

Stock Code:2419



# **Hitron Technologies Inc.**

## **2022 Annual Reports**

Printed on March 31, 2023

The content of these annual reports and the relevant information of the Company can be found in the following website

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

**I. Names, positions, contact numbers and e-mail addresses of spokesperson and acting spokesperson**

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**V. Information on Overseas Securities: Not applicable**

**VI. Company Website: <http://www.hitrontech.com>**

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## One. Letter to Shareholders

Dear Shareholders:

Thank you for attending the Shareholders' Meeting of Hitron Technologies Inc. for 2023. On behalf of our Company and employees, I thank you for your support. The following are the business results for 2022 and an overview of the future operational plan:

### I. 2022 Financial Performance

#### (I) Business Results

Benefitting from the introduction of new products in North America as well as the proactive effort in expanding the South and Central American and European and Asian markets, the Company's business scale grew and product portfolio optimized in 2022. The overall revenue grew by over 20% from the previous year, boosting the Company's profitability. In the past, Hitron focused on North American markets. With slow growth in 2021, we have initiated a multi-market strategy, which will be gradually carried out in 2022. In North America, new products such as WIFI-7 and PON will be introduced, while at the same time strengthening the expansion in markets in Europe, Asia, Central and South America, creating economies of scale.

In terms of the strategy for markets and products in 2022, we planned to expand the scope of customers. We have shifted our past main focus on cable TV providers and launched PON and GPON products through cooperating with Alpha Networks and have successfully been selected by fixed line network providers. Meanwhile, we have also launched 5G small base station products, striving to capture the mobile network provider market. In terms of capacity planning, the plant in Vietnam currently has a capacity of approximately 60% to 70%, with room for utilization. Nevertheless, this result has made significant contributions to production efficiency. Coupled with the fact that the supply chain situation has gradually looked up, inventory control improved at the same time. In the future, local procurement will be increased, transportation costs reduced and operations efficiency of the Vietnam plant continuously strengthened. The quality control of this year's products has also returned to its usual level and production capacity shifting to Vietnam has achieved the Company's set targets.

Aside from developing new markets, our past focus on products was DOCSIS-related product lines. We are now concentrating on providing network hardware and software integration services as well as comprehensive strategies for solutions. By doing this, we are able to offer more diversified and differentiated products. These include integrating the capabilities of Alpha Networks' wireless network, optical fiber, 5G products with Hitron's cable TV cable data and software network management solutions to build cloud home network management solutions. In the future, we will also further expand the proportion of fiber optic and wireless products in an effort to optimize the structure of our products.

The 2022 consolidated operating revenue of Hitron Technologies amounted to NT\$12.3 billion, up by 27% as compared to NT\$9.68115 billion in the previous year. The yearly consolidated gross margin amounted to 22.0%, up by 1.7% as compared to 20.3% last year; the operating expenses increased by 15% as compared to the previous year, resulting in a consolidated operating profit of NT\$797.20 million, up by 169% as compared to NT\$296.09 million last year. The net consolidated profit after tax attributable to the parent company was NT\$482.19 million, an increase of 574% from NT\$7.158 million in the last year. The basic earnings per share (EPS) in 2022 was NT\$1.50.

Unit: NT\$ (thousand)

Item	2022	2021	Increase (Decrease)	Change in %
Operating revenue	12,318,229	9,681,546	2,636,683	27.23
Operating margin	2,711,167	1,964,120	747,047	38.03
Operating expenses	1,913,970	1,668,028	245,942	14.74
Operating income	797,197	296,092	501,105	169.24
Net non-operating income (expense)	(65,542)	12,378	(77,920)	(629.50)
Profit before tax	731,655	308,470	423,185	137.19
Profit after tax	607,936	221,384	386,552	174.61
Profit attributable to parent company	482,193	71,582	410,611	573.62

(II) Execution of budget: The Company did not disclose its 2022 financial forecasts to the public.

### (III) Analysis of Financial Income and Profitability

Unit: NT\$ (thousand)

Analysis	Items	2022	2021	
Financial income	Interest income	18,697	11,770	
	Interest expense	68,213	31,376	
Profitability	ROA (%)	5.71	2.09	
	ROE (%)	9.65	1.48	
	Paid-in-capital amount Percentage(%)	Operating income	24.81	9.00
		Net profit before tax	22.77	9.38
	Net profit margin (%)	4.94	2.29	
Earnings per share (NT\$)	1.50	0.22		

### (IV) Research and Development

As broadband technology officially entered the era of high speed in 2022, new products such as DOCSIS 3.x Cable, ultra-high speed fiber access devices, WiFi 6/6E wireless gateways and extenders, 5G wireless access devices, and small base stations will be in demand. With the Company's longstanding dedication to its field as a broadband operator, it has accumulated extensive and outstanding software and firmware integration capabilities. While we take a proactive approach to participate in the forward-looking broadband technology development and projects of customers, with our leading technology in communications, we also work closely with our customers around the world. Our efforts have been reflected in the overall operating performance in 2022.

In 2022, Hitron's cable CPE shipment volume accounted for 10% of the global market share. The market share for DOCSIS 3.1 CPE in the overall cable market continued to increase, and the demand for DOCSIS 3.1 CPE in Central and South America was higher than expected, and wireless gateways have become the main products in the market. With the addition of Wi-Fi 6 (original 802.11ax) and Wi-Fi extender supporting mesh function, the entire product planning has become more complete. Unlimited extenders have also indirectly contributed to the operators' broadband as they use Hitron's cloud services. It is expected that the new model of the next generation of the standard product DOCSIS 4.0 CPE will be developed in the fourth quarter this year. The Company's development centers on the home network and user experience. By doing so, we enable our customers to increase revenue from more software services with the existing business model and network structure, generating more profits.

In terms of software, Hitron Cloud, a self-developed cloud management development system that has been applied by operators, have been strengthened with human-machine interface APP support and the GUI interface. In 2022, we also teamed up with multiple global well-known software service providers to launched more versatile services that are ideal home users to boost the ARPU of operators. This is the trend and necessary feature for the overall development for cloud management. With our years of dedication to the cloud, the number of registered users has doubled, reaching 1 million paid users. The function of allowing multiple online users to view instantly at any time also facilitates business operators to manage and service customers more effectively. The Company can receive instant feedback from users rather than messages forwarded from the business operators, which significantly differentiates the Company from other OEM competitors and establishes a solid foundation for value-added services of the Company in the future.

The Company continues to increase its development capacity in optical fiber products. As the pandemic outbreak gradually eased, the planning of MSO also increased by a wide margin. In 2022, the proportion of optical fiber products in sales increased exponentially, proving Hitron was correct in its long-term direction of optical fiber products. In terms of WLAN end, the development of Wi-Fi 6/6E Access Point has also begun. Through comprehensive products, the Company expects to increase the purchase volume made by customers and to improve the competitive advantages of the Company.

In terms of the development of next-generation 5G and mmWave solution network products, the Company has invested in the R&D of 5G CPE. As well as this, a multiple-system operator (MSO) based product line is expected to be introduced in mid-2022. In conjunction with the backhaul mechanism of the cable modem, the Company's technical advantage in DOCSIS will help the Company smoothly enter the 5G CPE and small cell markets.

## II. Summary of 2023 Business plan

### (I) Business Strategy

Hitron has accumulated decades of experience, sales channels and research and development of the private brand. The goal of business development remains mainly on continuing the development of broadband telecommunication products. Following a substantial increase in the market share in Latin America, the Company shall strengthen its North American market share. For products, in addition to increasing products in the high-value chain in the corporate and commercial service market, and integrating with big data and AI as development directions, the Company shall apply innovative technologies on products to enhance its niche, as well as expanding market share.

In 2017, the Company began to develop a cloud service platform and app to match its existing Cale Gateway products. In 2018, the app was being applied by customers and the cloud service platforms in 2019. At the end of 2022, nearly 1 million home users were using Hitron's cloud service platform. This year, we expect to be able to profit from this new product line of software and services and gradually increase the revenue. We also hope that, through the high value-added products, we are able to outshine ourselves from other competitors who only provide hardware equipment. This way, operators can increase their value-added service revenue from customers with the software service platform provided by us, further increasing the customer's adhesion to the products. The cloud service platform can also be used by cable operators to roll out fiber to the home and integrate with products such as home wireless extenders. In addition, to prepare to cope with the long-term U.S.-China trade war and respond to the increase in orders, the Company's factory in Vietnam, set up a factor in June 2021, has begun production. The familiar manufacturing process was shifted to the production base in Vietnam to stabilize the quality while also reducing costs. Our business strategies include:

- (1) Providing service package product line on top of existing products. For existing customers and channels, the Company shall provide more auxiliary services, master core integrative technologies, expand operating revenue and reduce cost. In the meantime, the Company shall position itself for a cost-competitive market, as well as the market for high value-added products.
- (2) Venturing into the service provider market in North America, increasing market share, strengthening presence among MSOs of an emerging market with flexibility and services.
- (3) Creating products with a life cycle of more than 5 years that are in line with the new technological standard of FDX DOCSIS 3.1, DOCSIS4.0 FDX and Wi-Fi 6/6E, and have higher bandwidth.
- (4) Through the sale of wireless broadband routers, the Company has entered the telecommunications operator's line, and the low-orbiting satellite supplier, to develop product lines other than cable modem, and utilize the existing sales channels and customer service capabilities to increase more revenue.
- (5) Thanks to network products provided by other network companies (e.g., Alpha Networks and AEWIN Technologies) in Qisda's Grand Fleet hardware and software can rapidly be integrated, thus increasing product lines through our sales outlets.
- (6) Developing products that respond timely to market needs, integrating further with customers' processes, providing value-added services to customers with innovation, and pursuing higher quality in products.
- (7) Using big data and AI to enhance product quality and reduce costs, thus increasing profitability.
- (8) Collaborating globally with production planning and automation equipment, so as to replicate production processes, reduce costs, and increase profit margin, production effectiveness, and product quality.

### (II) Important Production and Marketing Policies

#### 1. Production Policy

- (1) Automation in production. Since 2016, the Company has been actively promoting automation, and training company engineers to provide maintenance and further developing automation in production. The Company also seeks to make use of existing spaces to increase production capacity utilization. After introducing automation in production, the Company encountered the US-China trade war and was in need to search for other production bases. Incidentally, the automation brought other additional advantages. The replication of production method no longer relied heavily on trained ground workers, and therefore the factory in Vietnam could go into production faster while maintaining product quality.
- (2) Conditions of Supplying main raw materials: Building up partnership with upstream manufacturers by maintaining good long-term strategic preparation of raw materials. Key components are directly purchased by Hitron in Taiwan before entering into the production base to stabilize the source of raw material supply. In addition, in order to reduce the risk of oligopoly of supply, in recent years, we have also actively introduced 2nd Source parts. In the meantime, the Company makes use of its economies of scale to bargain for competitive prices in contracts with suppliers, ensuring stable prices, and supply for components.

- (3) Increase the amount of local procurement in Vietnam and establish a entire supply chain in Vietnam to reduce the risk of parts supply.

## 2. Marketing Policy

The Company engages in triangular trade where it receives orders in Taiwan while the global production bases deliver goods. The sales and accounts receivable are also handled separately. The way the trade works is such that the subsidiaries in the US, Europe, and China shall receive and direct orders back to Taiwan. The production bases then deliver the goods. Localization - To enhance support to various sales locations and curtail response time, the Company sets up operational bases in the main targeted markets, hiring local sales and technical staff.

## III. The future development strategy of the Company is susceptible to external competition, regulatory environment, and the overall business environment

Regardless of the COVID-19 pandemic or the post-pandemic era, broadband has already become a basic necessity for people's everyday life. Not only this, there is also an urgent need for connectivity speed for online learning and video conferencing. Thanks to the zero-touch economy that has accelerated the global need for digital transformation, it has at the same time effectively driven the upgrade of network equipment, including fiber optic networking equipment, DOCSIS3.x Cable products, commercial networking equipment and smart IoT applications. The cable modem business of the Company will focus more on the functions of easyInstall & easyConnect for customers' individual operations, thereby ensuring continuous growth of the business without being affected by the pandemic. Furthermore, the application of 5G technology is also increasing at the same time. Nevertheless, a greater number of 5G base stations will still not be sufficient to overcome the problem of penetrating through brick walls with millimeter wave in practice. DOCSIS developed by the technical groups of CableLabs, etc., will become the key options for 5G backhaul, which means that the cable modem business of the Company is expected to have a promising outlook with the increasing popularity of 5G technology. In addition, regarding the wireless reception technology, through years of effort and development, the Company also aims to actively develop an effective method to bring 5G millimeter wave to the indoor environment.

As internet speed is surging and the efficiency of the wafer is getting more robust, The work division of edge and cloud computing has expanded the room for networking communication equipment. Its functions and role are increasingly important as well. The future technological advances of Hitron will lie in the development of gateway application functions. In the meantime, the cloud application is integrated with Hitron's networking communication equipment, and thus creating greater and better value-add to user experience for the customers. As the wireless roaming standard of EasyMesh has been upgraded to version 2.0, integrated Wi-Fi extender continuing from the wireless network communication of Cable Gateway has become an essential part of the entire home network. The Company will continue to provide higher-speed quality transmission to existing customers in the future. For R&D, the core technology would be on terminal end and cloud machine learning, and big data accumulation for optimization and automatic management to reduce operating costs and enhance customer satisfaction.

