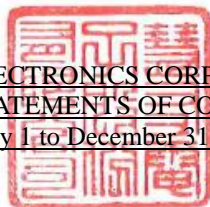
Manager:



Accounting Officer:



EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For January 1 to December 31, 2022 and 2021



Unit: NT\$ thousands

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating income	6(18) and 7	\$ 332,309	100	\$ 450,145	100
5000 Operating cost	6(5)(22) (23) and 7	(237,581)	(71)	(353,241)	(78)
5900 Operating gross profit		94,728	29	96,904	22
Operating expense	6(22)(23) and 7				
6100 Selling expense		(43,563)	(13)	(44,777)	(10)
6200 General and administrative expenses		(57,697)	(18)	(48,542)	(11)
6300 Research and development expense		(43,558)	(13)	(39,840)	(9)
6450 Expected credit impairment losses (gains)	12(2)	(628)	-	224	-
6000 Total operating expenses		(145,446)	(44)	(132,935)	(30)
6900 Operating loss		(50,718)	(15)	(36,031)	(8)
Non-operating income and expenses					
7100 Interest income		1,023	-	41	-
7010 Other income	6(19)	11,411	3	13,092	3
7020 Other gains and losses	6(20)	(35,049)	(11)	(137)	-
7050 Finance costs	6(21)	(3,494)	(1)	(2,226)	(1)
7055 Expected credit loss	7	(5,007)	(1)	(6,269)	(1)
7000 Non-operating income and expenses		(31,116)	(10)	(4,501)	(1)
7900 Loss before income tax		(81,834)	(25)	(31,530)	(7)
7950 Income tax expenses	6(24)	1,895	1	(2,047)	(1)
8200 Net loss for the period		<u>(\$ 79,939)</u>	<u>(24)</u>	<u>(\$ 33,577)</u>	<u>(8)</u>
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(13)	\$ 2,812	1	\$ 781	-
8349 Income tax related to components that will not be reclassified to profit or loss	6(24)	(563)	-	(156)	-
8310 Total components of other comprehensive income that will not be reclassified to profit or loss		2,249	1	625	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Exchange differences arising on translation of foreign operations		(3,508)	(1)	6,490	2
8360 Total components of other comprehensive income that will be reclassified to profit or loss		(3,508)	(1)	6,490	2
8300 Net other comprehensive income		<u>(\$ 1,259)</u>	<u>-</u>	<u>\$ 7,115)</u>	<u>2</u>
8500 Total comprehensive income (loss) for the period		<u>(\$ 81,198)</u>	<u>(24)</u>	<u>(\$ 26,462)</u>	<u>(6)</u>
Net profit (loss) attributable to:					
8610 Owners of the Company		<u>(\$ 79,939)</u>	<u>(24)</u>	<u>(\$ 33,577)</u>	<u>(8)</u>
Comprehensive income attributable to:					
8710 Owners of the Company		<u>(\$ 81,198)</u>	<u>(24)</u>	<u>(\$ 26,462)</u>	<u>(6)</u>
Basic earnings (losses) per share					
9750 Total basic earnings (losses) per share	6(25)		1.26		0.63
Diluted earnings (losses) per share					
9850 Total diluted earnings (losses) per share	6(25)		1.26		0.63

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



EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands

Equity attributable to owners of the parent

	Note	Common share capital	Capital Surplus			Exchange differences arising on translation of foreign operations	Total equity
			Capital Surplus - Additional Paid-In Capital	Capital Surplus - Other	Deficit to be offset		
2021							
BALANCE, JANUARY 1, 2021		\$681,151	\$-	\$-	(\$147,150)	\$21,279	\$555,280
Net loss for the period		-	-	-	(33,577)	-	(33,577)
Other comprehensive income		-	-	-	625	6,490	7,115
Total comprehensive income (loss)		-	-	-	(32,952)	6,490	(26,462)
Capital reduction to offset losses	6(15)	(147,141)	-	-	147,141	-	-
BALANCE, DECEMBER 31, 2021		\$534,010	\$-	\$-	(\$32,921)	\$27,769	\$528,818
2022							
BALANCE, JANUARY 1, 2022		\$534,010	\$-	\$-	(\$32,921)	\$27,769	\$528,818
Net loss for the period		-	-	-	(79,939)	-	(79,939)
Other comprehensive income (loss) for the period		-	-	-	2,249	(3,508)	(1,259)
Total comprehensive income (loss) for the period		-	-	-	(77,690)	(3,508)	(81,198)
Stock-based compensation cost	6(14)	-	2,051	261	-	-	2,312
Capital reduction to offset losses		-	-	-	-	-	-
Cash Capital Increase	6(15)	134,000	53,000	-	-	-	187,000
BALANCE, DECEMBER 31, 2022		\$668,010	\$55,051	\$261	(\$110,651)	\$24,261	\$636,932

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

Chairman:



Manager:



Accounting Officer:





EVERFOCUS ELECTRONICS CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For January 1 to December 31, 2022 and 2021

Unit: NT\$ thousands

	Note	For January 1 to December 31, 2022	For January 1 to December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before income tax		(\$ 81,834)	(\$ 31,530)
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(7)(8)(9)	(22) 5,862	6,042
Amortization expense	6(22)	1,495	1,175
Expected credit impairment losses		5,635	6,045
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)(20)	32,289	(11,393)
Finance costs	6(21)	3,494	2,226
Interest income		(1,023)	(41)
Dividend income	6(19)	(2,378)	(2,260)
Stock-based compensation cost	6(14)	2,312	
Loss on disposal of property, plant, and equipment	6(20)	3	
Unrealized loss on financial assets measured at amortized cost		1,070	
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		(3,334)	(1,247)
Notes receivable		(2,884)	(170)
Accounts receivable		(46,831)	5,087
Other receivables		(759)	2,897
Inventories		(62,727)	24,339
Other current assets		(7,126)	2,392
Other non-current assets		(1,595)	2,491
Changes in operating liabilities			
Contract liabilities		(3,462)	5,479
Notes payable		11	
Accounts payable		20,353	(38,091)
Other payables		875	(9,524)
Provisions		(1,085)	(4,018)
Other current liabilities		3,139	(561)
Other non-current liabilities		99	(98)
Cash flows used in operations		(138,401)	(40,760)
Interest received		1,023	41
Dividends received		2,598	2,004
Interest paid		(3,494)	(2,226)
Income taxes received		-	192
Net cash flows used in operating activities		(138,274)	(40,749)
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income.		(12,800)	-
Acquisition of financial assets at amortized cost		(22,784)	(5,245)
Acquisition of property, plant and equipment	6(7)	(1,341)	(4,575)
Acquisition of restricted assets		28	-
Refundable deposits (paid) refunded		615	(75)
Acquisition of intangible assets		(1,646)	(1,529)
Net cash flows used in investing activities		(37,928)	(11,424)
Cash flows from financing activities			
Increase in short-term borrowings	6(26)	(30,043)	107,985
Guarantee deposits received		97	314
Payment of lease liabilities	6(26)	(1,131)	(2,184)
Cash Capital Increase	6(15)	187,000	-
Net cash generated by financing activities		155,923	106,115
Effect of exchange rate change		(1,719)	1,869
Increase (decrease) in cash and cash equivalents		(21,998)	55,811
Cash and cash equivalents at beginning of period		97,556	41,745
Cash and cash equivalents at end of period		\$ 75,558	\$ 97,556

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

Chairman:

Manager:

Accounting Officer:


EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the Years Ended December 31, 2022 and 2021

Unit: NT\$ in thousands
(Unless Specified Otherwise)

I. Company History

EVERFOCUS ELECTRONICS CORP. (hereinafter referred to as the "Company") was established in Taiwan. The Company and its subsidiaries (hereinafter referred to as "the Group") are primarily engaged in the design, production, installation, sales, and agency import/export business of various electronic surveillance products and equipment, including image processors and electronic cameras. The Company's shares have been listed on the Taipei Exchanges (OTC) in March 2001 and subsequently listed on the TWSE in August 2003.

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial reports were approved by the board of directors on March 22, 2023.

III. Application of New, Amended and Revised Standards and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3, "Reference to the conceptual framework"	January 1, 2022
Amendments to IAS 16, "Property, plant and equipment: proceeds before intended use"	January 1, 2022
Amendments to IAS 37, "Onerous contracts—cost of fulfilling a contract"	January 1, 2022
Annual improvements to IFRS Standards 2018–2020.	January 1, 2022

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

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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Amendments to IAS 1, “Disclosure of accounting policies”	January 1, 2023
Amendments to IAS 8, “Definition of accounting estimates”	January 1, 2023
Amendments to IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”	January 1, 2023

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

(III) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(I) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through profit or loss.
 - (2) Financial assets measured at fair value through other comprehensive income.
 - (3) Defined benefit liabilities (or assets) recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

- (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (4) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit

or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business Nature	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	EVER FOCUS ELECTRONICS CORP. (EverFocus USA)	Selling products and providing customer service for the Company	100%	100%	
The Company	EverFocus Electronics (Shenzhen) Co., Ltd. (EverFocus Shenzhen)	Develop, manufacture and sell commercial surveillance equipment	100%	100%	
The Company	EVERFOCUS JAPAN CORP. (EverFocus Japan)	Selling products and providing customer service for the Company	100%	100%	
The Company	EVERHIGHLIGHT TECHNOLOGY CORP. (Everhighlight)	Manufacture and sale of optical electronic devices	100%	100%	

3. Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business Nature	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	EVERFOCUS ELECTRONICS LIMITED. (EverFocus UK)	Selling products and providing customer service for the Company	75%	75%	Note 1
The Company	EVERFOCUS ELECTRONICS (EUROPE) GMBH (EverFocus Germany)	Selling products and providing customer service for the Company	100%	100%	Note 2

Note 1: EverFocus UK has filed for liquidation in 2013 and therefore the Group no longer includes it in the consolidated financial statements since 2013.