Looking forward to 2023, the disparity in raw material supply is much smaller now compared to before. However, the overall demand is slightly lower than the capacity supply. Based on rolling forecast, with the visibility rate of the overall orders for next year being 80%, the overall demand is reasonable. Alongside the launch of Qisda's network fleet, combined with the capabilities of Alpha Networks' wireless network, optical fiber, 5G products with Hitron's cable TV cable data and software network management solutions, cloud home network management solutions are expected to be constructed. This is one of the key factors for the Group's future growth. The main growth momentum will center on the expansion of new markets. In addition to continuing to introduce new products in North America, we will expand the development in Europe, Asia Pacific and South America, extending the Company's growth. Additionally, we have shifted from past focus on DOCSIS-related product lines to providing network software and hardware integration services and comprehensive solutions. These include integrating the capabilities of Alpha Networks' wireless network, optical fiber, 5G products with Hitron's cable TV cable data and software network management solutions to build cloud home network management solutions. In the future, we will also further expand the proportion of fiber optic and wireless products in an effort to optimize the structure of our products. With the combined effect of the synergistic fleet coming into place, coupled with extensive range of products and balanced regional layout, we hold a positive attitude towards the overall operating outlook for this year.

**We wish you good health and best of luck.**

Chairman: April Huang

## Two. Company Profile

I. Date of Establishment: March 24, 1986

II. Organization and Operations

<u>Annual</u>	<u>Milestones</u>
1986	Established as an OEM for electronics, with 8 employees. Started with venturing into the military and industrial market.
1987	Operating as an agent for AI workstations, Hitron began to take root in universities and research institutions and produced great results.
1988	Computing business unit operating as an agent for SGI workstations, introducing a software application system. Operating projects included computer-aided design/manufacturing, animation, industrial design and real-time simulation. Established telecommunication business unit, distributed multiplex machine of NET exclusively. Ventured into network integration.
1989	Computing business unit distributed remote sensing software of ERDAS. Ventured into GIS. The telecommunication business unit became an exclusive agency for the number one brand in the teleconference system, PictureTel in Taiwan, and became the first company to introduce the teleconferencing system in the Asia Pacific.
1990	On top of the existing multiplex machine, telecommunication business unit added models from Republic Telecom, catering to customer needs in terms of flexibility, applicability, and practicality.
1991	Computing business unit secured substantial CAD/CAM procurement from Jui Li Enterprise Co. Ltd. Ventured into the automotive die-making industry. Laid a deep-rooted foundation for CAD/CAM making and distribution for MSI molecular modeling software.
1992	Due to expansion in operation, the head office was moved to a new office building in Wugu Industrial Park. Computing business unit distributed ESRI geographical information system exclusively and MultiGen real-time simulation software. Established a subsidiary in Hsinchu Industrial Park, aiming to develop high-tech value-adding products. Established subsidiary, Hitron Technologies (HK) Inc.
1993	The telecommunication business unit expanded to cross border networking integrated business. The R&D center in Hsinchu started establishing sales locations in Mainland China and took a step toward internationalized marketing.
1994	Computing business unit collaborated with GIS Consultants and completed many large scale governmental and public enterprise projects, formally venturing into application system development business. Launched digital loop carrier (DLC) developed by Hsinchu subsidiary; in the meantime, the timing clock system passed the examination of Directorate General of Telecommunications, MOTC, and became the first to pass in the country.
1995	The telecommunication business unit signed a distribution contract with a renowned networking conglomerate, Cisco to provide customers with an overall LAN/WAN solution. Developed automatic remote fiber test system at the Directorate General of Telecommunications end and launched in Mainland China.
1996	Established I.S.P subsidiary. Received contract from Army Command Headquarters and became the first contractor in the country to design and develop tank training simulator for the army. Became the first in the country to develop Digital European Cordless Telephone (DECT) and prepared to venture into the international market. Conferred Outstanding Corporate and Product Gold Award.



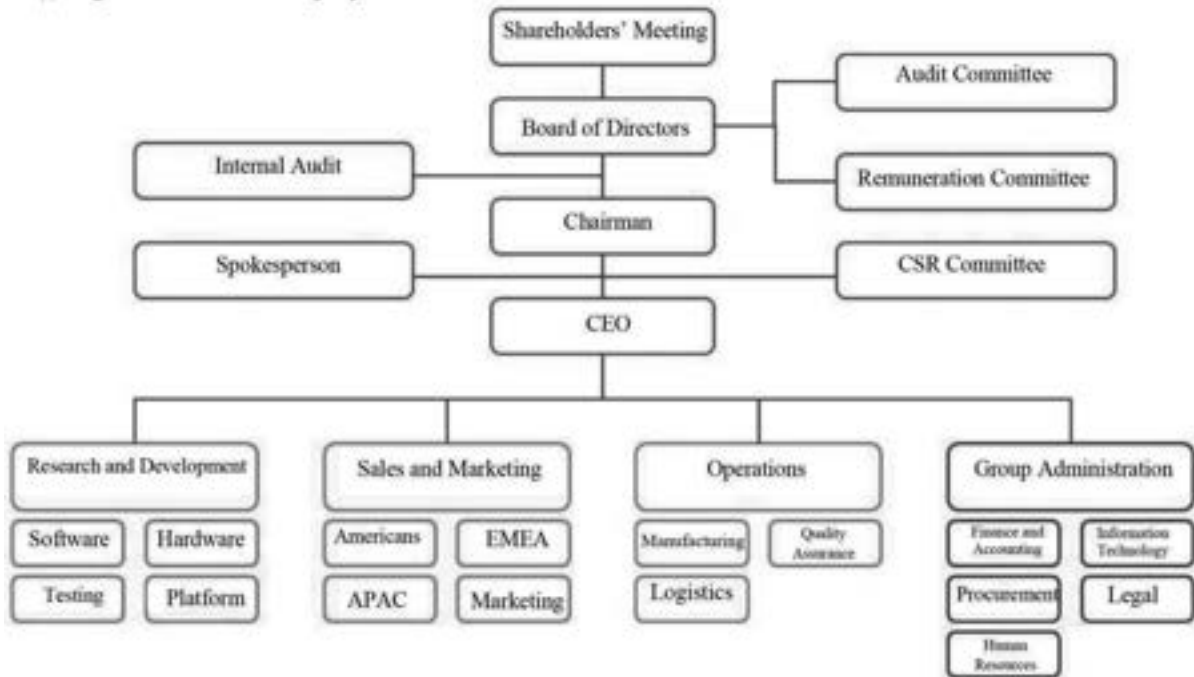
- 1997 Approved by Securities and Futures Bureau for IPO.  
Passed ISO 9001 certification.  
Won the sixth National Award of Outstanding SMEs conferred by SME Administration, MOEA, and SME Association of ROC.
- 1998 Approved by Taiwan Stock Exchange and IPO on Taiwan's OTC on December 10.  
Chairman, Davis Cheng conferred the 21st ROC Model for Entrepreneurs Award.  
Conferred "R&D Award" by MOEA.
- 1999 Purchased office building in Nankang Software Park.  
Established subsidiary, Asia Pacific On Line Co., Ltd.
- 2000 Sold internet business unit to the subsidiary, Asia Pacific On Line Co., Ltd.  
Listing of shares switched to Taiwan's main board on September 11.  
Developed a "portable base station" and made sales to various mobile service providers in the country.  
Applied for a patent in both Taiwan and Mainland China.  
Sold shareholdings in the subsidiary, Asia Pacific On Line Co., Ltd. to Eastern Broadband Telecommunications Co., Ltd., totaling 63,000 thousand shares at NT\$12/share, or NT\$756,000 thousand.
- 2001 Established subsidiary, Hitron Technologies (US) Inc.
- 2002 Factory plant of Hsinchu subsidiary in Hsinchu Science Park held a groundbreaking ceremony.
- 2003 Developed V5.2, and formally obtained network license in Mainland China.  
Established subsidiary, Interactive Digital International Co., Ltd.  
Passed the DOCSIS 1.1 BROADCOM, DOCSIS 1.1T1 and DOCSIS 2.0T1 certification of Cable Television Laboratories, Inc. in the US.
- 2004 Developed B-DLC G.SHD.S.L and 5.2 interfaces, and formally obtained network license in Indonesia.  
Developed CABLEGG commercial router, and assisted customers in obtaining a network license from Comcast in the US.
- 2005 Developed ML-eMTA, and obtained ODM orders from major brands in North America.  
Developed STM-1 Ethernet (EOS) and other service interfaces on the HTC-20210E system, and obtained certification from Chunghwa Telecom.
- 2006 Obtained approval per Document No. 09500242350 from Investment Commission, MOEA to invest in Hitron Technologies (SIP) Inc., Mainland China via a third country.  
Established subsidiary, "Hitron Technologies (Samoa) Inc."  
Developed BRM-35302F, and obtained certification from Philip.  
Developed FOM, and obtained certification from Chunghwa Telecom.
- 2007 Obtained approval per Document No. 09600297080 from Investment Commission, MOEA to increase investment in "Hitron Technologies (SIP) Inc."  
Obtained approval per Document No. 09600293480 from Investment Commission, MOEA to invest in "Hwa Chi Technologies (Shanghai) Inc.", Mainland China via a third country.  
BVG-3642(eMTA) product of the Company obtained certification from CableLab and met the Japanese specifications.
- 2008 Obtained approval per Document No. 09700240450 from Investment Commission, MOEA to increase investment in "Jietech Trading (Suzhou) Inc."  
Developed Docsis 3.0 Cable Modem, and obtained certification from CableLab.  
Subsidiary, Hitron Technologies (HK) Inc. accomplished its objective and was thus dissolved.  
Subsidiary, Hitron Technologies (US) Inc. accomplished its objective and was thus dissolved.
- 2009 Obtained approval per Document No. 09900001720 from Investment Commission, MOEA to invest in Hitron Technologies (Europe) Co., Ltd. via a third country for CHF500 thousand.
- 2010 Obtained approval per Document No. 09900215120 from Investment Commission, MOEA to invest in Jietech Trading (Suzhou) Inc. via a third country for US\$750 thousand.
- 2011 Per JGZFF No. 1000059641, FSC approved the second public issuance of a secured convertible corporate bond of NT\$650,000 thousand.

- On November 28, 2011, Taiwan Stock Exchange approved the Company to continue listing after business transfer. On November 29, 2011, the Board of Directors passed a resolution to establish the base date of the business transfer to be January 1, 2012.
- Established subsidiary, Hitron Technologies Europe Holding B.V.
- 2012 Established subsidiary, Hitron Technologies (Americas) Inc.
- 2013 Per JGZFF No. 1010058399, FSC approved the third public issuance of a secured convertible corporate bond of NT\$500,000 thousand.
- 2014 Developed integrated wireless transmission 802.11ac, the most advanced transmission technology.  
Developed MoCA interface in cable modem router.  
Developed wireless transmission smart antenna technology in the Hitron Technologies cable modem router.  
Integrated ZigBee and Wi-Fi function in the gateway to facilitate communication between various installations, providing integrative solutions to end users of MSO.  
Subsidiary, Hitron Technologies (Europe) Co., Ltd. accomplished its objective and was thus dissolved.
- 2015 Established subsidiary, InnoAuto Technologies Inc.
- 2016 Per JGZFF No. 1050014740, FSC approved the fourth public issuance of a secured convertible corporate bond of NT\$500,000 thousand.  
Invested in “Suzhou Di Kai Electronic Technology Co.” to venture into the internet of the vehicle industry.
- 2017 Head office shifted from Wugu to Hsinchu Science Park and continued operation.
- 2018 Per JGZFF No. 1070323237, FSC approved capital reduction and returned capital of NT\$241,486 thousand.  
The Board of Directors passed a resolution to establish a subsidiary in Vietnam.
- 2019 Subsidiary, Wei Tech (Samoa) Inc., Ltd. accomplished its objective and was thus dissolved.  
Established subsidiary, Hitron Technologies Viet Nam company limited  
Invited Alpha Networks Inc. to invest via private placement. Alpha Networks became a major Shareholder with a 10% stake.
- 2020 Alpha Networks Inc. publicly acquired 100,000,000 common shares of Hitron Technologies.
- 2021 The world’s first modem supporting Data Over Cable Service Interface Specifications (DOCSIS) Timing Protocol (DTP) was launched.
- 2022 We got "TCSA Bronze Award-ESG Report" & "TSAA Silver Award-Package Reduction" issued by Taiwan Institute for Sustainability Foundation (TAISE)

### Three. Corporate Governance

#### I. Organization of the Company

##### (I) Organization of the Company



##### (II) Role and Responsibility of Various Functions

Function	Role and Responsibility
Internal Audit	Internal management systems, policies, and procedures audit and control.
Research and Development	Advanced technology research, product roadmap planning, and product development and design.
Sales	Business development, sales, customer relations management, and post-sales services.
Marketing	Market trend analysis, support R&D to plan product roadmap and product marketing.
Manufacturing	Produce high-quality products to fulfill demands and required specifications from customers.
Quality Assurance	Quality system maintenance, quality assurance engineering, and quality control and inspections.
Logistics	Production control, warehouse management, customs, and international trading.
Finance and Accounting	Treasury, investment, foreign exchange, accounting, tax, and financial analysis.
Information Technology	Network infrastructure management, management information system, and information security.
Procurement	Supplier management, price negotiation, buying management and sourcing.
Legal	Compliance, contract review, lawsuit, confidentiality protection, IP, and patent management.
Human Resources	Organization development, talent and performance management, general affairs, facility, and ESH.

## II. Information on Directors, General Manager, Deputy General Manager, Assistant Vice President and heads of Departments and Branches

### (I) Directors

#### 1. Information on Directors

March 27, 2023

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial Director or Supervisor Position			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
		Alpha Networks Inc.		February 3, 2020	3	February 3, 2020	100,000,000	30.40	200,000,000	62.24	-	-	-	-		-	None.	None.	None.	
Chairman	Taiwan	Representative: April Huang	Female 51-60 years old	February 3, 2020 April 30, 2020	3	February 3, 2020	-	-	-	-	-	-	-	-	EMBA, National Taiwan University Department of Economics, National Taiwan University Director, Qisda Optronics Corp.	Chairman, Representative of Alpha Networks Inc. CFO & President, Alpha Networks Inc. Director, Representative of Interactive Digital Technologies Inc. Chairman, Representative of Enrich Investment Corporation. Chairman, Representative of Transient Corporation. Chairman, Representative of Immoauto Technologies Inc. Chairman, Representative of Aesputa Technology Inc. Director, BenQ Foundation	None.	None.	None.	

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
																Director, Representative of Alpha Holdings Inc. Director, Representative of D-Link Asia Investment Pte Ltd. Director, Representative of Alpha Networks (Hong Kong) Limited. Chairman, Representative of Alpha Networks, Inc. (USA) Chairman, Representative of Alpha Solutions Co., Ltd.				
Director	Taiwan	Amy Liu	Female 61-70 years old	February 3, 2020	3	June 14, 2005	1,006,880	0.31	743,951	0.23	-	-	-	-	Department of International Business, Ming Chuan University EMBA, National Chengchi University Vice Chairman & Vice President, Hitron Technologies Inc. President, Interactive Digital Technologies Inc. President, Interactive Digital Technologies Inc. President, Hitron Technologies Americas Inc. Director, Immoauto Technologies Inc. Director, Hitron Technologies (SIP) Inc.	Vice Chairman, Representative of Interactive Digital Technologies Inc. President, Interactive Digital Technologies Inc.	None.	None.	None.	

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
		Alpha Networks Inc.		February 3, 2020	3	February 3, 2020	100,000,000	30.40	200,000,000	62.24	-	-	-	-		-	None.	None.	None.	
Director	Taiwan	Representative: Peter Chen	Male 61-70 years old	February 3, 2020	3	February 3, 2020	-	-	-	-	-	-	-	-	EMBA, Thunderbird American Graduate School, U.S.A B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Chairman, Qisda Corp. Director, Representative of Darfon Electronics Corp. Chairman, Representative of DFI Inc. Vice Chairman, Representative of Alpha Networks Inc. Chairman, Representative of BenQ Medical Technology Corporation Chairman, Representative of Partner Tech Corp. Director, Representative of BenQ Materials Corp. Director, Representative of BenQ Corp. Director, Representative of Darly Venture Inc. Director, Representative of Darly2 Venture, Inc. Director, Representative of Darly Consulting Corporation	None.	None.	None.	

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
																Director, Representative of BenQ Healthcare Consulting Corp. Director, Representative of BenQ Hospital Management Consulting (Nanjing) Co., Ltd. Director, Representative of Nanjing BenQ Hospital Co., Ltd. Director, Representative of Suzhou BenQ Hospital Co., Ltd. Director, Qisda (Hong Kong) Limited. Director, BenQ BM Holding Corp. Director, BenQ BM Holding Cayman Corp. Director, Qisda (L) Corp. Director, Dady Venture (L) Ltd. Director, BenQ Foundation Director, Representative of Phoenix Innovation Investment Corporation. Director, Representative of				

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
															PhoenixII Innovation Investment Corporation. Director, Representative of PhoenixIII Innovation Investment Corporation.					
		Representative: Yu-Chin Lin (Note1)	Male 51-60 years old	February 3, 2020	3	February 3, 2020	-	-	-	-	-	-	-	-	Bachelor's Degree in Electronics and Bioinformatics from Meiji University Master's degree in College of Technology Management, National Tsing Hua University. Senior Director, Alpha Networks Inc. Assistant Vice President, Alpha Networks Inc. GM, LAN/MAN Business Unit of Alpha Networks Inc.				Not applicable.	
		Representative: David Chou	Male 51-60 years old	February 3, 2020	3	February 3, 2020	-	-	-	-	-	-	-	-	Senior Manager, Alpha Networks Inc. Director, Representative of Alpha Solutions Co., Ltd Supervisor, Representative of Alpha Networks (Changshu) Ltd. Director, Representative of Transnet Corporation.				None. None. None.	



Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks	
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship		
																Director, Alpha Foundation Director, Representative of Aespula Technology Inc.					
																President, Hitron Technologies Inc. Director, Hitron Technologies (SIP) Inc. Director, Hitron Technologies (Samoa) Inc. Director, Hitron Technologies Europe Holding B.V. President, Hitron Technologies Americas Inc. Director, Hitron Technologies Vietnam Company Limited. Director, Jiotech Trading (Suzhou) Inc. Director, Representative of Imoauto Technologies Inc.					
		Representative: Patrick Chiu	Male 51-60 years old	February 3, 2020	3	February 3, 2020	-	294,464	0.09	-	-	-	-	-	Univ.of Nebraska, Lincoln Master of Science E.E Member of Scientific Staff, Bell Northern Research Senior Engineer, Advance Fiber Communication Manager, TollBridge Technologies Co-Founder, Codent Networks.				None.	None.	None.
		Representative: Allen Hsu (Note 2)	Male 51-60 years old	February 3, 2020	3	February 3, 2020	-	25,159	0.01	-	-	-	-	-	Master's Degree in Accounting of Tunghai University Section Manager of the Accounting Division of Neo Solar Power Corp.						Not applicable.

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
															Manager, Accounting Division of Camel Precision Co., Ltd.					
		Representative: Adams Lee (Note2)	Male 41-50 years old	2022.3.1	3	2022.3.1	-	0.02	50,787	-	-	-	-	-	Bachelor, College of Engineering, National Taiwan University MBA, National Chengchi University General manager, BenQ Europe and Asia General manager, ViewSonic Europe and Asia Gogoro, GM of Global Distribution	Vice President, Hitron Technologies Inc. Director, Hitron Technologies (SIP) Inc. Director, Representative of Immoauto Technologies Inc.	None.	None.	None.	
Independent director	Taiwan	Mao-Chao Lin	Male 61-70 years old	February 3, 2020	3	February 3, 2020	-	-	-	-	-	-	-	-	Ph.D. from the University of Hawaii Professor in the Department of Electrical Engineering, National Taiwan University(1993-) Professor in Graduate Institute of Communication Engineering, National Taiwan University (1997-) Independent Director, Alpha Networks Inc. (2004-2021)	Professor in the Department of Electrical Engineering, National Taiwan University Professor in Graduate Institute of Communication Engineering, National Taiwan University	None.	None.	None.	
Independent director	Taiwan	Ming-Fu Huang	Male 81 to 90 years old	February 3, 2020	3	February 3, 2020	-	-	-	-	-	-	-	-	Department of Accounting, Soochow University. Finance Manager of Formosa Plastics Group	-	None.	None.	None.	

Title	Nationality or place of incorporation	Name	Gender/Age	Date of election (appointment)	Term	Date of initial appointment	Shareholding when appointed		Current shares held		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remarks					
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship						
Independent director	Taiwan	Lo-Min Chen	Male 61-70 years old	February 3, 2020	3	June 13, 2017	-	-	-	-	-	-	-	-	Chairman of Corporate Representative, Industrial Bank of Taiwan Independent Director, Alpha Networks Inc.(2004-2021) Supervisor, San Fu Chemical Co., Ltd.(-2021) Supervisor, Formertea Optoelectronics Inc. (-2022) Business Administration, National Chengchi University Global Executive Vice President of Diebold Nixdorf, Inc.(2009-2011) President, Asia Pacific Area of Diebold Nixdorf, Inc.(1998-2008) General Manager of Philips Electronics N.V China Group(1996-1998) General Manager of NCR China(1994-1996) Deputy General Manager of NCR Taiwan (1982-1993) Senior Consultant of Oki Electric Industry Co., Ltd.(2012-2015)										

Note1: The resignation of Yu-Chin Lin, representative director of Alpha Networks Inc representative, went into effect on April 29, 2022.

Note2: On February 25, 2022, Alpha Networks Inc. appointed Director, Adams Lee as representative and appointed on March 1, 2022, Former representative, Allen Hsu stepped down.

Major Corporate Shareholders

Name of Corporate Shareholder	Major Corporate Shareholders
Alpha Networks Inc. (Note)	Qisda Corporation (54.60%), Wistron Corporation (3.57%), Darly Consulting Corporation (2.35%), Darly Venture Inc. (2.26%), Darly2 Venture Inc. (0.77%), HSBC Bank (Taiwan) Limited Custodial Investment Account of UOB Kay Hian Pte Ltd. (0.72%), Wise Cap Limited Company (0.72%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.64%), Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (0.58%), Chuangtai Investment Inc. (0.50%)

Note: Source of information for Alpha Networks Inc. is recorded as of the book closure date of Alpha Networks Inc. on July 24, 2022

Major Shareholders of the Company's Corporate Shareholders

Name of corporate shareholder	Major Shareholders of the Company's Corporate Shareholders
Qisda Corporation (Note 1)	AU Optronics Corp. (17.04%), Acer Incorporated (4.15%), Konly Venture Corp. (2.55%), Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account. (2.08%), DARFON ELECTRONICS CORP. (2.03%), Polunin Developing Countries Fund, LLC (1.03%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank (1.03%), VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS (0.96%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.93%), CREO VENTURE CORP (0.87%)
Wistron Corporation (Note 2)	Yuanta Taiwan Dividend Plus ETF (3.21%), Taipei Fubon Bank Trust Account (2.15%), Acer Incorporated (1.89%), Lin, Hsien-Ming (1.40%), Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (1.39%), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.-Equity Trading Division (Proprietary Trading Desk) (1.37%), King's Town Bank (1.34%), Fubon Life Insurance Co., Ltd. (1.31%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.28%), J.P. Morgan Securities PLC (1.03%)
Darly Consulting Corporation (Note 3)	Darly 2 Venture, Ltd. (54.89%), Darly Venture Inc. (45.11%)
Darly Venture Inc. (Note 3)	Qisda Corporation (100%)
Darly 2 Venture, Ltd. (Note 3)	BenQ Corp. (100%)
Wise Cap Limited Company (Note 3)	Wistron Corporation (100%)
Changtai Investment Co., Ltd. (Note 3)	Wild Star Investment Ltd. (100%)

Note 1: Source of information for Qisda Corporation is recorded as of the book closure date of Qisda Corporation on April 1, 2022

Note 2: Source of information for Wistron Corporation is recorded as of the book closure date of Wistron Corporation on April 19, 2022.

Note 3: Source of information for Department of Commerce, MOEA

2. Disclosure of professional qualifications of directors and independence of independent directors

Criteria Name	Professional qualifications and experience	State of independence	Number of other public companies in which the individual is concurrently serving as an independent director
Representative of Alpha Networks Inc.: April Huang	<p>April Huang holds an MBA degree from National Taiwan University. Having been a GM of Qisda's Network Communication Group and chairman of Simula Technology, April Huang currently serves as chairman and CEO of Alpha Networks. Ms. Huang has extensive experience in product management and cross markets and product lines and possesses analytical and management skills covering corporate governance, business, marketing, and industrial technology.</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>	Not applicable	-
Amy Liu	<p>Amy Liu holds an MBA degree from National Chengchi University and founded Hitron Technologies in 1986. With 35 years of experience in the industry, she is committed to new business ventures under Hitron and the Group. Ms. Liu is an expert in industrial management, business, financial analysis and crisis management.</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>	Not applicable	-
Representative of Alpha Networks Inc.: Peter Chen	<p>Mr. Chen holds a Master's degree in Thunderbird School of Global Management. With over 30 years of experience, Mr. Chen was in charge of R&amp;D for a variety of products and the</p>	Not applicable	-

	<p>Business Department at Qisda and served as a GM of Technology Product Center EVP of BenQ Corp. He possess professional technical background and is an expert on corporate governance, marketing and technology industries. He proposes timely corporate governance and operational management views and guidelines to the Board of Directors and requires the management team to formulate operational strategies to be implemented.</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>		
<p>Representative of Alpha Networks Inc.: Yu-Chin Lin (Note1)</p>	<p>Lin Yu-Chin holds a master's degree in College of Technology Management, National Tsing Hua University and has served as a senior director and Metropolitan Area Network Business of Alpha Networks and GM, and has corporate governance, marketing and industrial technology capabilities.</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>	Not applicable	-
<p>Representative of Alpha Networks Inc.: David Chou</p>	<p>Chou, Yang-Chih holds a degree from MSEE, Polytechnic University. He served as an assistant vice president of Tecom and GM of the Wireless Business of Alpha Networks, responsible for development of various broadband products. He has a professional technical background and marketing and industrial technology capabilities.</p>	Not applicable	-