Note 2: EverFocus Germany has filed for bankruptcy and liquidation with the local court on June 28, 2018 and ceased operations as of September 28, 2018; therefore, the Group no longer includes it in the consolidated financial statements since September 28, 2018.

4. Adjustment for subsidiaries with different balance sheet dates: None.

5. Significant restrictions: None.

6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

1. Foreign currency transactions and balances

(1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains and losses”.

2. Translation of foreign operations:

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- C. All resulting exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current items

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

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

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

2. Liabilities that meet one of the following criteria are classified as current

liabilities:

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

The Group classifies all liabilities that do not meet the above criteria as non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments should be recognized as cash equivalents.

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.
4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(VIII) Financial assets measured at fair value through other comprehensive income

1. This refers to an irrevocable election made at initial recognition to present the fair value changes of equity instruments classified as non-trading investments in other comprehensive income
2. The Group adopts the settlement date accounting for financial assets measured at fair value through other comprehensive income in accordance with trading

conventions.

3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently measures them at fair value:

For equity instruments, changes in fair value are recognized in other comprehensive income and are not reclassified to profit or loss upon derecognition, but transferred to retained earnings. Dividends are recognized in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(IX) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
 - (1) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. Time deposits held by the Group that do not meet cash equivalents criteria are measured at the amount invested due to the short holding period and the effect of discounting is not significant.

(X) Accounts and notes receivable

1. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XI) Financial assets impairment

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

hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(XII) Derecognition of financial assets

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

(XIII) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(XIV) Inventories

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

(XV) Property, plant and equipment

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

Policies, Changes in Accounting Estimates and Errors”, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	12 to 55 years
Machinery and equipment	2 to 10 years
Transportation equipment	6 years
Other equipment	1 to 10 years

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

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is stated at cost comprising:
 - (1) the amount of the initial measurement of lease liability; and
 - (2) Any initial direct costs incurred.

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

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

(XVII) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

(XVIII) Intangible assets

Computer software is recognized at acquisition cost and amortized by the straight-line method over its estimated useful life of 1 to 5 years.

(XIX) Impairment of non-financial assets

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

(XX) Borrowings

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

(XXI) Notes and accounts payable

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

(XXII) Derecognition of financial liabilities

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

(XXIII) Provisions

Provisions (including warranty) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable

that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(XXIV) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plan

For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

B. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognized immediately in profit or loss.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(XXV) Share-based payment for employees

Equity-settled share-based payment arrangements involve the provision of equity instruments based on the fair value of employee services at the grant date, which are recognized as a cost of compensation over the vesting period with corresponding adjustments to equity. Fair value reflects the effect of both vested and non-vested conditions on the market price. Recognition of compensation costs is adjusted for the number of awards that are expected to vest under service and non-market vesting conditions. The final measure of the compensation cost is recognized as the number of awards that have vested at the vesting date.

(XXVI) Income tax

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

provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(XXVII) Share capital

Common stock is classified as equity. The net amount after deducting income tax from the increased cost of issuing new shares or exercising subscription rights is directly attributed as a deduction from equity.

(XXVIII) Dividends

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

(XXIX) Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells digital video recorders, vehicle video recorders and security surveillance related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (2) Sales revenue from above-mention products is recognized based on contract price, net of volume discounts and estimated sales discounts. As the time interval between the transfer of committed goods or

service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (3) The Group provides standard warranty on the products sold, and has the refund obligation for product defects. The provisions are recognized when the goods are sold.
- (4) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Services revenue

The Group provides equipment installation services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of actual labor hours incurred to the total number of estimated labor hours. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(XXX) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

Critical accounting estimates and assumptions

1. Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid change in the industry, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. This valuation of inventories is based on demand of products in the future specific period, thus there might be significant changes in the valuation.

As of December 31, 2022, the carrying amount of inventories was \$148,876.

2. Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgment and estimate, including the future revenue growth and profitability, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2022, the Group recognized deferred income tax assets of \$94,655.

VI. Explanation of Significant Accounts

(I) Cash and cash equivalents

	2022/12/31	2021/12/31
Cash on hand and working fund	\$ 474	\$ 481
Checking accounts and demand deposits	65,561	97,075
Time deposits	9,523	-
Total	<u>\$ 75,558</u>	<u>\$ 97,556</u>

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

2. As information for the Group pledged its cash and cash equivalents to others, please refer to Note 8 for more information.

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

Item	2022/12/31	2021/12/31
Current items:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Stocks of listed companies	\$ 99,599	\$ 95,480
Valuation adjustments	(52)	33,022

\$ 99,547	\$ 128,502
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1. Amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	2022	2021
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Equity Instruments	(\$ 32,289)	\$ 11,393

2. The information for the Group pledged its financial assets at fair value through profit or loss, please refer to Note 8.

(III) Financial assets at amortized cost

Item	2022/12/31	2021/12/31
Current items:		
Restricted bank deposits	\$ 65,727	\$ 46,813
Restricted time deposits	2,800	-
	\$ 68,527	\$ 46,813

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2022	2021
Interest income	\$ 463	\$ 1

2. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of financial assets at amortized cost as of December 31, 2022 and 2021 were NT\$68,527 and NT\$46,813, respectively,

3. The information for the Group pledged its financial assets measured at amortized costs, please refer to Note 8.

4. Please refer to Note 12 for information on the credit risk of financial assets measured at amortized cost, The Group invests in fixed deposits with financial institutions of good credit quality, and expects that the probability of default is very low.

(IV) Notes and accounts receivable

	2022/12/31	2021/12/31
Notes receivable	\$ 4,061	\$ 1,177
Accounts receivable	\$ 81,734	\$ 33,395
Installment receivables	4,228	4,181
Less: Unrealized interest income	(265)	(33)
Less: Loss allowance	(5,292)	(8,768)
	\$ 80,405	\$ 28,775
Long-term installment receivables	\$ 16,609	\$ 21,190
Less: Unrealized interest income - long-term	(474)	(1,057)

installment receivables

\$	16,135	\$	20,133
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1. The aging analysis of accounts receivable and notes receivable (both current and non-current) are as follows:

	2022/12/31	2021/12/31
Not yet due	\$ 95,128	\$ 47,149
Up to 30 days	4,624	3,168
31 to 60 days	1,178	1,104
61 to 90 days	1,352	-
91 to 180 days	156	-
181 to 360 days	-	61
Over 360 days	4,194	8,461
	<u>\$ 106,632</u>	<u>\$ 59,943</u>

The above ageing analysis was based on past due date.

2. The Group does not hold any collateral over the accounts and notes receivables.
3. Accounts receivable and notes receivable as of December 31, 2022 and 2021 were arising from customer contracts. As of January 1, 2021, the accounts receivable balance and allowance for losses on customer contracts were \$64,509 and \$9,565, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2022 and 2021 were NT\$4,061 and NT\$1,177 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2022 and 2021 were NT\$96,540 and NT\$48,908, respectively.
5. Please refer to Note 12(2) for information on the credit risk of notes and accounts receivable.

(V) Inventories

	2022/12/31		
	Cost	Allowance for decline in value	Carrying amount
Raw materials	\$ 114,290	(\$ 28,624)	\$ 85,666
Semi-finished goods	27,787	(11,585)	16,202
Work in progress	11,500	-	11,500
Finished goods	57,858	(25,876)	31,982
Merchandise Inventory	3,387	(1,833)	1,554
Goods in transit	1,972	-	1,972
Total	<u>\$ 216,794</u>	<u>(\$ 67,918)</u>	<u>\$ 148,876</u>

	2021/12/31		
	Cost	Allowance for decline in value	Carrying amount
Raw materials	\$ 51,091	(\$ 19,519)	\$ 31,572
Semi-finished goods	17,827	(9,323)	8,504
Work in progress	7,696	-	7,696
Finished goods	62,458	(28,303)	34,155
Merchandise Inventory	3,998	(2,199)	1,799
Goods in transit	1,704	-	1,704
Total	<u>\$ 144,774</u>	<u>(\$ 59,344)</u>	<u>\$ 85,430</u>

The cost of inventories recognized as expense for the year:

	2022	2021
Cost of goods sold	\$ 223,087	\$ 351,158
Gain(Loss) on reversal of decline in market value of inventory(Note)	8,562	(12,633)
Loss on scrap of inventory	5,841	15,242
Loss(Gain)on physical inventory	91	(526)
	<u>\$ 237,581</u>	<u>\$ 353,241</u>

Note:The Group recognizes gain on reversal of decline in value of inventories in 2021 as a result of the scrapping and write-off of inventories for which a loss on decline in value was recorded in previous years.

(VI) Financial assets measured at fair value through other comprehensive income

Item	2022/12/31
Non-current assets:	
Equity Instruments	
Unlisted and non-OTC stock	\$ <u>12,800</u>

As of December 31, 2021:None.