	Not a person to whom any conditions defined in Article 30 of the Company Act apply.		
Representative of Alpha Networks Inc.: Patrick Chiu	<p>Patrick Chiu holds an MBA degree from University of Nebraska-Lincoln. He joined Hitron Technologies in 2003. Over the past 18 years, he has been responsible for product technology R&amp;D and management. With 30 years of experience in the industry, he has a professional technical background associated with marketing, operational planning, and management practical capabilities</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>	Not applicable	-
Representative of Alpha Networks Inc.: Allen Hsu (Note2)	<p>Allen Hsu holds a master's degree in accounting of Tunghai University. In his years of experience, he served as deputy manager of the Account Department of Neo Solar Power (NSP) and manager of the Accounting Division of Camel Precision. At present, he serves as Supervisor of Finance &amp; Accounting Division of Hitron Technologies and his expertise lies in corporate governance, accounting information and financial analysis.</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>	Not applicable	-
Representative of Alpha Networks Inc.: Adams Lee (Note2)	<p>Li, Tun-Hung holds master's degree of MBA from National Cheng Chi University. He previously served as general manager of BenQ Europe and Asia and general manager of ViewSonic Europe and Asia. At present, he serves as vice president of the Business</p>	Not applicable	

	<p>Operations Group in Hitron Technologies.</p> <p>Not a person to whom any conditions defined in Article 30 of the Company Act apply.</p>		
Mao-Chao Lin	<p>Mao-Chao Lin holds a Ph.D. degree from the University of Hawaii and is currently a professor in the Graduate Institute of Communication Engineering, National Taiwan University. He has engineering, academic and industrial technical capabilities required for the Company's business. He previously served as an independent director in a relevant network industry. At present, it is his first year of serving as an independent director, and has not served for more than three terms. He has not breached any of the provisions specified in Article 30 of the Company Act.</p>	<p>According to the provisions of the Company's "Articles of Incorporation" and "Corporate Governance Best Practice Principles", directors were elected through a candidate nomination system. Upon nomination and selection of the Company's Board members, each director's written statement, work experience and current employment certificate was obtained and verified to ensure the independence of the director, their spouses and second-degree relatives. It was verified that the three independent directors listed on the left were in compliance with provisions set forth in the</p>	-
Ming-Fu Huang	<p>Ming-Fu Huang graduated from the Department of Accounting, Soochow University. His expertise lies in industrial technology, financial and accounting analysis and technology industry management required for the Company's business. He previously served as an independent director in a relevant network industry. At present, it is his first year of serving as an independent director, and has not served for more than three terms. He has not breached any of the provisions specified in Article 30 of the Company Act.</p>	<p>"Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission as well as the qualifications specified in Article 14-2 of the Securities and Exchange Act during the two years prior to their election and during their terms of office. It was also ensured that the independent directors were granted with the rights to fully participate in decision making and to express their opinions in accordance with Article 14-3 of the Security and Exchange Act to</p>	-
Lo-Min Chen	<p>Lo-Min Chen graduated from Department of Business Administration National</p>	<p>perform their relevant duties and responsibilities independently.</p>	1



	<p>Chengchi University. He served as executive vice president of Diebold and President of Diebold Asia Pacific. At present, he serves as an independent director of Transcend Information and possesses analytical and management skills covering industry management, financial analysis, marketing, and industrial technology.</p> <p>At present, it is his third year of serving as an independent director, and has not served for more than three terms. He has not breached any of the provisions specified in Article 30 of the Company Act.</p>		
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Note1: The resignation of Yu-Chin Lin, representative director of Alpha Networks Inc representative, went into effect on April 29, 2022.

Note2: On February 25, 2022, Alpha Networks Inc. appointed Director, Adams Lee as representative and appointed on March 1, 2022, Former representative, Allen Hsu stepped down.

### 3. Diversity and independence of the Board of Directors

#### (1) Board Diversity.

Article 20 of the Company's "Corporate Governance Best Practice Principles" states that the diversification policy for board member composition. When planning the formation of the board of directors shall consider the appropriateness and diversity of the professional background of the board members and the nomination and the election of the board members were according to the Article of Incorporate under the candidates nominating system. Except assessing the education and experience qualification and also consider the opinion of stakeholders to ensure the Board members are qualified with the rules. The members of the board with experienced professional background and ability of technology or industry, operational management, finance, accounting and etc.

The Company also valued the gender equity of the composition of the board members, the target goal for female directors as more than 10%. Currently, the Company with 10 directors, including 2 female directors, the percentage as 20%.

20% of the Company's directors are employees, 30% are independent directors, while 20% are female directors. 1 independent director serves a term of 3-9 years and 2 independent directors serve a term of less than 3 years.

Specific management objectives achieved:

1. Directors concurrently serving as company officers may not exceed one-third of the total number of the board members
2. Two female directors.
3. Independent directors may not serve more than 3 terms.

#### (2) Independence of the Board of Directors:

In accordance with the Articles of Incorporation, the candidate nomination system is adopted for the nomination and selection of the Company's Board members. In addition to assessing the academic and experience qualifications, opinions of stakeholders are also taken into account. We also comply with the "Rules for Election of the Directors" and the "Corporate Governance Best Practice Principles" in order to ensure the professionalism and independence of the Board members. According to Article 20, Paragraph 4 of the Company's Corporate Governance Best Practice Principles - All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

For each director's independence, please refer to information on disclosure for professional qualifications of directors and independence of independent directors.

(II) Documents of president, vice president, associate vice president and managers of each department and division

March 27, 2023

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company or other companies	Spouse or relative within the second degree of kinship Holding Managerial Position			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
President	Taiwan	Patrick Chiu	Male	2021.01.26	294,464	0.09	-	-	-	-	Univ.of Nebraska, Lincoln Master of Science E.E Member of Technical Staff, Northern telecom Senior Engineer, Advance Fiber Comm. Manager, TollBridge Technologies Co-Founder, Codent Networks.	Director, Hiron Technologies (SIP) Inc. Director, Hiron Technologies (Samoa) Inc. Director, Hiron Technologies Europe Holding B.V. President, Hiron Technologies Americas Inc. Director, Hiron Technologies Vietnam Company Limited. Director, Jietech Trading (Suzhou) Inc. Director, Representative of Immoauto Technologies Inc.	None.	None.	None.	
Spokesperson (Note 1)	Taiwan	Amy Liu	Female	January 1, 2009	743,951	0.23	-	-	-	-	Department of International Business, Ming Chuan University EMBA, National Chengchi University Vice Chairman & Vice President, Hiron Technologies Inc. - President, Interactive Digital Technologies Inc. President, Hiron Technologies Americas Inc. Director, Immoauto Technologies Inc. Director, Hiron Technologies (SIP) Inc.	-	Not applicable.			

Title	Nationality	Name	Gender	Date of appointment	Shareholding		Shareholdings of spouse and minor child(ren)		Shareholding under other person(s)		Education and experience	Concurrent Position(s) in the Company or other companies	Spouse or relative within the second degree of kinship Holding Managerial Position			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
Vice Manager	Taiwan	Eric Pan	Male	October 29, 2018	12,053	0.00	-	-	-	-	Master's Degree of Institute of Computer Science, National Chiao Tung University Assistant Vice President of R&D Division of CastleNet Technology Inc. Director, Broadband Telecommunication Division, Communication and Visual Products R&D Center, Pegatron Corporation	None.	None.	None.	None.	
Vice Manager	Taiwan	Jimmy Huang	Male	January 1, 2020	5,526	0.00	-	-	-	-	Five Years program of Tungshan University Division Director, Shurtle Inc. Deputy General Manager of Diamond Digital Corp. Assistant Vice President of Global Brands Manufacture Ltd. Manager of NEXCOM International Co., Ltd.	None.	None.	None.	None.	
Vice Manager	Taiwan	Adams Lee	Male	2021.08.02	50,787	0.02	-	-	-	-	Bachelor, College of Engineering, National Taiwan University MBA, National Chengchi University General manager, BenQ Europe and Asia General manager, ViewSonic Europe and Asia Gogoro, GM of Global Distribution	Director, Hitron Technologies (SIP) Inc. Director, Representative of Innoauto Technologies Inc.	None.	None.	None.	
Vice Manager (Note 2)	Taiwan	ML Chien	Male	2021.12.15	-	-	-	-	-	-	Master of E.E., Syracuse Univ. Deputy general manager, Product Center, D-Link Corporation	-	-	-	Not applicable.	
Supervisor, Finance & Accounting Division	Taiwan	Allen Hsu	Male	November 10, 2017	25,159	0.01	-	-	-	-	Master's Degree in Accounting of Tunghai University Section Manager of the Accounting Division of Neo Solar Power Corp. Manager of Accounting Division of Camel Precision Co., Ltd.	Supervisor, Hitron Technologies (SIP) Inc. Supervisor, Jietech Trading (Suzhou) Inc. Supervisor, Representative of InnoAuto Technologies Inc.	None.	None.	None.	

Note 1: Sopkesperson, Amy Liu retirement on March 31, 2022.

Note 2: Vice president, ML Chien stepped down on June 5, 2022.

(III) Remuneration of Directors, General Manager and Deputy General Manager(s) in the most recent fiscal year  
 1. Remuneration of Directors (including Independent Directors) (bracket table according to persons)

December 31, 2022; Unit: NT\$ Thousand/ Thousands of Shares

Position	Name	Remuneration to Directors				Total sum of A, B, C and D and their percentage to net income after tax		Compensation to Directors Also Serving as Company Employees				Total sum of A, B, C, D, E, F and G, and their percentage to net income after tax		Compensation from Affiliates Other than Subsidiaries			
		Remuneration (A)	Pension (B)	Remuneration of Director (C)	Business Department Implementation Fees for Services Rendered (D)	The Company	All companies included in the financial statements	Salary, Bonuses, and Special Allowances, etc. (E)	Pension (F)	Share of Profit as an Employee (G)	The Company	All companies included in the financial statements					
Director	Representative of Alpha Networks Inc.: April Huang																
	Representative of Alpha Networks Inc.: Peter Chen																
	Representative of Alpha Networks Inc.: Yu-Chin Lin (Note1)																
	Representative of Alpha Networks Inc.: David Chou																
	Representative of Alpha Networks Inc.: Patrick Chiu																
	Representative of Alpha Networks Inc.: Allen Hsu (Note2)																
	Representative of Alpha Networks Inc.: Adams Lee (Note2)																
	Lo-Min Chen	5,320	0	3,772	260	9,352	15,158	3,620	0	5,175	33,305	40,403	161,658				
	Mao-Chao Lin	6,040	0	3,772	360	10,172	18,238	3,620	0	8,373	40,403	8,338					
	Ming-Fu Huang	4,680	0	0	300	4,980	0	0	0	0	4,980	1,03	0				
	Independent director																

1. The correlation between the policies, regulars, standards, and structure of the remuneration, and the responsibilities, risk and time undertaken by the Independent Director. The remuneration is determined by the participation and contribution in the operation of the Company while taking into consideration the performance of counterparts, all of which the Board meeting is authorized to resolve. However, the remuneration to independent directors may be slightly higher than the remuneration to non-independent directors.

2. In addition to the disclosure in the above table, in the most recent fiscal year, compensation received by Directors (e.g., serving as a consultant for a non-employee of the parent company/companies included in the financial statements/investment businesses): None.

Compensation bracket table

Range of Remuneration for Directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	Parent company and all invested businesses(Note3)
Less than NTD\$1,000,000	April Huang , Peter Chen , Yu-Chin Lin , David Chou , Patrick Chiu , Allen Hsu , Adams Lee	April Huang , Peter Chen , Yu-Chin Lin , David Chou , Patrick Chiu , Allen Hsu , Adams Lee	April Huang , Peter Chen , Yu-Chin Lin , David Chou	
NTD\$1,000,000 (included) to NTD\$2,000,000 (excluded)	Amy Liu , Lo-Min Chen , Ming-Fu Huang , Mao-Chao Lin	Amy Liu , Lo-Min Chen , Ming-Fu Huang , Mao-Chao Lin	Lo-Min Chen , Ming-Fu Huang , Mao-Chao Lin , Allen Hsu	Lo-Min Chen , Ming-Fu Huang , Mao-Chao Lin , David Chou
NTD\$2,000,000 (included) to NTD\$3,500,000 (excluded)				
NTD\$3,500,000 (included) to NTD\$5,000,000 (excluded)				
NTD\$5,000,000 (included) to NTD\$10,000,000 (excluded)	Alpha Networks Inc.	Alpha Networks Inc.	Amy Liu , Adams Lee , Alpha Networks Inc.	Amy Liu , Adams Lee , Alpha Networks Inc.
NTD\$10,000,000 (included) to NTD\$15,000,000 (excluded)			Patrick Chiu	Patrick Chiu
NTD\$15,000,000 (included) to NTD\$30,000,000 (excluded)				April Huang , Yu-Chin Lin
NTD\$30,000,000 (included) to NTD\$50,000,000 (excluded)				
NTD\$50,000,000(included) to NTD\$100,000,000 (excluded)				
More than NTD\$100,000,000				Peter Chen
Total	11 persons	11 persons	11 persons	11 persons

Note1 : The resignation of Yu-Chin Lin, representative director of Alpha Networks Inc representative, went into effect on April 29, 2022.