1. The Group chooses to classify the aforementioned stocks that belong to strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of such investments as of December 31, 2022 was \$12,800.
2. The fair value of the financial assets measured at fair value through other comprehensive income for the year ended 2022 is recognized in the amount of \$0 in the income statement and comprehensive income.
3. The Group has not provided any collateral with financial assets measured at fair value through other comprehensive income.

(VII) Property, plant and equipment

	2022					
	Lands	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
January 1						
Cost	\$ 89,728	\$ 76,414	\$ 27,410	\$ 1,045	\$ 22,176	\$ 216,773
Accumulated depreciation and impairment	-	(28,318)	(25,516)	(1,045)	(17,790)	(72,669)
	<u>\$ 89,728</u>	<u>\$ 48,096</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ 4,386</u>	<u>\$ 144,104</u>
January 1	\$ 89,728	\$ 48,096	\$ 1,894	\$ -	\$ 4,386	\$ 144,104
Additions	-	-	257	190	894	1,341
Disposal	-	-	(28)	-	(3)	(31)
Reclassification	(3,660)	(5,537)	-	-	-	(9,197)
Depreciation expense	-	(1,047)	(953)	(18)	(1,310)	(3,328)
Net exchange difference	-	-	3	-	7	10
December 31	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,173</u>	<u>\$ 172</u>	<u>\$ 3,974</u>	<u>\$ 132,899</u>
December 31						
Cost	\$ 86,068	\$ 67,856	\$ 27,428	\$ 1,235	\$ 23,072	\$ 205,659
Accumulated depreciation and impairment	-	(26,344)	(26,255)	(1,063)	(19,098)	(72,760)
	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,173</u>	<u>\$ 172</u>	<u>\$ 3,974</u>	<u>\$ 132,899</u>

	Lands	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
January 1						
Cost	\$ 86,068	\$ 67,644	\$ 77,927	\$ 1,045	\$ 28,687	\$ 261,371
Accumulated depreciation and impairment	-	(24,062)	(76,743)	(1,045)	(26,827)	(128,677)
	<u>\$ 86,068</u>	<u>\$ 43,582</u>	<u>\$ 1,184</u>	<u>\$ -</u>	<u>\$ 1,860</u>	<u>\$ 132,694</u>
January 1	\$ 86,068	\$ 43,582	\$ 1,184	\$ -	\$ 1,860	\$ 132,694
Additions	-	-	1,277	-	3,298	4,575
Reclassification	3,660	5,666	-	-	-	9,326
Depreciation expense	-	(1,152)	(568)	-	(772)	(2,492)
Net exchange difference	-	-	1	-	-	1
December 31	<u>\$ 89,728</u>	<u>\$ 48,096</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ 4,386</u>	<u>\$ 144,104</u>
December 31						
Cost	\$ 89,728	\$ 76,414	\$ 27,410	\$ 1,045	\$ 22,176	\$ 216,773
Accumulated depreciation and impairment	-	(28,318)	(25,516)	(1,045)	(17,790)	(72,669)
	<u>\$ 89,728</u>	<u>\$ 48,096</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ 4,386</u>	<u>\$ 144,104</u>

1. The property, plant and equipment mentioned above are assets held for self-use.
2. For information on the pledge of property, plant and equipment by the Group, please refer to Note 8.

(VIII) Leasing arrangements-lessee

1. The Group leases various assets including buildings, and transportation equipment. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
2. The lease period of certain premises leased by the Group does not exceed 12 months.
3. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	2022/12/31	2021/12/31
	Carrying amount	Carrying amount
Buildings	\$ 1,161	\$ 525
Transportation equipment	127	338
	<u>\$ 1,288</u>	<u>\$ 863</u>

	<u>2022</u>	<u>2021</u>
	Depreciation expense	Depreciation expense
Buildings	\$ 839	\$ 1,833
Transportation equipment	212	339
	<u>\$ 1,051</u>	<u>\$ 2,172</u>

4. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$1,449 and \$1,113, respectively.

5. Information on profit or loss in relation to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 25	\$ 52
Expense on short-term lease contracts	221	637

6. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$1,377 and \$2,873, respectively.

(IX) Investment property

	<u>2022</u>		
	<u>Lands</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 29,887	\$ 75,010	\$ 104,897
Accumulated depreciation and impairment	-	(26,069)	(26,069)
	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>
January 1	\$ 29,887	\$ 48,941	\$ 78,828
Reclassification	3,660	5,537	9,197
Depreciation expense	-	(1,483)	(1,483)
December 31	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>
December 31			
Cost	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation and impairment	-	(30,727)	(30,727)
	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>

	2021		
	Lands	Buildings and structures	Total
January 1			
Cost	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation and impairment	-	(27,737)	(27,737)
	<u>\$ 33,547</u>	<u>\$ 55,985</u>	<u>\$ 89,532</u>
January 1	\$ 33,547	\$ 55,985	\$ 89,532
Reclassification	(3,660)	(5,666)	(9,326)
Depreciation expense	-	(1,378)	(1,378)
December 31	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>
December 31			
Cost	\$ 29,887	\$ 75,010	\$ 104,897
Accumulated depreciation and impairment	-	(26,069)	(26,069)
	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>

1. Rental income from the investment property and direct operating expenses arising from investment property are shown below:

	2022	2021
Rental income from investment property	<u>\$ 5,505</u>	<u>\$ 3,690</u>
Direct operating expenses arising from investment property that generated rental income	<u>\$ 1,483</u>	<u>\$ 1,378</u>

2. The fair value of the investment property held by the Group, namely the Xizhi office building, as of December 31, 2022 and 2021 was NT\$228,537 and NT\$173,334, respectively, which were valued by independent appraisers in 2020. Valuations were made using the comparison and income approaches and there were no significant changes in the fair value of the investment property as assessed by the Company's management. The above mentioned fair values were classified as Level 3 fair values with the following assumptions:

	2022	2021
Gross margin	2.94%	2.89%
Earnings capitalization rate	0.61%	0.49%

3. The Group pledged its investment properties, please refer to Note 8 for more

information.

(X) Other non-current assets

	2022/12/31	2021/12/31
overdue receivables- related parties	\$ 20,422	\$ 24,110
Net defined benefit assets	19,928	17,040
Guarantee deposits paid	2,800	3,415
Others	3,556	2,101
	<u>\$ 46,706</u>	<u>\$ 46,666</u>

Please refer to Note 7(2) for details of the collections.

(XI) Short-term borrowings

Type of borrowings	2022/12/31	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 48,475	1.15%~2.04%	Time deposits
Secured borrowings	30,000	1.91%~2.07%	Land, buildings and construction (recognized as investment property)
Secured borrowings	46,080	6.91%~7.93%	Land, buildings and construction (recognized as investment property)
	<u>\$ 124,555</u>		

Type of borrowings	2021/12/31	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 44,714	1.14%~2.03%	Time deposits
Secured borrowings	106,528	1.45%~3.16%	Land, buildings and construction (recognized as investment property)
	<u>\$ 151,242</u>		

1. The interest expense recognized in profit or loss for the years ended December 31, 2022 and 2021 were \$3,466 and \$2,171, respectively.
2. Please refer to Note 8 for the information on short-term loans pledge.

(XII) Other payables

	<u>2022/12/31</u>	<u>2021/12/31</u>
Salaries and bonuses payable	\$ 12,806	\$ 13,474
Payable for labor services	260	908
Labor insurance payable	840	845
National health insurance payable	757	765
Others	29,559	25,398
	<u>\$ 44,222</u>	<u>\$ 41,390</u>

(XIII) Pensions

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next end of March. In March 2022 and 2021, the Company was approved by the Labor Affairs Department, New Taipei City Government to suspend the contribution to the labor retirement reserve for 2022 and 2021, respectively.

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

	<u>2022/12/31</u>	<u>2021/12/31</u>
Present value of defined benefit obligations	(\$ 8,517)	(\$ 10,030)
Fair value of plan assets	28,445	27,070
Net defined benefit liability	<u>\$ 19,928</u>	<u>\$ 17,040</u>

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

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 10,030)	\$ 27,070	\$ 17,040
Current service cost	(30)	-	(30)
Interest expense (income)	(63)	169	106
	<u>(10,123)</u>	<u>27,239</u>	<u>17,116</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,121	2,121
Change in financial assumptions	411	-	411
Experience adjustments	280	-	280
	<u>691</u>	<u>2,121</u>	<u>2,812</u>
Pay retirement pension	915	(915)	-
Balance at December 31	<u>(\$ 8,517)</u>	<u>\$ 28,445</u>	<u>\$ 19,928</u>
	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 10,388)	\$ 26,596	\$ 16,208
Current service cost	(30)	-	(30)
Interest expense (income)	(52)	133	81
	<u>(10,470)</u>	<u>26,729</u>	<u>16,259</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	341	341
Change in demographic assumptions	(214)	-	(214)
Change in financial assumptions	133	-	133
Experience adjustments	521	-	521
	<u>440</u>	<u>341</u>	<u>781</u>
Balance at December 31	<u>(\$ 10,030)</u>	<u>\$ 27,070</u>	<u>\$ 17,040</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor

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

- (5) The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate	<u>1.375%</u>	<u>0.625%</u>
Future salary increases	<u>2.50%</u>	<u>2.25%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 192)	\$ 199	\$ 193	(\$ 188)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 263)	\$ 274	\$ 265	(\$ 256)

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

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

- (6) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 is \$0.
- (7) As of December 31, 2022, the weighted average duration of the retirement plan is 9.1 years.
2. (1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based

on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (2) EverFocus Electronics (ShenZhen)CO., Ltd. contributes monthly to the old-age insurance fund at a certain rate based on the total salary of local employees in accordance with the PRC's defined pension insurance system. Each employee's pension is managed and arranged by the PRC government and EverFocus Shenzhen has no further obligation other than making monthly contributions.
- (3) EverFocus America and EverFocus Japan make pension contributions in accordance with local laws and regulations.
- (4) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2022 and 2021 were \$4,399 and \$4,350, respectively.

(XIV) Share-based payments

1. The share-based payment agreement of the Company for the year 2022 is as follows:

Arrangement type	Grant date	No. of units (shares in thousands)	Contract period	Vested conditions
Cash capital increase with employee subscription rights reserved	2022.02.07	887	Not applicable	Immediately vested

The above share-based payment agreement is settled in equity.

There is no such situation for the year 2021.

2. The share-based payment transactions granted by the Company were estimated using the Black-Scholes option pricing model to determine the fair value of employee subscription rights reserved in the cash capital increase. The related information is as follows:

Arrangement type	Grant date	Stock price	Exercise price	Expected price Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase with employee subscription rights reserved	2022.02.07	\$ 16.6	\$	14	22.64% 0.09Year	0.34%	\$ 2.6061

3. The expenses arising from equity-settled transactions are as follows:

	<u>2022</u>	<u>2021</u>
Cash capital increase with employee subscription rights reserve	\$ <u>2,312</u>	\$ <u>-</u>

(XV) Capital stock

1. As of December 31, 2022, the Company's authorized capital was \$2,070,000, consisting of 207 million shares of ordinary stock (including 30 million shares reserved for employee stock options), and the paid-in capital was \$668,010, divided into 66,801 thousand shares with par value of \$10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 53,401	\$ 68,115
increase cash capital	13,400	-
Capital reduction to offset losses	-	(14,714)
At December 31	<u>\$ 66,801</u>	<u>\$ 53,401</u>

2. On July 1, 2021, the shareholders' meeting resolved to reduce capital to offset the deficit. The number of shares reduced was 14,714 thousand, the amount of capital reduction was \$147,141, which resulted in total paid-in capital of \$534,010. The effective date of capital reduction set on August 31, 2021. The registration was completed on September 24, 2021.

3. On December 9, 2021, the Board of Directors resolved to issue 13,400 thousand shares of common stock at NT\$14 per share for a total offering of \$187,600. The issuance was effective on January 18, 2022 upon filing with the competent authorities, with necessary costs deducted at \$600, resulting in a net fundraising of \$187,000. The aforementioned cash capital increase was completed and registered on April 19th, 2022.

(XVI) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(XVII) Deficit to be offset

1. According to Article of Incorporation, if the Company has earnings surplus as evidenced by the year-end accounting settlement, it shall pay taxes and make up for losses in accordance with the law and set aside 10% as a legal reserve, except when the legal reserve has reached the Company's total paid-in capital. The remainder shall be set aside or reversed as a special reserve in accordance with the laws and regulations. The Board of Directors shall prepare a proposal for the appropriation of earnings and submit it to the shareholders to resolve the distribution of dividends to shareholders if there is still a balance available, together with the accumulated undistributed earnings to allocate 0% to 100% of the distributable earnings.

The distributable dividends or bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.
2. Dividends are distributed on the basis that maintaining a sound financial structure and matching future business growth of the Company. In accordance with the Company Act, the Board of Directors prepares a proposal for the distribution of earnings each year after the approval of the shareholders' meeting, taking into account the Company's profitability and future operating needs and to protect the interests of investors. The Company adopts the following three methods to distribute dividends: capitalization of earnings, capitalization of capital surplus and cash dividends. If there is an appropriate investment plan that can increase the Company's profitability, the capitalization of earnings or capitalization of capital surplus will be used. When the capital increase affects the dividend level, cash dividends will be paid. Stock dividends will account for 0% to 90% while cash dividends will account for 10% to 100% of the total amount of dividends paid. The actual amount of dividends paid will be determined by the amount approved at the shareholders' meeting.
3. The proposals for offsetting losses for 2021 and 2020 were approved by the

shareholders' meeting on June 15, 2022 and July 1, 2021, respectively, and information on the Board of Directors' approval and the offsetting losses resolved at the shareholders' meeting is available on the "Market Observation Post System (MOPS)" of the TWSE.

4. As of December 31, 2022 and 2021, the Company had no earnings available for appropriation.

(XVIII) Operating income

	2022	2021
Revenue from Contracts with Customers	\$ <u>332,309</u>	\$ <u>450,145</u>

1. Disaggregation of revenue from contracts with customers

The Group's revenue comes from the provision of goods and services that are transferred over time and at a point in time. The revenues are segmented into the following types:

2022	Sales revenue - surveillance products	Service revenue	Total
Revenue from contracts	\$ <u>324,447</u>	\$ <u>7,862</u>	\$ <u>332,309</u>
Time of income recognition			
Income recognized at a point in time	\$ 324,447	\$ -	\$ 324,447
Revenue recognized over time	-	7,862	7,862
Total	\$ <u>324,447</u>	\$ <u>7,862</u>	\$ <u>332,309</u>
2021	Sales revenue - surveillance products	Service revenue	Total
Revenue from contracts	\$ <u>376,611</u>	\$ <u>73,534</u>	\$ <u>450,145</u>
Time of income recognition			
Income recognized at a point in time	\$ 376,611	\$ -	\$ 376,611
Revenue recognized over time	-	73,534	73,534
Total	\$ <u>376,611</u>	\$ <u>73,534</u>	\$ <u>450,145</u>

2.Contract liability

(I) Recognized contract liabilities relative to revenue from contracts with customers are as follows:

	<u>2022/12/31</u>	<u>2021/12/31</u>	<u>2021/1/1</u>
Contract liability - electronic monitoring products	\$ 6,850	\$ 10,312	\$ 4,833

(II) Recognized income of contract liabilities at January 1

	<u>2022</u>	<u>2021</u>
Beginning balance of contract liabilities Recognized income-electronic monitoring products	\$ 9,071	\$ 4,446

(XIX) Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 7,503	\$ 5,542
Dividend income	2,378	2,260
Other incomes	1,530	5,290
	<u>\$ 11,411</u>	<u>\$ 13,092</u>

(XX) Other gains and losses

	<u>2022</u>	<u>2021</u>
Loss on disposal of property, plant, and equipment	(\$ 3)	\$ -
Loss on foreign exchange	(1,888)	(11,192)
Net (loss) income from financial assets and liabilities measured at fair value through profit or loss	(32,289)	11,393
Other loss	(869)	(338)
	<u>(\$ 35,049)</u>	<u>(\$ 137)</u>

(XXI) Finance costs

	2022	2021
Interests on bank borrowings	\$ 3,466	\$ 2,171
Interests on lease borrowings	25	52
Other interest expenses	3	3
	<u>\$ 3,494</u>	<u>\$ 2,226</u>

(XXII) Costs and Expenses by nature

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 26,306	\$ 86,666	\$ 112,972	\$ 27,565	\$ 83,850	\$ 111,415
Depreciation expense	1,168	4,694	5,862	1,196	4,846	6,042
Amortization expense	31	1,464	1,495	31	1,144	1,175

(XXIII) Employee benefit expenses

	2022	2021
Wages and salaries	\$ 94,351	\$ 92,596
Labor and health insurance fees	10,114	10,410
Pension costs	4,323	4,350
Other personnel expenses	4,184	4,059
	<u>\$ 112,972</u>	<u>\$ 111,415</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of 3%~10.5% and remuneration of directors and supervisors at rates of no higher than 2.5%, of the remaining profit after deducting accumulated losses.
2. The Company did not estimate the compensation to employees, directors and supervisors for the years ended December 31, 2022 and 2021 due to the Company had net loss before tax.
3. Information on remuneration of employees, directors and supervisors approved by the board of directors is disclosed on the MOPS.

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2022	2021
Current tax:		
Current tax on profits for the year	\$ -	\$ 240
Deferred income tax:		
Origination and reversal of temporary differences	(1,895)	1,807

Income tax expense (benefit)	(\$ 1,895)	\$ 2,047
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(2) The income tax relating to components of other comprehensive income is as follows:

	2022	2021
Re-measurement of defined benefit obligations	\$ 563	\$ 156

2. Reconciliation between income tax expense and accounting profit

	2022	2021
Income tax calculated by applying statutory rate to the profit before tax (Note)	(\$ 16,368)	(\$ 6,693)
Expenses to be deducted as required by tax regulations	6,615	
Income exempt from tax regulation	(633)	(2,731)
Tax losses unrecognized as deferred tax assets	5,709	10,346
Net investment gains and losses are not included in income	2,782	(1,106)
Change in realized valuation for deferred income tax assets	-	2,231
Income tax expenses	(\$ 1,895)	\$ 2,047

Note: The basis of the applicable tax rate is determined by the local country.