Note2: On February 25, 2022, Alpha Networks Inc. appointed Director, Adams Lee as representative and appointed on March 1, 2022, Former representative, Allen Hsu stepped down.

Note3 : All consolidated entities in the consolidated financial statements (including the company)

2. Compensation of General Manager and Deputy General Manager(s) (bracket table according to persons)

December 31, 2022; Unit: NT\$ Thousand/ Thousands of Shares

Position	Name	Salary (A)		Pension (B)		Bonuses and Special Allowance etc. (C)		Employee Earnings Distribution (D)			Total sum of A, B, C and D and their percentage to net income after tax (%)		Compensation from Affiliates Other than Subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Cash amount	Stock amount	The Company	
General Manager	Patrick Chiu												
Spokesperson (Note 1)	Amy Liu												
Vice president	Eric Pan												
Vice president	Jimmy Huang	16,113	16,113	3,773	3,773	9,554	9,554	9,892	0	9,892	0	39,332	39,332
Vice president	Adams Lee												
Vice president (Note 2)	ML Chien												
		16,113	16,113	3,773	3,773	9,554	9,554	9,892	0	9,892	0	39,332	39,332
												8.16	8.16
													None.

Note 1: Spokesperson, Amy Liu retirement on March 31, 2022.

Note 2: Vice president, ML Chien stepped down on June 5, 2022.

Compensation bracket table

Range of Compensation Paid to General Manager and Deputy General Managers	Names of General Manager and Deputy General Managers	
	The Company	All companies included in the financial statements
Less than NTD\$1,000,000		
NTD\$1,000,000 (included) to NTD\$2,000,000 (excluded)	ML Chien	ML Chien
NTD\$2,000,000 (included) to NTD\$3,500,000 (excluded)		
NTD\$3,500,000 (included) to NTD\$5,000,000 (excluded)	Amy Liu	Amy Liu
NTD\$5,000,000 (included) to NTD\$10,000,000 (excluded)	Eric Pan、Adams Lee、Jimmy Huang	Eric Pan、Adams Lee、Jimmy Huang
NTD\$10,000,000 (included) to NTD\$15,000,000 (excluded)	Patrick Chiu	Patrick Chiu
NTD\$15,000,000 (included) to NTD\$30,000,000 (excluded)		
NTD\$30,000,000 (included) to NTD\$50,000,000 (excluded)		
NTD\$50,000,000 (included) to NTD\$100,000,000 (excluded)		
More than NTD\$100,000,000		
Total	6 persons	6 persons

3. Earnings granted to managerial officers

Position	Name	Stock amount	Cash amount	Total	Total as a percentage of after-tax profit (%)
GM	Patrick Chiu				
Spokesperson (Note)	Amy Liu				
Vice president	Eric Pan				
Vice president	Jimmy Huang	0	9,892	9,892	2.05
Vice president	Adams Lee				
Supervisor, Finance & Accounting Division	Allen Hsu				

Note : Spokesperson, Amy Liu retirement on March 31, 2022.



4. Compare and describe the percentage of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, General Manager, and Deputy General Managers of the Company, relative to net profit after tax, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

(1) Analysis of the proportion of the total remuneration of Directors, General Manager and Deputy General Managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements in the most recent two years:

Position	2022		2021	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Director	1.94	2.11	9.67	10.84
Independent director	1.03	1.03	7.12	7.12
General Manager and Vice president	8.16	8.16	38.85	38.85

A. The payment method of remuneration to Directors, General Manager and Deputy General Managers for the most recent two years has not changed.

B. In 2017, the Company opted to establish the Audit Committee.

(2) The remuneration policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation of remuneration to business performance and future risks.

A. The remuneration of the Director includes salary, honorarium and director incentive under the earnings distribution scheme. In accordance with the Articles 27 of Incorporation, the director incentive is only appropriated when the Company is profitable.

B. The compensation to General Manager and Deputy General Managers including salary, bonus, and employee incentive. The salary and bonus are determined by taking into consideration the salary level offered by counterparts in the industry, the responsibilities of the positions, individual performance, contribution to the Company and the recommendation made by the Compensation Committee. The employee incentive is determined by the Board of Directors according to the profitability of Company and the percentage of appropriation in pursuant to the Articles of Incorporation.

C. The relevant compensation is determined by taking into consideration contribution to the Company and the compensation level offered by counterparts in the industry, as well as correlation of the future operational risks of the Company to the business performance, so as to maintain the balance between sustainable development of the business and risk control. Further, the disbursement of compensation is prudent evaluation, and must be approved by the Compensation Committee before submitting to the Board of Directors for review.

#### IV. Implementation of Corporate Governance

##### (I) State of Operation of the Board of Directors

The Company's Board had 4 meetings in 2022. The attendance of directors is as follows:

Position	Name	Attendance in Person	By proxy	Attendance in Person (%)	Remarks
Chairman	Alpha Networks Inc. Representative: April Huang	4	0	100	
Director	Amy Liu	4	0	100	
Director	Alpha Networks Inc. Representative: Peter Chen	4	0	100	
Director	Alpha Networks Inc. Representative: Yu-Chin Lin	2	0	100	Note1
Director	Alpha Networks Inc. Representative: David Chou	4	0	100	
Director	Alpha Networks Inc. Representative: Patrick Chiu	4	0	100	
Director	Alpha Networks Inc. Representative: Allen Hsu	1	0	100	Note2
Director	Alpha Networks Inc. Representative: Adams Lee	3	0	100	Note2
Independent director	Lo-Min Chen	4	0	100	
Independent director	Mao-Chao Lin	4	0	100	
Independent director	Ming-Fu Huang	4	0	100	

Note1: The resignation of Yu-Chin Lin, representative director of Alpha Networks Inc representative, went into effect on April 29, 2022.

Note2: On February 25, 2022, Alpha Networks Inc. appointed Director, Adams Lee as representative and appointed on March 1, 2022, Former representative, Allen Hsu stepped down.

Other notes:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, Independent Directors' opinions and how the Company has responded to such opinions:

(I) Conditions described in Article 14-3 of the Securities and Exchange Act:

Date of Board meeting	Content of resolution and follow-up measures	Opinions of entire independent directors and the Company's treatment of the independent directors' opinion
2022.02.25	1. The Internal Control System Statement and the Result of Implementing Self-Evaluation in 2021 2. Proposal for Amendments to "Procedures for Acquisition or Disposal of Assets". 3. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 4. Proposal of the 2021 CPAs public fees service	1. Approved by entire attending independent directors and directors without opinion 2. Response of the Company toward the opinion of Independent Directors: None.
2022.04.18	1. Proposal for Amendments to "Internal control system". 2. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries.	
2022.07.26	1. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 2. Proposal to lend funds to the wholly-owned subsidiary, Hitron Technologies Viet Nam company limited	
2022.10.25	1. The Company's Internal audit plan for 2022. 2. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 3. Proposal replacement of appoint accounting firm and CPA from 2023, Q1	

(II) Other than the aforementioned matters, any other matters approved by the Board of Directors which an independent director expresses an objection or reservation that has been included in records or stated in writing:  
None

II. For the recusal of Director(s), the name(s) of Director(s), the content of the resolution, the reason for recusal and the participation of voting for the resolution:

Date of Board Meeting	Name of Directors	Content of the Proposal	Reasons for Abstentions	Participation in Voting
2022.02.25	April Huang 、 Yu-Chin Lin 、 David Chou	To lift non-competition restrictions on current directors and their representatives.	Directors who are lifted non-competition restrictions on.	Did not participate in discussion or voting
	Patrick Chiu	Approved the proposal for making guarantee for Hitron's wholly owned subsidiary	Concurrently serve as a director and manager for 100% owned subsidiary	
	April Huang 、 Peter Chen	Approved Donation to BenQ Foundation	Concurrently serve as a director for BenQ Foundation	
2022.04.18	Patrick Chiu	Approved the proposal for making guarantee for Hitron's wholly owned subsidiary	Concurrently serve as a director and manager for 100% owned subsidiary	
2022.07.26	Patrick Chiu	Approved the proposal for making guarantee for Hitron's wholly owned subsidiary	Concurrently serve as a director and manager for 100% owned subsidiary	
		Approved the loan to Hitron Technologies Viet nam company limited, a 100%-owned subsidiary.	Concurrently serve as a director for Hitron Technologies Viet nam company limited	
2022.10.25	Patrick Chiu	Approved the proposal for making guarantee for Hitron's wholly owned subsidiary	Concurrently serve as a director and manager for 100% owned subsidiary	

### III. Implementation Status of Board Evaluations

The Board of Directors approved the “The Rules for Performance Assessment of the Board of Directors” on May 3, 2019, and approved the amendment on November 4, 2020, which stipulated the requirements of commencing performance appraisal to the Board and the Board members at least once per annual period. The Company had completed the performance appraisal to the Board, the Board members and two Functional Committees by the end of 2022 and reported at the Board meeting in February of 2023, the grade is excellent indicating the efficient and good operation by the Board.

Frequency of assessment	Assessment period	Scope of assessment	Method of assessment	Content of assessment
Annually	2022.01.01-2022.12.31	Board and Board members	Internal Self-Evaluation made by the Board and Board members	<ol style="list-style-type: none"> <li>1. Alignment of the goals and missions of the company</li> <li>2. Participation in the operation of the company</li> <li>3. Management of internal relationship and communication</li> <li>4. Improvement of the quality of the board of directors' decision making</li> <li>5. Composition and structure of the board of directors</li> <li>6. Awareness of the duties of a director</li> <li>7. Election, professionalism and continuing education of the directors</li> <li>8. Internal control</li> </ol>
		Audit Committee	Internal Self-Evaluation made by Audit Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of Audit Committee</li> <li>3. Improvement of quality of decisions made by Audit Committee</li> <li>4. Makeup of Audit Committee and election of its members</li> <li>5. Internal control</li> </ol>
		Remuneration Committee	Internal Self-Evaluation made by Remuneration Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of Remuneration Committee</li> <li>3. Improvement of quality of decisions made by Remuneration Committee</li> <li>4. Makeup of Remuneration Committee and election of its members</li> </ol>

### IV. Evaluation of the target achievement and execution by the Board of Directors in the current and most recent year (e.g. establishing Audit Committee, increase information transparency):

- (1) In accordance with Rules and Procedures of Board of Directors Meetings, the Board of Directors established a Compensation Committee in 2011 and Audit Committee in 2017, to assist the Board in executing its duties and enhance corporate governance and strengthen information transparency.
- (2) Members of the Board of Directors have participated in various corporate governance courses. Lecturers have also been arranged to hold courses to strengthen the competency of the Board members.

(II) State of Operation of the Audit Committee

The Company has appointed 3 Independent Directors in Shareholders' Meeting and established an Audit Committee, which holds a meeting every quarter. Its main duties are as follows:

1. Establish or amend the internal control system in accordance with the Securities and Exchange Act, Article 14-1.
2. Assess the effectiveness of the internal control system.
3. Establish or amend procedures for material financial activities including acquisition or disposal of assets, derivative transactions, funds lending to others, provision of endorsement, or guarantee in accordance with Securities and Exchange Act, Article 36-1.
4. Oversee matters involving conflict of interest of Directors.
5. Oversee transactions involving material assets or derivatives.
6. Oversee material funds lending, and provision of endorsement or guarantee.
7. Oversee offering, issuance, or private placement of equity-type securities.
8. Oversee the hiring or dismissal of a certified public accountant, or their compensation.
9. Oversee appointment or discharge of a financial, accounting, or internal audit Supervisor.
10. Annual financial reports, and second quarter financial reports that must be audited and attested by a certified public accountant, which are signed or sealed by the Chairman, executive officer, and accounting officer.
11. Oversee other material matters as may be required by the Company or by the competent authority.

The Audit Committee held 4 meetings in the most recent fiscal year. The attendance of the Audit Committee members is as follows:

Job Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Independent director (Converner)	Lo-Min Chen	4	0	100	
Independent director	Mao-Chao Lin	4	0	100	
Independent director	Ming-Fu Huang	4	0	100	

Other notes:

I. For Audit Committee meetings that meet any of the following descriptions, state the date, session, the discussed topics, the independent directors' recommendation or objection, independent directors' opinions, and how the Company has responded to such opinions.

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

Board of Directors Board Meeting	Content of resolution and follow-up measures	Opinions of entire independent directors and the Company's treatment of the independent directors' opinion
2022.02.25	<ol style="list-style-type: none"> <li>1. The Internal Control System Statement and the Result of Implementing Self-Evaluation in 2021</li> <li>2. The 2021 financial statements and business report, and the 2022 business plan.</li> <li>3. Proposal for amendments to "Procedures for Acquisition or Disposal of Assets".</li> <li>4. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries.</li> <li>5. Proposal of the 2022CPAs public fees service</li> </ol>	<ol style="list-style-type: none"> <li>1. All Committee members passed the resolution unanimously.</li> <li>2. Response of the Company toward the opinion of Audit Committee: All attending Directors</li> </ol>
2022.04.18	<ol style="list-style-type: none"> <li>1. Proposal for Amendments to "Internal control system".</li> <li>2. Consolidated financial statements for 2022 Q1.</li> <li>3. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries.</li> </ol>	
2022.07.26	<ol style="list-style-type: none"> <li>1. Consolidated financial statements for 2022 Q2.</li> <li>2. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries.</li> <li>3. Proposal to lend funds to the wholly-owned subsidiary, Hitron Technologies Viet Nam company limited</li> </ol>	
2022.10.25	<ol style="list-style-type: none"> <li>1. Consolidated financial statements for 2022 Q3.</li> <li>2. The Company's Internal audit plan for 2023.</li> <li>3. Proposal to provide endorsement and guarantee for the wholly-owned subsidiaries.</li> <li>4. Proposal replacement of appoint accounting firm and CPA from 2023, Q1</li> </ol>	

(II) Resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all Directors:  
None

II. For the recusal of Independent Director(s), the name(s) of Independent Director(s), the content of the resolution, the reason for recusal and the participation of voting for the resolution: None.