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange difference	December 31
Deferred income tax assets:					
-Temporary differences:					
Provisions of bad debt expense	\$ 17,982	\$ 879	\$ -	\$ -	\$ 18,861
Allowance to reduce inventory to market	11,076	1,770	-	64	12,910
Unrealized loss on loans receivable	4,765	-	-	-	4,765
Others	5,627	(754)	-	196	5,069
Tax losses	53,050	-	-	-	53,050
Subtotal	<u>92,500</u>	<u>1,895</u>	<u>-</u>	<u>260</u>	<u>94,655</u>
Deferred income tax liabilities:					
Re-measurement of defined benefit plans	(\$ 2,239)	\$ -	(563)	\$ -	(\$ 2,802)
Subtotal	<u>(2,239)</u>	<u>-</u>	<u>(563)</u>	<u>-</u>	<u>(2,802)</u>
Total	<u>\$ 90,261</u>	<u>\$ 1,895</u>	<u>(\$ 563)</u>	<u>\$ 260</u>	<u>\$ 91,853</u>

	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange difference	December 31
Deferred income tax assets:					
-Temporary differences:					
Provisions of bad debt expense	\$ 16,515	\$ 1,467	\$ -	\$ -	\$ 17,982
Allowance to reduce inventory to market	13,894	(2,802)	-	(16)	11,076
Unrealized loss on loans receivable	4,765	-	-	-	4,765
Others	6,140	(472)	-	(41)	5,627
Tax losses	53,050	-	-	-	53,050
Subtotal	<u>94,364</u>	<u>(1,807)</u>	<u>-</u>	<u>(57)</u>	<u>92,500</u>
Deferred income tax liabilities:					
Re-measurement of defined benefit plans	(\$ 2,083)	\$ -	(156)	\$ -	(\$ 2,239)
Subtotal	<u>(2,083)</u>	<u>-</u>	<u>(156)</u>	<u>-</u>	<u>(2,239)</u>
Total	<u>\$ 92,281</u>	<u>(\$ 1,807)</u>	<u>(\$ 156)</u>	<u>(\$ 57)</u>	<u>\$ 90,261</u>

4. Expiration dates of unused net operating tax losses of the Company and amounts of unrecognized deferred tax assets are as follows:

2022/12/31				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2014	\$ 4,137	\$ 3,547	\$ 3,547	2024
2015	58,906	31,525	31,525	2025
2017	50,569	50,569	50,569	2027
2018	89,457	89,457	65,995	2028
2019	94,601	94,601	345	2029
2020	69,905	69,905	343	2030
2021	51,814	51,814	6	2031
2022	26,167	26,167	5	2032
	<u>\$ 445,556</u>	<u>\$ 417,585</u>	<u>\$ 152,335</u>	

2021/12/31				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2014	\$ 4,137	\$ 3,547	\$ 3,547	2024
2015	58,906	31,525	31,525	2025
2017	50,569	50,569	50,569	2027
2018	89,457	89,547	37,496	2028
2019	94,601	94,601	345	2029
2020	69,905	69,905	343	2030
2021	49,477	49,477	6	2031
	<u>\$ 417,052</u>	<u>\$ 389,081</u>	<u>\$ 123,831</u>	

5. The Company and EVERHIGHLIGHT TECHNOLOGY CORP.'s income tax returns through 2020 have been assessed and approved by the Tax Authority.

(XXV) Losses per share

	2022		
	Profit after tax	Retroactively adjusted weighted-average common shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period attributable to common shareholders of the Parent company	(\$ 79,939)	63,497	(\$ 1.26)

	2021		
	Profit after tax	Retroactively adjusted weighted-average common shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period attributable to common shareholders of the Parent company	(\$ 33,577)	53,401	(\$ 0.63)

Note: The above retroactive adjustments to the number of shares outstanding have been made based on the number of outstanding shares after the capital reduction effective date in August 2021.

(XXVI) Changes in liabilities arising from financing activities

	2022		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	\$ 151,242	\$ 879	\$ 152,121
Changes in financing cash flows	(30,043)	(1,131)	(31,174)
Additions to lease liabilities	-	1,449	1,449
Impact of changes in foreign exchange rate	3,356	102	3,458
December 31	<u>\$ 124,555</u>	<u>\$ 1,299</u>	<u>\$ 125,854</u>

	2021		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	\$ 48,425	\$ 2,048	\$ 50,473
Changes in financing cash flows	107,985	(2,184)	105,801
Additions to lease liabilities	-	1,113	1,113
Impact of changes in foreign exchange rate	(5,168)	(98)	(5,266)
December 31	<u>\$ 151,242</u>	<u>\$ 879</u>	<u>\$ 152,121</u>

VII. Related Party Transactions

(I) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	Affiliates (Note 1)
EVERFOCUS ELECTRONICS LIMITED.	Subsidiaries in the liquidation (Note 2)
EVERFOCUS ELECTRONICS (EUROPE) GMBH	Subsidiaries in the liquidation (Note 2)
AAEON Technology Inc.	Other related parties
AAEON TECHNOLOGY (SU ZHOU) INC.	Other related parties
Onyx Healthcare Inc.	Other related parties
LYDS TECHNOLOGIES INC.	Other related parties
ONYX HEALTHCARE USA, INC.	Other related parties
AAEON TECHNOLOGY (EUROPE) B.V.	Other related parties

Note 1: The Company owns 75% of the ownership of that entity. However, since January 1, 2015, the Company has lost control over that entity due to the Company's inability to manage relevant activities, so the Company has recognized a 100% provision for the related debt.

Note 2: Please refer to Note 4(3)3..

(II) Significant transactions and balances with related parties

1. Operating income

	<u>2022</u>	<u>2021</u>
Sales of goods		
Other related parties	\$ 585	\$ 841

The above sales transactions are conducted on normal terms (market prices), with a credit period of 30 to 60 days for related parties, which is not significantly different from third parties.

2. Purchases

	<u>2022</u>	<u>2021</u>
Purchases of goods		
Other related parties	\$ 2,285	\$ 861

The payment terms of abovementioned purchases are the same with third parties (suppliers), and the credit terms are 30 days or advanced payment.

3. Accounts receivable

	<u>2022/12/31</u>	<u>2021/12/31</u>
Other related parties	\$ 193	\$ 126

4. Accounts payable

	<u>2022/12/31</u>	<u>2021/12/31</u>
Other related parties	\$ 33	\$ 333

5. Receivables from related parties (included in other non-current assets)

	2022/12/31	2021/12/31
Subsidiary - EVERFOCUS UK	\$ 26,930	\$ 26,930
Subsidiary - EverFocus Germany	81,936	80,617
Affiliate - EverFocus India	26,040	26,040
Less: Allowance for doubtful accounts	(114,484)	(109,477)
Total	<u>\$ 20,422</u>	<u>\$ 24,110</u>

The Company evaluated the collectability of its receivables from EVERFOCUS ELECTRONICS (EUROPE) GMBH in 2022 and 2021 recognized an expected credit impairment loss of \$5,007 and \$6,269 based on its credit risk status.

6. Operating expense

	2022	2021
Other related parties		
Onyx Healthcare USA, INC.	\$ 11,287	\$ 5,021
Others	297	3,174
	<u>\$ 11,584</u>	<u>\$ 8,195</u>

The above operating expenses are mainly for management consulting fees, which are recognized as administrative expenses.

(III) Key management compensation

	2022	2021
Salaries and other employee benefits	\$ 1,684	\$ 2,580
Stock-based compensation	20	-
Total	<u>\$ 1,704</u>	<u>\$ 2,580</u>

VIII. Pledged Assets

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

Pledged asset	Carrying Amount		Purposes
	2022/12/31	2021/12/31	
Restricted time deposit (Listed in current financial assets at amortized cost)	\$ 65,727	\$ 46,813	Performance bonds for tenders, customs declarations and bank loans
Restricted time deposit (Listed in Amortized cost financial assets - current)	2,800	-	Government grant project guarantee deposit
Land, Building and Construction (Shown in property, plant and equipment)	127,580	137,824	Guarantee with bank lines
Land, Building and Construction (Shown in investment property)	86,542	78,828	Guarantee with bank lines
Stocks (listed as financial	-	61,440	Guarantee with

assets at fair value through
profit or loss)

bank lines

\$	282,649	\$	324,905
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IX. Significant contingent liabilities and unrecognized commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2022 and 2021, the Company has issued a promissory note of NT\$452,755 and NT\$451,628 required for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts, respectively.

2. As of December 31, 2022, and December 31, 2021, the Group has engaged financial institutions to issue guarantee letters as performance bonds for the execution of government subsidy projects. The amounts of performance bonds were \$90,750 and \$0, respectively.

X. Significant Disaster Loss

None

XI. Significant events after the reporting period

None.

XII. Others

(I) Capital risk management

The Group has set up capital management objectives to ensure continued operation, maintain the best capital structure for the reduction in cost of capital, and protect shareholders interests. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instruments

1. Financial instruments by category

	2022.12.31	2021.12.31
<u>Financial assets</u>		
Financial assets at fair value through profit or low		
Financial assets mandatorily measured at fair value through profit or loss, mandatorily measured at fair value	\$ 99,547	\$ 128,502
Designation of equity instrument	12,800	-
Financial assets at amortized cost		
Cash and cash equivalents	75,558	97, 556
Financial assets at amortized cost		
Notes receivable	4,061	1,177
Accounts receivable	80,405	28,775
Other receivables	1,534	995
Long-term notes and accounts receivable	16,135	20,133
Guarantee deposits paid (Listed as other non-current assets)	2,800	3,415
overdue receivables (Listed as other non-current assets)	20,422	24,110
	<u>\$ 381,789</u>	<u>\$ 351,476</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 124,555	\$ 151,242
Notes payable	11	-
Accounts payable	52,853	32,410
Other receivables	44,222	41,390
	<u>\$ 221,641</u>	<u>\$ 225,042</u>
Lease liabilities	<u>\$ 1,299</u>	<u>\$ 879</u>

2. Financial risk management policies

The Group adopts a comprehensive risk management system for the management to clearly identify, measure and control all risks to achieve effective control and measurement.