III. Method of communication between Independent Directors, the Internal Audit Supervisor, and CPA:

(I) In addition to the monthly internal audit report, the Independent Directors also receive a quarterly internal audit report at the Audit Committee meetings. If there are special circumstances, they can timely report back to the Audit Committee. In 2022, no special circumstances were noted.

(II) The CPAs will report the audit results of the quarterly financial reports at the quarterly Audit Committee meetings and communicate any regulatory matters. If special circumstances arise, they will timely report to the Audit Committee. In 2022, no special circumstances were noted. The communication between the Audit Committee and CPAs remains effective.

#### IV. Annual Operation Highlights and State of Operation

(I) Annual Operation Highlights

1. Review on the Financial statements and communication on the key audit matters
2. Internal control system and related policy and procedures
3. Enacted of laws and regulation and compliance
4. Review on the derivatives, funding to others, endorsement and guarantee guideline and transaction
5. The engagement or dismissal of an attesting CPA, or the compensation given thereto.

(II) 2022 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(III) Implementation of Corporate Governance, and Differences with Contents of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established and disclosed its corporate governance principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	V		In accordance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the Company has established “Corporate Governance Best-Practice Procedures” and make relevant disclosure on Market Observation Post System and the Company website: <a href="http://www.hitrontech.com">http://www.hitrontech.com</a> .	No differences.
II. Shareholding structure and shareholders’ interests (I) Has the Company implemented a set of internal procedures to handle Shareholders’ recommendations, queries, disputes, and litigations? (II) Is the Company constantly informed of the identities of its major Shareholders and the ultimate controller? (III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with? (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(I) The Company has also appointed a spokesperson, acting spokesperson and stock transfer agent to take actions pertinent to the issues above.  (II) In addition to obtaining shareholder information from the stock transfer book during the closing period and timely monitor the change of shareholding of major Shareholders, the Company makes a monthly declaration on the shareholding of internal personnel in accordance with the Securities and Exchange Act, Article 25.  (III) The Company has established procedures to govern the management of affiliated companies in its internal control system. Moreover, the Company has also established “Procedures for Transactions with Specified and Affiliated Companies”, implementing risk control and firewall mechanism.  (IV) The company has established the " the Ethical Corporate Management Policies" and " Ethical Corporate Management Best Practice Principles of Employees" and " Procedures for Handling Material Inside Information " to regulate the use of undisclosed information on the market by insiders to buy and sell securities.	No differences.
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors formulated a diversity policy, specific management objectives and implement them?	V		(I) Article 20 of the Company’s “Corporate Governance Best Practice Principles” states that the diversification policy for board member composition. When planning the formation of the board of directors shall consider the appropriateness and diversity of the professional background of the board members and the nomination and the election of the board members were according to the Article of Incorporate under the candidates nominating system. Except assessing the education and experience qualification and also consider the opinion of stakeholders to ensure the Board members are qualified with the rules. The members of the board with experienced professional background and ability of technology or industry, operational management, finance, accounting and etc.  The Company also valued the gender equity of the composition of the board members, the target goal for female directors as more than 10%. Currently, the Company with 10 directors, including 2 female directors, the percentage as 20%. The disclosure of diversification policy for board member composition please refer to attachment table 1.	No differences.

Assessment criteria	Actual governance		Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
<p>(II) Apart from the Compensation Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established Self-Evaluation or Peer Evaluation of the Board of Director? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and a nomination for re-election?</p> <p>(IV) Does the Company assess the independence of external auditors regularly?</p>			<p>Specific management objectives achieved:</p> <ol style="list-style-type: none"> <li>1. Directors who also serve as the Company's managers shall not exceed one-third of the total number of directors.</li> <li>2. 2 female directors</li> <li>3. Independent directors may not serve more than 3 terms.</li> </ol> <p>(II) The Company has established a Compensation Committee and Audit Committee by law. Currently the Company established Corporate Social Responsibility Committee with the chairman as the convener and the members were the general manager of each entity. The Committee identify the risk, opportunity and the management of the corporate environmental sustainability, happy workplace, society charity, corporate governance and other issues.</p> <p>(III) The Company enacted the "Self-Evaluation or Peer Evaluation of the Board of Directors" on May 3, 2019 and revised on November 4, 2020. The evaluation done by the external institute or external experts and scholars shall conducted once every three year.</p> <p>The Company completed the evaluation of the Board at the end of 2022 and held a Board meeting to report the evaluation results in February 2023. The performance evaluation of the Company's Board of Directors and Board members covers the following 8 major aspects: 1. Alignment of the goals and missions of the company; 2. Participation in the operation of the company; 3. Management of internal relationship and communication; 4. Improvement of the quality of the board of directors' decision making; 5. Composition and structure of the board of directors; 6. Awareness of the duties of a director; 7. Election, professionalism and continuing education of the directors; and 8. Internal control. The evaluation results of 2022 for the Board were "Excellent".</p> <p>According to the Article 29 of the Articles of Incorporate, the directors remuneration shall not exceed 1 %. The remuneration of directors were set by the Compensation Committee and board of directors in accordance of operational result, "guidelines for compensating directors and members of functional committee", and the result of evaluation.</p> <p>(IV) On May 3, 2019, the Board of Directors passed a resolution to establish the "Procedures for Assessment of the Independence and Qualification Auditing CPAs," in which the assessment will be conducted once a year. The assessment items include the years of experience of CPAs in offering auditing service, disciplinary record, significant position undertaken in a company, and if the spouses and minor children have been taken up funds lent by the Company or have profit-sharing projects with the Company. A resolution had been</p>



Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			passed on October 25, 2022 by the Audit Committee and Board of Directors on the assessment for 2022. According to the assessment, both CPAs from KPMG Certified Public Accountants, Hai-Ning Huang and Wei-Ming Shih satisfied the independence and qualification requirements and were qualified to be the CPAs of the Company.	
IV. Does the TWSE/TPEX listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?	V		<p>The Company appointed Allen Hsu as the Corporate Governance Officer by the approval of board of directors on March 16, 2021. He will be in charge of monitoring and planning of Corporate Governance and he is qualified by the criteria of Corporate Governance Supervisor stated on Paragraph 1, Article 3-1 of the Corporate Governance Best Practice Principles. The duties of Corporate Governance Officer includes furnishing information required for the business execution by directors and audit committee, updating information for newly revised laws and regulations and future revised trend to the directors and audit committee, assisting directors and audit committee compliance of law and regulations, report to the corporate governance committee and board of directors for the functioning of corporate governance, handling matters relating to board meetings and shareholders meetings, producing minutes of board meetings and shareholders meetings, assisting directors and member of audit committee to be appointed, continuous studies and etc.</p> <p>The implementation highlight of corporate governance in 2022 as follows</p> <ol style="list-style-type: none"> <li>1. Liabilities Insurance of the Company's directors and important employees and reported to the board of directors after completion of procedures.</li> <li>2. 4 board of directors' meetings and 4 Audit Committee meetings were convened in 2022.</li> <li>3. 1 Shareholders' Meeting was convened in 2022.</li> <li>4. Board Members shall complete at least 6 credits of continuous courses.</li> <li>5. Handling the performance evaluation of board of directors and functional committee, the evaluation result of the board of directors, audit committee, Compensation Committee were exceed the standards.</li> <li>6. Assist the independent directors and general directors in performing their duties and providing necessary information and arranging further education for directors.</li> <li>7. A performance evaluation of the Board was conducted and the results were "Excellent".</li> </ol> <p>For continuing professional education on corporate governance supervisor for 2022, please refer to Table 2.</p>	No differences.
V. Has the Company established a means of communicating with its stakeholders (including but not limited to Shareholders, Employees, customers, suppliers, et cetera) or created a stakeholder section on the Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established a stakeholder section on its website for communication with parties including investors, customers, suppliers and employees, so as to timely respond to corporate responsibilities issues that the stakeholders are concerned with.	No differences.
VI. Does the Company appoint the	V		The Company has appointed the Registrar Agency	No differences.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
professional stock transfer agent to handle the affairs of the shareholders' meeting?			“Department of Capital Securities Corp.” to handle the affairs of the Shareholders' meeting.	
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? (II) Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing spokesperson system, disclosing the process of institutional investor conferences on the Company website and et cetera)? (III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?	V		(I) The company Website: <a href="https://www.hitrontech.com/zh-tw/">https://www.hitrontech.com/zh-tw/</a> ; and with English Website <a href="https://www.hitrontech.com/">https://www.hitrontech.com/</a> and the company disclosed the related financial and operational information on the website of competent authority. (II) The Company has appointed a spokesperson and acting spokesperson and designated a specific person to oversee the collection and disclosure of information. The Company is committed to implementing the spokesperson system. The presentation, visual and audio information on institutional investor conferences is disclosed on Market Observation Post System and the Company website. (III) On February 23, 2023, Hitron has publicly announced the consolidated and Standalone financial reports in 2022; the financial reports in 2022 Q1, Q2 and Q3, in addition to the monthly operating status will be publicly announced on the Market Observation Post System (MOPS) prior to the designated deadlines and then upload them to the Company’s website.	No differences.
VIII. Does the Company have other important information for better understanding the Company’s corporate governance system (including but not limited to interests and rights of Employees, care for Employees, investor relations, relations with suppliers, relations with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company’s directors and supervisors)?	V		1. Interests and rights of Employees care for employees: The Company has established the Staff Benefits Committee, in which members are elected by open ballot. The fund is allocated to the Committee as a benefit to promote various welfare activities for the employees. Further, a pension fund is appropriated in accordance with labor law regulations and regular meetings between the Management and labor representatives are held to ensure effective communication taking place. 2. Investor relations: The Company makes honest disclosure in accordance with regulations to protect the basic rights and interests of the investors. 3. Relations with suppliers: The Company maintains a long term and interactive relationship with its suppliers. 4. Relations with interested parties: The Company has established a section for interested parties on its website to protect their relevant rights and interests. 5. Continuing education of directors: The Directors have taken securities-related courses in accordance with regulations, and satisfy the number of training hours stipulated. 6. Execution of risk management policies and risk measuring standards: The Company undertakes various risk management and assessment measures in accordance with major internal policies. 7. Execution of customer policies: The Company maintains a stable and constructive relationship with its customers to create more profits for the Company. 8. The Company purchases liability insurance for directors and managers, evaluates the insurance coverage regularly every year, and reports the directors'	No differences.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			liability insurance renewal status to the board of directors.	
<p>IX. Please describe improvements that have been made about the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved.</p> <ol style="list-style-type: none"> <li>1. The evaluation results of Corporate Governance Evaluation for Sy sage in 2021 were classified into three groups, which are the top 36%-50%, respectively.</li> <li>2. Continue to deepen corporate governance, make the Company comply with international standards, and announce the annual financial statements before the end of February; and voluntarily provide financial statements in English quarterly to increase international visibility.</li> <li>3. After the annual evaluation results are announced, the Company will review the projects that have not yet met the standards and continue to improve to implement information disclosure and transparency, reduce information asymmetry and enhance shareholder's rights.</li> </ol>				

Table 1

Diversified Core Item	Basic Composition								Professional Background and Ability						
	Name of director	Nationality	Gender	Concurrently as the employees of the Company	Age			Terms of service of independent directors		Crisis Management and International Market Perspective	Business management	Industry or Technology	Leadership decision making	Making judgments about operation	Finance and Accounting
					41 to 60	61 to 80	81 to 90	Less than 3 years	3-9 years						
April Huang	Republic of China	Female		V					V	V	V	V	V	V	
Amy Liu	Republic of China	Female			V				V	V	V	V	V	V	
Peter Chen	Republic of China	Male			V				V	V	V	V	V	V	
Yu-Chin Lin (Note1)	Republic of China	Male		V					V	V	V	V	V	V	
David Chou	Republic of China	Male		V					V	V	V	V			
Patrick Chiu	Republic of China	Male	V	V					V	V	V	V	V		
Allen Hsu (Note2)	Republic of China	Male		V					V	V	V			V	
Adams Lee (Note2)	Republic of China	Male	V	V					V	V	V	V	V		
Lo-Min Chen	Republic of China	Male			V		V		V	V	V	V	V	V	
Mao-Chao Lin	Republic of China	Male			V	V			V		V				
Ming-Fu Huang	Republic of China	Male				V	V		V	V	V		V	V	

Note1: The resignation of Yu-Chin Lin, representative director of Alpha Networks Inc representative, went into effect on April 29, 2022.

Note2: On February 25, 2022, Alpha Networks Inc. appointed Director, Adams Lee as representative and appointed on March 1, 2022, Former representative, Allen Hsu stepped down.