The Group's Control and management strategies are as follows:

(1) Interest rate risk:

The Group continuously keep track on the trend of interest rates and set up stop-loss points to control interest rate risks.

(2) Foreign exchange risk:

The Group uses derivative financial instruments such as forward foreign exchange transactions to hedge for foreign currency assets or liabilities or highly probable transactions to reduce the risks in cash flows and fair value from fluctuation in foreign exchange rates. In addition, the changes foreign exchange rate is closely monitored, with a stop loss point to mitigate exchange rate risks.

(3) Credit risk:

The Group has a stringent credit evaluation policy and only trades with counterparties of good credit quality, with regular application of credit protection measures to mitigate credit risk.

2. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and CNY. Exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Group and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.
- C. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and some subsidiaries is New Taiwan Dollars). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				2022/12/31		
				Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	5,107	30.720	\$	156,887
	JPY:NTD		4,175	0.2330		973
	EUR:NTD		639	32.748		20,926
	USD:CNY		102	6.964		3,133
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	\$	524	30.720	\$	16,097
	USD:CNY		367	6.964		11,274

				2021/12/31		
				Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	540	27.685	\$	14,950
	JPY:NTD		244,007	0.2404		58,659
	EUR:NTD		854	31.314		26,742
	USD:CNY		345	6.375		2,199
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD:NTD	\$	231	27.685	\$	6,395
	USD:CNY		76	6.375		485

D. The total exchange losses (including realized and unrealized) resulting from significant currency fluctuations on all monetary items of the Group amounted to \$1,888 and \$11,192 for the fiscal years 2022 and 2021, respectively.

E. The analysis of the Group's foreign currency market risk due to material exchange rate fluctuations is as follows:

		2022		
		Sensitivity analysis		
		Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	1,569	\$ -
JPY:NTD	1%		10	-
EUR:NTD	1%		209	-
USD:CNY	1%		31	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	161	\$ -
USD:CNY	1%		113	-
		2021		
		Sensitivity analysis		
		Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	149	\$ -
JPY:NTD	1%		587	-
EUR:NTD	1%		267	-
USD:CNY	1%		22	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	64	\$ -
USD:CNY	1%		5	-

Price risk

A. The Group is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss. To manage the price risk arising from investments in equity

instruments, the Group has diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. As of 2022 and 2021, assuming that all other factors remain unchanged, if the price of equity instruments rises or falls by 1%, the net profit after tax from gains or losses of equity instruments measured at fair value through profit or loss will increase or decrease by NT\$995 and NT\$1,285, respectively, due to gains or losses from equity instruments measured at fair value through profit or loss. The other comprehensive income would increase or decrease by \$128 and \$0, respectively, due to gains or losses from equity investments classified as fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's main interest rate risk arises from short-term borrowings with variable rates which expose the Group to cash flow interest rate risk. The risk is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2022 and 2021, the Group's borrowings at variable rate were denominated in the USD, JPY and TWD.
- B. Assuming all other factors remain constant, a 0.25% increase or decrease in borrowing interest rates would result in a decrease or increase of \$249 and \$378, respectively, in after-tax net profit for the fiscal years 2022 and 2021. This is primarily due to the variability of interest expense resulting from floating-rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.
- B. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for its new clients before standard payment and delivery terms and conditions are offered. To control internal risk, the Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Group adopts the assumptions under IFRS 9. The Group determines that the default occurs when the contract payments were

past due over 90 days based on the terms.

- D. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(1) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(2) The disappearance of an active market for that financial asset because of financial difficulties;

(3) Default or delinquency in interest or principal repayments;

- F. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.

- G. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2022 and 2021, the Group had no recourse claims that had been written off.

- H.(1) The expected loss rate of customers who have better credit ratings was 0.03%, and the total carrying value of accounts and notes receivable (including current, non-current and related parties) was \$24,898 and \$26,548 as of December 31, 2022 and 2021, respectively.

- (2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2022 and 2021 is as follows:

	Not yet due	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 180 days past due	181 - 360 days past due	Over 360 days past due	Total
<u>2022/12/31</u>								
Expected loss rate	0%~0.43%	0.5%~4.02%	2%~13.19%	3%~92.33%	100%	100%	100%	
Total book value	\$ 70,230	\$ 4,624	\$ 1,178	\$ 1,352	\$ 156	\$ -	\$ 4,194	\$ 81,734
Loss allowance	\$ 299	\$ 175	\$ 133	\$ 335	\$ 156	\$ -	\$ 4,194	\$ 5,292
	Not yet due	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 180 days past due	181 - 360 days past due	Over 360 days past due	Total
<u>2021/12/31</u>								
Expected loss rate	0%~0.38%	0.5%~4.45%	2%~14.17%	3%~47.65%	5%~64.7%	10%~100%	100%	
Total book value	\$ 20,601	\$ 3,168	\$ 1,104	\$ -	\$ -	\$ 61	\$ 8,461	\$ 33,395
Loss allowance	\$ 57	\$ 80	\$ 109	\$ -	\$ -	\$ 61	\$ 8,461	\$ 8,768

I. The Group's simplified approach of notes receivable and changes in allowance for doubtful accounts are as follows:

	Notes and accounts receivable (including related parties)	
	2022	2021
January 1	\$ 8,768	\$ 9,565
Reversal of impairment loss	628	-
Reversal of impairment loss	- (224)
Amounts written off due to irrecoverability	(3,871)	-
Effect of exchange rate change	(233) (573)
December 31	\$ 5,292	\$ 8,768

From the loss recognized in 2022 and 2021, the impairment losses (gains on recovery) for accounts receivables arising from customer contracts were NT\$628 and (NT\$224), respectively.

J. For financial assets at amortized cost, the credit rating levels are presented below:

	2022/12/31			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 68,527	\$ -	\$ -	\$ 68,527
	2021/12/31			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 46,813	\$ -	\$ -	\$ 46,813

The financial assets at amortized cost are restricted bank deposits, and there is no major material in credit risk assessment.

(3) Liquidity risk

A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group's financial department. Group's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

B. The Group's unused loan amount as of December 31, 2022 and 2021 was \$223,874 and \$266,772, respectively.

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

Non-derivative financial
liabilities

<u>2022/12/31</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Short-term borrowings	\$ 125,490	\$ -	\$ -
Notes Payable	11		
Accounts payable	52,853	-	-
Other payables	44,222	-	-
Lease liabilities	676	531	133

Non-derivative financial
liabilities

<u>2021/12/31</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Short-term borrowings	\$ 151,703	\$ -	\$ -
Accounts payable	32,410	-	-
Other payables	41,390	-	-
Lease liabilities	826	145	-

D. The Group's cash flows are not expected to occur significantly earlier than the maturity date, or to be significantly different from the actual amount.

(III) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for assets or liabilities, including all non-listed stocks invested by the Group.

2. Financial instruments not measured at fair value

The cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable, other receivables, long-term notes and accounts receivable and amounts due, deposits for guarantee (presented as other non-current assets), overdue receivables (presented as other non-current assets), short-term borrowings, notes payable, accounts payable, and other payables of the Group are recorded at amounts that reasonably approximate their fair values.

3. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(1) The related information of the nature of the assets and liabilities:

2022/12/31	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 99,547	\$ -	\$ -	\$ 99,547
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	12,800	12,800
Total	\$ 99,547	\$ -	\$ 12,800	\$ 112,347
2021/12/31	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at				

fair value through
profit or loss

Equity securities	\$	128,502	\$	-	\$	128,502
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(2) The Group's approaches and assumptions for fair value measurement are as follows:

A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

Quoted market price	Shares of listed (OTC) companies	Open-end funds
	Closing market prices	Net value

B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.

C. The output of the valuation models represents estimated approximations, and the valuation techniques may not capture all relevant factors related to the financial and non-financial instruments held by the Group. Therefore, the estimated values from the valuation models are appropriately adjusted based on additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value measurement policies and related control procedures, management believes that these valuation adjustments are necessary and appropriate to fairly represent the fair value of financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the valuation process are carefully evaluated and adjusted as deemed appropriate considering the current market conditions.

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

5. The table below illustrates the changes in the third category during the fiscal year 2022:

	2022
	Equity instruments
At January 1	\$ -
Current purchases	12,800
At December 31	\$ 12,800

6. There were no transfers into or out of the third level during the fiscal year 2022.
7. The Group's valuation process for financial instruments classified in the third level of fair value is conducted by the Finance and Accounting department. It involves independent fair value verification of the financial instruments, using data from independent sources to ensure that the valuation results reflect market conditions. The data sources are independent, reliable, consistent with other resources, and representative of executable prices. The department also regularly updates the input values and data required by the valuation models, as well as any necessary fair value adjustments, to ensure the reasonableness of the valuation results.
8. The quantifiable information on significant unobservable input values used in the valuation models for items classified in the third level of fair value measurement and the sensitivity analysis of significant unobservable input value changes are explained as follows:

	<u>2022/12/31</u> <u>Fair value</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Range (weighted average)</u>	<u>Relationship between input and fair value</u>
Non-derivative equity instruments					
Unlisted and non-OTC stocks	\$ 12,800	Discounted Cash Flow method	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating income, lack of market liquidity discount, minority interest discount.	Not applicable	The higher the long-term revenue growth rate and long-term pre-tax operating income, the higher the fair value. The higher the weighted average cost of capital and minority discount, the lower the fair value. The higher the lack of market liquidity discount, the lower the fair value.

XIII. SUPPLEMENTARY DISCLOSURES

(I) Significant transactions information

1. Lending funds to others: Please refer to table 1.
2. Provision of endorsements and guarantees to others: Please refer to table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to relate parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Information for significant inter-company transactions during the reporting periods: Please refer to table 5.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(III) Information on investments in Mainland China

1. Basic information: Please refer to table 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(IV) Major shareholders information

The names of shareholders with at least 5% shareholding: Please refer to Table 8.

XIV. Segment Information

(I) General information

The management of the Group has identified reporting segments based on the

information used by the Board of Directors in making decisions. The Group's Board of Directors operates the business from a regional perspective, with a focus on Taiwan and the United States as the two major sales regions. The operating results of other regions are consolidated and presented under the "Other segments" category. There have been no significant changes in the composition of the Group, the basis for segment allocation, or the measurement basis of segment information during the current period.

(II) Measurement of segment information

The Group's segment profit (loss) is measured with the segment revenue and the profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(III) Segment Information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	2022				
	Taiwan	USA	Others	Write off	Total
External revenue	\$ 153,557	\$ 143,774	\$ 34,978	\$ -	\$ 332,309
Internal revenue	140,524	-	16,057	(156,581)	-
Segment revenue	<u>\$ 294,081</u>	<u>\$ 143,774</u>	<u>\$ 51,035</u>	<u>(\$ 156,581)</u>	<u>\$ 332,309</u>
Segment income (loss)	(\$ 66,826)	(\$ 8,617)	(\$ 6,391)	\$ -	(\$ 81,834)
Segment income (loss) includes:					
Depreciation and amortization	<u>\$ 6,287</u>	<u>\$ 10</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 7,357</u>

	2021				
	Taiwan	USA	Others	Write off	Total
External revenue	\$ 352,549	\$ 81,254	\$ 16,342	\$ -	\$ 450,145
Internal revenue	64,344	51	53,216	(117,611)	-
Segment revenue	<u>\$ 416,893</u>	<u>\$ 81,305</u>	<u>\$ 69,558</u>	<u>(\$ 117,611)</u>	<u>\$ 450,145</u>
Segment income (loss)	(\$ 35,195)	\$ 9,084	(\$ 5,419)	\$ -	(\$ 31,530)
Segment income (loss) includes:					
Depreciation and amortization	<u>\$ 4,975</u>	<u>\$ 53</u>	<u>\$ 2,189</u>	<u>\$ -</u>	<u>\$ 7,217</u>

Note: Inter-segment revenue has been written off to \$0.

(IV) Reconciliation for segment income (loss)

The Group's reportable segment profit or loss is the same as that of the continuing operations. Therefore, no reconciliation is required.

(V) Information on products and services

Please refer to Note 6, (18).

(VI) Geographical information

The Group's geographical information for 2022 and 2021 is as follows:

	2022		2021	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 107,254	\$ 219,004	\$ 304,669	\$ 222,555
Asia	59,572	1,725	42,654	1,240
America	144,150	-	82,218	-
Europe	20,805	-	16,624	-
Others	528	-	3,978	-
	<u>\$ 332,309</u>	<u>\$ 220,729</u>	<u>\$ 450,143</u>	<u>\$ 223,795</u>

(VII) Major customer information

The following is the Group' s major customer information for 2022 and 2021:

	2022	2021
Customer A	\$ 111,945	\$ 43,154
Customer B	39,524	-
Customer C	19,420	119,663
Customer D	5,413	109,428
	<u>\$ 176,302</u>	<u>\$ 272,245</u>

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Lending funds to others

January 1 to December 31, 2022

Table 1

Unit: NT\$ in thousands

(Unless Specified Otherwise)

Serial No. (Note 1)	Lending company	Loan recipient	Transaction item	Related party or not	Maximum amount of the current period (Note 3)	Ending balance	Actual drawdown amount	Interest rate range %	Loan nature (Note 4)	Business transaction amount	Reason for short-term financing	Provision for bad debts	Collateral		Loans and limits to individual objects (Note 7)	Loans and total limit (Note 7)	Remark
													Name	Value			
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	Other receivables - related parties	Yes	\$ 11,653	\$ -	\$ -	1.50%	Financing	\$ -	Operation turnover	\$ -	None	\$ -	\$ 63,693	\$ 127,386	None

Note 1: The description 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 from Arabic numeral 1.

Note 2: This field shall be filled in for accounts receivable from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc., if the nature is lending funds to others.

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

Note 4: The nature of the lending funds to other shall be filled in if it is a business transaction or if there is a need for short-term financing.

Note 5: Where the nature of the lending funds to other is a business transaction, the amount of the business transaction shall be filled in. The business transaction amount refers to the amount of business transactions between the lending company and the borrowing object in the most recent year.

Note 6: If the nature of the lending funds to other is necessary for short-term financing, the reason for the loan and the purpose of the loan borrower shall be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: (1) For lending funds to companies or firms with which the Company has business transactions, the total loan amount shall not exceed 20% of the Company's net value; and the amount of individual loans shall not exceed the amount of business transactions between the two parties in the most recent year. The business transaction amount refers to the higher of the purchase or sale amount between the parties.

(2) For lending funds to companies or firms with short-term financing needs, the total amount of such lending shall not exceed 20% of the Company's net value; the amount of individual lending shall not exceed 10% of the Company's net value.

Note 8: If a public company submits its lending to the board of directors' meeting for resolution one by one in accordance with paragraph 1, Article 14 of the Regulations Governing Lending Funds to Others 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.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Endorsements for others

January 1 to December 31, 2022

Table 2

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Serial No. (Note 1)	Name of Endorsement / guarantor company	Counterparty of guarantee and endorsement Company name	Relationship (Note 2)	Limitation on amount of guarantees and endorsements for one party (Note 3)	Maximum balance of endorsements / guarantees in the current period (Note 4)	Ending balance of endorsements and guarantees (Note 5)	Actual drawdown amount (Note 6)	Endorsement / guarantee amount secured by property	Ratio of accumulated endorsements / guarantees amount to the net value in the latest financial statements	Maximum endorsement / guarantee amount (Note 3)	Parent company endorsement / guarantees to others on behalf of subsidiary (Note 7)	Subsidiary endorsement / guarantees to others on behalf of parent company (Note 7)	Endorsements / guarantees to others on behalf of company in Mainland China (Note 7)	Remark
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	2	\$ 191,080	\$ 34,958	\$ 34,958	\$ 31,685	\$ 31,695	5.49	\$ 318,466	Y	N	N	
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	2	191,080	23,305	23,305	16,780	16,780	3.66	318,466	Y	N	N	
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	2	191,080	46,080	46,080	46,080	46,080	7.23	318,466	Y	N	N	

Note 1: The description 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 from Arabic numeral 1.

Note 2: There are 6 kinds of relations between the endorsement / guarantor and the endorsed / guaranteed indicated as follows:

- (1). A company with business contacts.
- (2). A company with more than 50% of its voting shares held by the Company.
- (3). The total common stock held by the parent and the subsidiary exceeds 50% of the investee company.
- (4). Parent company that directly holds or indirectly holds through its subsidiaries more than 50% of the total common stock.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry for the purpose of contracting the project.
- (6). A company that has been endorsed / guaranteed by the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

Note 3: The Company's endorsement / guarantee limits for individual counterparty and the maximum endorsement / guarantee limits stipulated in the procedures for endorsement / guarantee for others.

- (1) The limit of endorsement and guarantee provided to a single party shall not exceed 20% of the Company's net value, except that for a single overseas affiliate, the limit shall not exceed 30% of the net value.

If the endorsement and guarantee is for business purposes, it shall not exceed the total amount of transactions with the Company in the most recent year (whichever is the higher of purchase or sale between the two parties).

- (2) The total amount of external endorsements / guarantees shall not exceed 50% of the Company's net value.

Note 4: The maximum balance of Endorsements for others in the current year.

Note 5: The Company shall assume the obligation of endorsement or guarantee when the endorsement or guarantee contract or note lines are approved by the bank at the end of the period. Any other related endorsement or guarantee should be included in the endorsement or guarantee balance.