Table 2

Date of training	Organized by	Course title	Number of hours of continuing professional education
2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure	3
2022.08.15	Accounting Research and Development Foundation	The latest "ESG sustainability" and "financial self-preparation of financial resources" related policy development and internal control management practices	6
2022.09.30	Taiwan Corporate Governance Association	Corporate governance in coping with the changes of the international order	3
Accumulated hours of continuing professional education			12

- (I) If the Company has established the Compensation Committee, its composition, responsibilities, and operation should be disclosed:

The Compensation Committee consists of all three Independent Directors of the Company and holds at least two meetings every year.

Members of the Committee should assume the managerial role with bona fides, faithfully execute the following duties, submit recommendations to the Board of Directors for discussion, establish and regularly review the performance assessment and remuneration policies, system, standard and structure of the Directors and managerial officers, and regularly evaluate and assess the remuneration of the Directors and managerial officers.

#### 1. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria		Professional qualifications and experience	State of independence	Number of Other Public Companies in which the Individual is Concurrently Serving as a Compensation Committee Member
	Name				
Independent director (Convener)	Ming-Fu Huang		Please refer to Professional qualifications and independence analysis of directors. (P.9-P.22)	In compliance with Articles 5 and 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.	-
Independent director	Mao-Chao Lin				-
Independent director	Lo-Min Chen				1

#### 2. Information on the state of operation of the Compensation Committee

(1) The total number of members in the Remuneration Committee amounts to three persons.

(2) Term of appointment of the 4th Committee: February 3, 2020 to February 2, 2023. The Remuneration Committee held 2 meetings in the latest year. The attendance of the members is as follows:

Position	Name	Attendance in Person	By proxy	Attendance in Person (%)	Remarks
Convener	Ming-Fu Huang	2	-	100	
Committee member	Mao-Chao Lin	2	-	100	
Committee member	Lo-Min Chen	2	-	100	

Date of Compensation Committee Meeting	Content of resolution	Voting result of resolution	Response of the Company toward the opinion of Compensation Committee
2022.02.25	1. Approved the 2021 distribution of employees and director's remuneration. 2. Proposed the 2022 compensation distributions to senior managerial officers.	All attending members of the remuneration committee agreed.	The proposal was approved without dissent and submitted for resolution at the Board meeting.
2022.10.25	1. Repeal of the "Annual performance bonus operation Measures". 2. Repeal of the "Measures for the payment of annual remuneration to employees".	The report item shall not applicable.	Not applicable.

Other notes:

- I. If the Board of Directors declines to adopt or modify a recommendation of the Compensation Committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the Board of Directors, and the Company's response to the Compensation Committee's opinion (e.g., if the amount of remuneration passed by the Board of Directors has a discrepancy with the recommended amount by the Compensation Committee, the circumstances and cause for the difference shall be specified): None.
- II. If resolutions of the Compensation Committee are objected by members or become subjected to a qualified opinion, which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions, and the response to members' opinions should be specified: None.

(V) Implementation of the promotion of sustainable development and the differences and reasons for the code of practice for sustainable development of listed OTC companies.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the company constructed a governance structure to promote sustainable development and established a dedicated (part-time) unit for the promotion of sustainable development, which is managed by senior management by authorization of the Board of Directors and is supervised by the Board of Directors?	V		The Company established the Corporate Sustainable Development Responsibility Committee in 2019 and the chairman of the board serves as the chairman of the committee. The management office is instructed to set up a concurrent unit of the Corporate Sustainable Development Responsibility Committee. The human resources department will perform all comprehensive business and fulfill sustainable development activities through daily operations. Reports the annual implementation priorities and performances, communication results of stakeholders to the board at least per annum. And the board will review development of ESG strategies and goals each year, and urge the management to make adjustments when required. The 2022 implementation situation has been reported in February 2023.	No differences.
II. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with the materiality principle, and established the corresponding risk management policies or strategies?	V		We follow the materiality identification guidelines of the GRI Standards when conducting a risk evaluation. We regularly issue questionnaires to further understand material topics covering economic/governance, environment, society and health and safety aspects that concern stakeholders. Moreover, we review the meaning and impact of the material topics identified for the year, set annual management risk targets, review the targets, and disclose the results of the management targets. Please refer to the CSR section of the Company's website.	No differences.
III. Environmental issues (I) Has the Company developed an appropriate environmental management system, given the	V		(I) The Company has hired a qualified cleaning company to handle the Company's recycled items and	No differences.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>distinctive characteristics of its industry?</p> <p>(II) Is the Company committed to achieving efficient use of energy, and using renewable materials that produce less impact on the environment?</p> <p>(III) Has the Company assessed the present and future potential risks and opportunities posed by climate change to the Company and undertaken countermeasures pertaining to climate change?</p> <p>(IV) Has the Company measured its greenhouse gas emission, water use, and the total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?</p>			<p>designated specific staff to manage the relevant operation in accordance with environmental protection regulations.</p> <p>(II) The Company actively promotes environmental protection and the environment for sustainable development. Apart from sorting and recycling, the Company has also hired legal institute for handling the recycling and encouraged the recycling of papers in the office.</p> <p>(III) Responding to the call of the government in environmental protection, the Company actively promotes electronic documentation to reduce material wastage and adjusting the time in use of air conditioning.</p> <p>(IV) The Company is well aware of the importance of energy conservation and carbon reduction. As such, it has established a control unit to regulate the central air conditioning and temperature control; and replaced with energy saving lighting to reduce power loss for years. The greenhouse gas emission for 2021 and 2022 amounted to 878.849 metric tons and 870.280 metric tons respectively, reduced by 8.569 metric tons (approximately reduced by 0.97%), taking the 2018 as the standard the emission approximately increased by 5.05% (as calculation bases are different, there is a larger difference between the years); the water used for 2021 and 2022 amounted to 5,576 metric tons and 4,912 metric tons respectively, down by 664 metric tons (approximately down by 11.91%), taking 2018 as the standard the water usage reduced by 31.41%; the total weight of waste for 2021 and 2022 amounted to 21.55 metric tons and 22.14 metric tons respectively, increased by 0.59 metric tons (approximately increased by 2.74%), taking 2018 as standard the total weight of waste reduced by 14.84%. The company expects to obtain the ISO 14064-1:2018 verification certificate issued by the third-party organization SGS in the second half of 2023.</p>	
<p>IV. Social Issues</p> <p>(I) Has the Company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p>	V		<p>(I) The Company conforms to the Universal Declaration of Human Rights, International Labor Organization-Declaration of Fundamental Principles and Rights at Work, International Labour Convention, the Sullivan principles and other human rights standards, as well as adopting standards that are in line with Responsible Business Alliance (RBA), complying with the law and regulations</p>	No differences.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Has the Company established and implemented reasonable Employee benefit measures (including salary, leave, and other benefits), reasonably reflecting the operating results in Employee salary?			of countries which business locations are in, protecting human rights of employees and conforming to Labor Standards Act and internal policies of the Company established in accordance with various law statutes. The Company has also established a “Code of Conduct for Suppliers” and required compliance from its suppliers.	
(III) Does the Company provide employees with a safe and healthy work environment? Are Employees trained regularly on safety and health issues?			(II) The working environment, development and protection of our employees are important to us. As such, we make a concerted effort to conform to and respect the local law and regulations, and universally acknowledged human rights. We feel compelled to make each colleague to be treated fairly and respectfully. Apart from providing a safe and healthy work environment, we have also adopted a market-averaged salary policy. Via diversified learning courses and transparency in the promotion process, we ensure that our employees can enjoy growth and development. (III) The Company cares for the work-life balance of its employees and is keen to provide the most comfortable recreational spaces and hold various sporting events from time to time. Further, the Company provides safe and comfortable breastfeeding spaces, regularly provide medical checkups for employees, and hires professional lecturers to hold fire drill exercises, and safety and precaution courses, thus strengthening the crisis response capability of the employees, effectively enhancing the personal safety and reducing property damage.	
(IV) Has the Company implemented an effective training program that helps Employees develop skills throughout their career?			(IV) To enhance the technical and management competency of employees, the Company holds training courses according to functionality and ranking of employees or sends them for external training courses, to cultivate the competency of employees in different professional areas.	
(V) Pertaining to issues regard the health and safety of customers when using the Company’s products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer or customer protection and complaint procedure?			(V) The Company has designated specific personnel and e-mail address and created a stakeholders section on the Company website to provide a channel for responding to customers’ queries, complaints or recommendations promptly, and thus providing high-quality services.	
(VI) Has the Company established policy on supplier management,			(VI) The Company has established supplier evaluation procedures. The suppliers of	



Assessment criteria	Actual governance			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
demanding suppliers to observe code of conduct pertaining to environmental protection, labor safety, and health or labor rights, and monitoring their implementation?			the Company must sign a declaration statement (environmental protection statement, integrity commitment statement and anti-terrorism agreement, etc.) in accordance with these procedures and meet the product safety and business integrity requirements of the Company. The suppliers should undertake CSR. If any violation is found, the Company may terminate contracts with the supplier with immediate effect and request for damages.	
V. Does the Company refer to universal standards or guidelines for report preparation when preparing for the Sustainability Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from a third party for the aforementioned reports?	V		The 2022 Sustainability Report of Hitron is prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards and AA 1000 AS 2008 (verified by Taiwan Weili International Quality Assurance Co. of Bureau Veritas). The Report is expected to be published by the end of June 2023.	No differences.
VI. If the Company has established its own Sustainable Development Principles in accordance with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the current practices and any deviations from the Best Practice Principles: The Company set up a Corporate Sustainable Development Responsibility Committee in 2019. The Committee is responsible for promoting corporate sustainable development and social responsibility-related activities. The Company has also set up “CSR Best Practice Principles” and the overall operation is not different from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”.				
VII. Other important information that helps understand the implementation of sustainable development: For information about Sustainable Development Best Practice Principles of the company, such as corporate governance, environmental safety, and social welfare, please refer to the company website.				

(VI) Implementation of Ethical Management and Implemented Measures:

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?</p> <p>(II) Has the Company established a risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” article 7 paragraph 2?</p> <p>(III) Does the Company establish relevant policies that are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, the penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?</p>	V		<p>(I) The Company has established “Ethical Corporate Management Best Practice Principles,” “Code of Conduct for Directors and Managers” and other major internal policies to articulate its integrity management and methodology and reflect the commitment of the Board of Directors and Management in implementing their management policies.</p> <p>(II) The “Business Integrity Procedures and Behaviors” established forbids the receiving or giving of gifts, discounts or special treatments, leaking trade secrets, providing illegal political donations, and other violations of integrity conducts. The Company has conducted awareness training and taken preventive measures to implement its integrity management policy.</p> <p>(III) The Company insists on integrity management when conducting business activities. For its suppliers and customers, the Company always first considers the legality in transacting with them and if they have a misconduct record, and requires the suppliers to submit an integrity commitment statement.</p>	No differences.
<p>II. Implementation of integrity management</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company task a unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on business integrity management policy, as well as the supervision of measures for prevention of unethical conduct?</p>	V		<p>(I) The Company insists on integrity management when conducting business activities. For its suppliers and customers, the Company always first considers the legality in transacting with them and if they have a misconduct record, and requires the suppliers to submit an integrity commitment statement.</p> <p>(II) The Company designates the Human Resources Department as the specific unit in promoting integrity management, interpretation and consultation services, content reporting, account access and documentation, as well as supervision. The Company regularly reports the execution of integrity management to the Board of Directors every year. On</p>	No differences.

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?</p> <p>(IV) Has the Company implemented effective accounting and internal control systems to maintain business integrity? Are these systems reviewed by internal or external auditors on a regular basis?</p> <p>(V) Does the Company conduct internal and external ethical training programs on a regular basis?</p>			<p>February 23, 2023, the execution of integrity management for 2022 had been reported to the Board of Directors.</p> <p>(III) The “Code of Conduct for Directors and Managers,” “Business Integrity Procedures and Behaviors” and “Rules and Procedures of Shareholders Meeting” established stipulate that in case of conflict of interest, parties involved must recuse themselves. The Company provides whistle-blowing channels for reporting illegal activities or misconduct behavior.</p> <p>(IV) The Company has established and implemented accounting and internal control systems, and internal auditors regularly conduct audit reviews to examine its compliance. Audit reports are then submitted to the Board of Directors.</p> <p>(V) The “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” established have been put on the Company website and integrated into the training for new employees, as well as other training seminars, to ensure that employees fully understand the content and conform to them.</p>	
<p>III. Implementation of whistle-blowing system</p> <p>(I) Does the Company provide incentives and means for Employees to report malpractice? Does the Company dedicate personnel to investigate the reported malpractice?</p> <p>(II) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?</p> <p>(III) Does the Company assure malpractice reporters that they will not be mistreated for making such reports?</p>	V		<p>The Company has established a specific whistle-blowing mailbox that the Chairman has direct access, in which the identity of the whistleblower and the content reported are strictly protected. The Chairman shall designate specific personnel for the investigation. The “Code of Conduct for Employees” and “Business Integrity Procedures and Behaviors” stipulate that violation of integrity conduct will be punished.</p>	No differences.
<p>IV. Enhanced information disclosure</p> <p>(I) Has the Company disclosed relevant CSR principles and implementation on its website and Market Observation Post System?</p>	V		<p>The company's website has a corporate governance area disclosing information related to ethical management.</p>	No differences.
<p>V. If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe its current practices and any deviations from the Best Practice Principles: No material deviation.</p>				
<p>VI. Other information relevant to understanding the Company’s business integrity (e.g. review and amendment of the code of conduct of business integrity etc.):</p> <p>i. The “Rules and Procedures of Board of Director Meetings” provides for the Director recusal system for conflict of interest. For the agenda of the Board meetings in which the Director has any conflict of interest, whether personal or related to the corporates represented, material information regarding the conflict of interest must be disclosed at the Board meeting. If the conflict of interest may damage the Company’s interest, the Director is refrained from</p>				

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
participating in the discussion and voting. During the discussion and voting, the Director should excuse oneself and is forbidden to act as a proxy to other Directors in the voting process. ii. The Company has established “Guidelines for Process of Internal Major Information and Insider Trading Prevention Management” which stipulate insiders and personnel who obtain information from their position shall not leak the said information. iii. The Company complies with the Company Act, the Securities and Exchange Act, and other laws and regulations, and is committed to implementing integrity management.				