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

Note 7: For the parent company providing endorsement guarantees to its subsidiary, for the subsidiary providing endorsement guarantees to the parent company, and for endorers from mainland China, please indicate "Y" in the respective columns.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)

31-Dec-22

Table 3

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Holding company	Type and name of securities		Relationship with the securities issuer	General ledger account	As of December 31, 2022				
	Type	Name (Note 1)			Number of shares	Carrying amount (Note 2)	Shareholding percentage	Fair value	Remark
EVERFOCUS ELECTRONICS CORP.	Stock	MACHVISION, INC.	-	Financial assets at fair value through profit or loss - current	110,000	\$ 14,355	0.25%	\$ 14,355	None
"	"	Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	53,000	23,770	-	23,770	"
"	"	CHENBRO MICOM CO., LTD.	-	"	130,000	9,412	0.11%	9,412	"
"	"	ONENESS BIOTECH CO., LTD.	-	"	185,000	45,418	-	45,418	"
"	"	GRAND PROCESS TECHNOLOGY CORP.	-	"	5,000	1,135	0.02%	1,135	"
"	"	Top Union Electronics Corp	-	"	228,808	5,457	0.19%	5,457	"
						<u>\$ 99,547</u>		<u>\$ 99,547</u>	
EVERFOCUS ELECTRONICS CORP.	Stock	Acrosser Technology Co.,LTD.	-	Financial assets at fair value through profit or loss - non current	880,000	\$ 8,800	10.00%	\$ 8,800	None
"	"	AREC INC.	"	"	400,000	4,000	2.64%	4,000	"
						<u>\$ 12,800</u>		<u>\$ 12,800</u>	

Note 1: The term "securities" in this table refers to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 "Financial instruments."

Note 2: For those measured at fair value, the column for the carrying amount should be the balance of the carrying amount after fair value adjustment and net of accumulated impairment. For those who are not measured at fair value, the column for the carrying amount should be the carrying amount of the initial acquisition cost or amortized cost less accumulated impairment.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Total purchases form or sales to related parties of at least \$100 million or 20% of the paid-in capital
January 1 to December 31, 2022

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Table 4

Company Name	Related Party	Nature of Relationship	Purchase (sales)	Transaction		Payment terms	Unit Price	Payment terms	Reasons for difference between the related party transaction terms and the arms length terms of transaction (Note)	Accounts and notes receivable (payable)	Note
				Amount	Percentage to total purchase (sales) (%)					Ending Balance	
EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONIC S CORP.	Subsidiary	sales	\$ 122,490	42	month-end 60 days	-	-		\$ 35,416	35

Note: Sales transactions are conducted under normal conditions (market prices) and do not significantly differ from transactions with regular customers.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Business relations and important transactions between the parent and the subsidiaries and the amounts January 1 to December 31, 2022

Table 5

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Serial No. (Note 1)	Name of transaction party	Transaction counterparty	Relationship with the counterparty (Note 2)	Transaction situation			
				Account name	Amount	Terms of transaction	Percentage of the total consolidated revenue or total assets (Note 3)
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	1	Accounts receivable	\$ 35,416	Credit on 60 days	4.07%
"	"	"	"	Sales	122,490	"	36.86%
"	"	EverFocus Electronics (Shenzhen) Co., Ltd.	"	Accounts receivable	11,301	Credit on 180 days	1.30%
"	"	"	"	Sales	17,376	"	5.23%
"	"	"	"	Accounts payable	2,443	Credit on 60 days	0.28%
"	"	"	"	Purchases	14,497	"	4.36%
1	EverFocus Electronics (Shenzhen) Co., Ltd.	EVER FOCUS ELECTRONICS CORP.	3	Sales	1,522	Credit on 30 days	0.46%

Note 1: The business information between the parent company and the subsidiaries shall be indicated in the number column, 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 from Arabic numeral 1.

Note 2: There are three types of relationship with the trading party; just indicate the type (There is no need to disclose repeatedly if the same transaction occurs between the parent and subsidiary or between subsidiaries). For example, if a parent company has disclosed a transaction with a subsidiary, the subsidiary does not need to disclose the same transaction.

If a subsidiary has disclosed a transaction with another subsidiary, the other one does not need to disclose it repeatedly):

(1.) Represents parent company to subsidiary transactions.

(2). Represents subsidiary to parent transactions.

(3). Represents transactions between subsidiaries.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if it belongs to the account of assets and liabilities, it shall be calculated in the way that the ending balance accounts for the total consolidated assets; if it belongs to the account of income, it shall be calculated in the way that the accumulated amount in the period accounts for the total consolidated revenue.

Note 4: Individual transactions less than \$1,000 will not be disclosed; in addition, the asset income is used as the disclosure method, and its relative transactions will not be disclosed.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
information on investees (excluding the investees in Mainland China)
January 1 to December 31, 2022

Table 6

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Name of Investor	Name of investee	Location	Main business items	Initial investment amount		Holding at the end of the period			Current income (loss) of the investee	Investment Income (loss) for the period	Remark
				End of the period	End of last year	Number of shares	Ratio (%)	Carrying amount			
EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	U.S.A.	Selling products and providing customer service for the Company	\$ 93,941	\$ 93,941	8,934,000	100	(\$ 59,589)	(\$ 8,617)	(\$ 8,617)	Subsidiary of the Company
"	EVERFOCUS JAPAN CORP.	Japan	Selling products and providing customer service for the Company	35,697	35,697	2,600	100	(48,093)	(4,071)	(4,071)	Subsidiary of the Company
"	EVERHIGHLIGHT TECHNOLOGY CORP.	Taiwan	Manufacture and sale of optical electronic devices	5,000	5,000	500,000	100	(426)	(5)	(5)	Subsidiary of the Company
"	EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	India	Selling the company's products and dealing with CCTV related software and hardware	22,068	22,068	2,128,149	75	-	-	-	The Company's investees accounted for using the equity
"	EVERFOCUS ELECTRONICS (EUROPE) GMBH	Germany	Selling products and providing customer service for the Company	111,610	111,610	-	-	-	-	-	Subsidiary of the Company and Note 2
"	EVERFOCUS ELECTRONICS LIMITED.	UK	Selling products and providing customer service for the Company	47,743	47,743	-	-	-	-	-	Subsidiary of the Company and Note 3

Note 1: As of January 1, 2015, EverFocus Electronics Corporation was unable to dominate the business activities of EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED and therefore lost control of the EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED. The Company no longer included it in the consolidated entity and reclassified it as an investment accounted for using the equity method since that year, and recognized full amount as an allowance for the debt.

Note 2: EverFocus Germany has filed for bankruptcy and liquidation with the local court on June 28, 2018 and ceased operations as of September 28, 2018; therefore, the Company no longer recognizes its investment gain (loss) on September 28, 2018.

Note 3: EverFosus UK has filed for liquidation in 2013 and therefore the Company no longer recognize its investment gain (loss) since 2013.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
Basic Information on investment in Mainland China
January 1 to December 31, 2022

Table 7

Investee in Mainland China	Main business items	Paid-in capital (Note 2)	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 3)	Amount remitted from Taiwan to Mainland China Amount remitted back to Taiwan for this period		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 3)	Net profit (loss) of the investee for this period	Percentage of shares held by the Company (direct or indirect)	Investment gains losses recognized for the current period (Note 4)	Carrying amount of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Remark
					Remitted from Taiwan	Remitted back to Taiwan							
EverFocus Electronics (Shenzhen) Co., Ltd.	Develop, manufacture and sell commercial surveillance equipment	\$ 64,748	Note 1	\$ 64,748	\$ -	\$ -	\$ 64,748	(\$ 2,315)	100%	(\$ 1,215)	\$ 11,353	\$ -	

Unit: NT\$ in thousands

(Unless Specified Otherwise)

Note 1: Invested in Mainland China by other remittances.

Note 2: That Company's paid-in capital was RMB15,119 thousand in original currency.

Note 3: The accumulated amount of remittance from Taiwan to Mainland China in original currency at the beginning and end of the period were both US\$2,050 thousand.

Note 4: The investment gains or losses recognized in the current period were evaluated and disclosed in accordance with the financial statements audited by the parent company's accountants in Taiwan.

2. The limit for investing in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 2)	The investment limit in Mainland China is in accordance with the rules set by the Investment Commission of the Ministry of Economic Affairs.
EVERFOCUS ELECTRONICS CORP.	\$ 64,748	\$ 64,748	\$ 382,159

Note 1: The accumulated amount of remittance from Taiwan to Mainland China in original currency was US\$2,050 thousand at the end of the period.

Note 2: The amount of investment approved by the Investment Commission of the Ministry of Economic Affairs is US\$2,050 thousand.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Major shareholders information

31-Dec-22

Table 8

Major Shareholders	Shares	
	Number of shares held	Shareholding percentage (%)
Yung-Shun Chuang	10,655,686	15.95%
Chia-Ming Huang	4,167,485	6.23%
LCL CAPITAL INC.	3,768,021	5.64%

"Note 1: The major shareholder information in this table is based on the Central Depository's record of common shares and special shares of the Company (including treasury shares) held by shareholders, which reached 5% or more on the last business day at the end of the quarter. There may be a difference between the number of shares recorded in the Company's consolidated financial statements and the number of shares actually delivered for scripless registration due to a different calculation basis.

"

Note 2: If the above information is about the shareholder delivered the shares to the trust, it shall be disclosed as individual subaccounts of the trustee who opened the trust account. As for the shareholders who report their insider shares in excess of 10% under the Securities and Exchange Act, the insider shares include their own shares plus shares held in a trust with discretionary power over the trust property. Please refer to the Market Observation Post System for information on insider ownership reporting.

EVERFOCUS ELECTRONICS CORP.



**Chairman and President: Yung-Shun
Chuang**



The logo for EverFocus, featuring a stylized icon of three vertical bars of varying heights to the left of the text "EverFocus" with a registered trademark symbol.

EverFocus[®]