(VII) For Corporate Governance Guidelines and Regulations and other relevant internal policies, the Company should disclose how to access to these policies.

Currently, the Company has established “Ethical Corporate Management Best Practice Principles”, “Code of Conduct for Directors and Managers”, “Audit Committee Charter”, “Compensation Committee Charter”, “CSR Best Practice Principles”, “Corporate Governance Best Practice Principles”, “Rules and Scope of Duty of Independent Directors” and other major internal policies and are disclosed on Market Observation Post System and the Company website.

(VIII) Other important information for enhancing understanding of the implementation of corporate governance:

1. The Company approved a resolution of the board of directors to appoint a corporate governance officer to protect the rights and interests of shareholders and strengthen the functions of the board of directors on March 16, 2021.
2. The newly-elected directors of the Company will be given the brochure published by the authority with the contents including various laws, regulations and precautions to facilitate legal compliance.
3. The Company regularly arranges for directors to attend corporate governance courses. Please see the following table for corporate governance training undertaken by directors in 2022.

Job Title	Name	Date of training	Organized by	Course title
Corporate Director Representative	April Huang	2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure
		2022.12.06	Taiwan Corporate Governance Association	Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies
Corporate Director Representative	Peter Chen	2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure
		2022.12.06	Taiwan Corporate Governance Association	Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies
Director	Amy Liu	2022.08.25	Taipei Exchange	Equity Awareness Seminar for Insiders of TPEX-Listed Companies
		2022.10.19	Taiwan Corporate Governance Association	The 18th International Summit on Corporate Governance
Corporate Director Representative	David Chou	2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure
		2022.12.01	Accounting Research and Development Foundation.	Global Net Zero Emissions Impact and ESG Actions
Corporate Director Representative	Patrick Chiu	2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure
		2022.11.18	Taiwan Corporate Governance Association	Discussion on the Key Issues of M&A Integration in the Process of Corporate M&A
Corporate Director Representative	Adams Lee	2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure
		2022.07.21	Accounting Research and	Analysis of common deficiencies in "financial report

			Development Foundation.	review" and important internal control laws and regulations
		2022.09.06	Taiwan Corporate Governance Association	Innovation of Circular Economy for Creating True Value
Independent director	Lo-Min Chen	2022.06.22	Taiwan Academy Of Banking And Finance	Corporate Governance and Enterprise Sustainable Management Workshop
		2022.06.29	Taiwan Corporate Governance Association	Personal Facing CFC Response Part 1: Know Yourself and the Enemy
Independent director	Mao-Chao Lin	2022.06.30	Taiwan Corporate Governance Association	Trends in ESG Reporting and the Business Implications of Disclosure
		2022.10.19	Taiwan Corporate Governance Association	The 18th (2022) Corporate Governance Summit Forum - Improving the Functions of Directors and Implementing Sustainable Corporate Governance
Independent director	Ming-Fu Huang	2022.08.26	Taiwan Corporate Governance Association	How does the Audit Committee monitor the effectiveness of internal controls
		2022.10.19	Taiwan Corporate Governance Association	The 18th (2022) Corporate Governance Summit Forum - Improving the Functions of Directors and Implementing Sustainable Corporate Governance
Supervisor, Accounting Division	Allen Hsu	2022.05.26-2022.05.27	Accounting Research and Development Foundation.	Advanced Studies for Principal Accounting Supervisors of Issuers, Securities Firms, and Securities Exchanges
Supervisor, Audit Division	Gina Tseng	2022.03.18	The Institute of Internal Auditors	Regulatory Interpretation and Audit Key Points of the Board of Directors and Functional Committees (Audit, Remuneration)
		2022.11.24	The Institute of Internal Auditors	Regulatory Interpretation and Audit Key Points of the Board of Directors and Functional Committees (Audit, Remuneration)
Internal auditor	Polly Chen	2022.03.28	The Institute of Internal Auditors	Analysis of Loaning of Funds, Endorsements and Guarantees, and Requirements and Acquisition of Disposed Assets
		2022.12.06	The Institute of Internal Auditors	Corporate Labor Relations - Analysis and Audit Key Points for Labor Contracts, Work Rules and Labor-Management Meetings

(IX) Internal Control Systems should disclose the following:

1. Statement of Internal Control System

Hitron Technologies Inc.  
Statement of Internal Control System

Date: February 23, 2023

The Company declares the following concerning its internal control system during the fiscal year 2022, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety, etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of the environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2022, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on February 23, 2023, where none of the 9 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Hitron Technologies Inc.

Chairman: April Huang

General Manager: Patrick Chiu

2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: Not applicable.

(X) For the most recent year until the publication date of the annual report, penalties imposed against the Company and its staff, or penalties imposed by the Company against its staff for violations of internal control or regulations. State any corrective actions are taken in the most recent years up to the date of the annual report: None.

(XI) For the most recent year until the publication date of the annual report, major resolutions made in Shareholders' and Board meetings:

1. Material resolutions in Shareholders' Meeting:

Board Meeting	Major resolutions	Execution
2022.05.30	1. Ratification of business and financial reports for 2021.	The operating revenue of the Company for 2021 amounted to NT\$9,681,546thousand. Profit attributable to parent company amounted to NT\$71,582thousand. EPS amounted to NT\$0.22.
	2. Accepted the proposal for the distribution of 2021 profits.	1. Earnings distribution for 2021 amounted to NT\$548,750 for Director remuneration, NT\$7,316,661 for employee compensation, and NT\$47,968,935 for cash dividend to Shareholders. 2. The ex-dividend record date was set on June 14, 2022 and the cash dividend payable date was set on July 1, 2022.
	3. Accepted the cash offering use change of 2018 private placement	Carried out in accordance with the plan after the change.
	4. Approved the amendment to "Articles of Incorporation" and "Handling Procedures for Acquisition or Disposal of Assets".	Adopted the amended procedures.
	5. Approved to lift non-competition restrictions on current directors and their representatives.	Proposal was recognized.

2. Material resolutions by Board Meeting:

Board Meeting	Major resolutions
2022.02.25	1. Approved the distribution of employees' and directors' remuneration of 2021. 2. Approved the 2021 business report and financial statements, and the 2022 business plan. 3. Approved the Proposal for 2021 Earnings Distribution. 4. Approved the Proposal for Cash Distribution from Capital Reserve. 5. Approved the provision of endorsement/guarantee to the wholly-wholly-owned subsidiary. 6. Approved the donation to BenQ Foundation. 7. Approved the cancellation of shares of treasury stock.
2022.04.18	1. Approved the proposal for Amendments to "Internal control system". 2. Approved the consolidated financial statements for 2022 Q1. 3. Approved the proposal to provide endorsement and guarantee for the wholly-owned subsidiaries.
2022.07.26	1. Approved the consolidated financial statements for 2022 Q2.

Board Meeting	Major resolutions
	2. Approved the proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 3. Approved the proposal to lend funds to the wholly-owned subsidiary, Hitron Technologies Viet Nam company limited.
2022.10.25	1. Approved the consolidated financial statements for 2022 Q3. 2. Approved the proposal to provide endorsement and guarantee for the wholly-owned subsidiaries. 3. Approved the proposal replacement of appoint accounting firm and CPA from 2023, Q1 4. Approved the amendments to the “Procedure for Board of Directors Meetings”. 5. Approved the amendments to the “Guidelines for Process of Internal Major Information and Insider Trading Prevention Management”.
2023.02.23	1. Approved the distribution of employees’ and directors’ remuneration of 2022. 2. Approved the 2022 Business Report, Financial statements and Operating Plan. 3. Approved the Proposal for 2022 Earnings Distribution. 4. Approved the Proposal to recognize the surplus distribution of cash dividends in 2022. 5. Approved the proposal of the convene date of 2023 Shareholders’ Meeting and meeting agenda 6. Approved the donation to BenQ Foundation.

7. Approve the retroactive Handling of Public Issuance Procedure of Privately Placed Securities.

- (XII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or supervisors regarding material resolutions passed by the Board of Directors’ Meeting in the most recent year up to the publication date of this report: None.
- (XIII) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and In the most recent year up to the publication date of the Annual Report, a summary of the resignation and internal audit manager and R&D manager: None.

## V. Information on Audit Fees of CPAs

Unit: NT\$ thousand

Name of accounting Firm	Name of CPA	Period covered by CPA’s audit	Audit fee	Non-audit fee (Note)	Total	Remarks
BDO Taiwan	Kun-His Hsu	2022.01.01-2022.12.31	3,140	460	3,600	-
	Shu-Chen Chang					

Note: Non-audit fees are fees for tax compliance audits.

- (I) Replacement of accounting firm and the audit fees in the replacing year is less than that in the previous year: None.
- (II) Audit fees were reduced by over 10% compared with the previous year: None.



## VI. Accountant Replacement Information:

### (I) Regarding the former CPAs

Date of the replacement	October 25, 2022 with the approval of the Board of Directors.		
Reasons for replacement and description	Due to company's business and management needs, it will be replaced BDO Taiwan with KPMG Taiwan from the first quarter of 2023.		
State whether the appointment is terminated or rejected	Counterparty	Certified Public Accountant	Consignor
	Situation		
	Appointment terminated automatically	-	V
	Appointment rejected(discontinued)	-	-
The Opinions other than unmodified Opinion issued in the last two years and the reasons for the said opinions	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	None	V	
	Description		
Additional Disclosures (Disclosures Specified in Article 10.6.1.4-7 of the Standards)	None		

### (II) Regarding the successor CPAs

Accounting Firm	KPMG Taiwan
Name of CPA	Hai-Ning Huang and Wei-Ming Shih
Date of Engagement	October 25, 2022
If prior to the formal engagement of the successor CPA, the company consulted the new CPA regarding the accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the company's financial report	None
Written views of the former CPA on which the successor disagreed with the former CPA	None

(III) Former CPA Letters Regarding Clause 5.1 and 5.2.3, Article 10 of these Guidelines: Not applicable

VII. Has any of the Company's Chairman, President, or managers responsible for finance or accounting duties served in the Company's CPA firm or its affiliated Company within the most recent year: None.

VIII. The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report:

(I) Changes in shares held by Directors, managers, and shareholders holding 10% or more of shares:

Unit: Share

Title	Name	2022		As of March 31	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Director	Amy Liu	-	-	-	-
Director Shareholder with more than 10% stake	Alpha Networks Inc.	-	-	-	-
	Corporate Representative:				
	April Huang	-	-	-	-
	Peter Chen	-	-	-	-
	Yu-Chin Lin (Note 1)	-	-	-	-
	David Chou	-	-	-	-
	Patrick Chiu	4,497	-	5	-
Allen Hsu (Note 2)	2,740	-	-	-	
	Adams Lee (Notes 2)	787	-	-	-
Independent director	Mao-Chao Lin	-	-	-	-
Independent director	Min-Fu Huang	-	-	-	-
Independent director	Lo-Min Chen	-	-	-	-
President	Patrick Chiu	4,497	-	5	-
Vice president	Eric Pan	-	-	-	-
Vice president	Jimmy Huang	4,383	-	-	-
Vice president	Adams Lee	787	-	-	-
Vice president	ML Chien (Note 3)	-	-	-	-
Supervisor, Finance & Accounting Division	Allen Hsu	2,740	-	-	-

Note 1: The resignation of Yu-Chin Lin, representative director of Alpha Networks Inc representative, went into effect on April 29, 2022.

Note 2: On February 25, 2022, Alpha Networks Inc. appointed Director, Adams Lee as representative and appointed on March 1, 2022, Former representative, Allen Hsu stepped down.

Note 3: Vice president, ML Chien stepped down on June 5, 2022

(II) Counterparty of equity pledge is a related party: None.

(III) Counterparty of equity pledge is a related party: None.

IX. Information of relationships between Top 10 shareholders are related parties, spouses or relatives within the second degree of kinship Relationship

Name	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships (Note2)		Remarks
	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Number of shares	Shareholding Percentage (%)	Title (or Name)	Relationship	
Alpha Networks Inc.	200,000,000	62.24	-	-	-	-	-	-	
Representative: April Huang	-	-	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd.	3,265,000	1.02	-	-	-	-	-	-	
Representative: Ming-Hsing Tsai	-	-	-	-	-	-	-	-	
HSBC Hosted Mitsubishi UFJ Morgan-Tripartite SBL Transaction	3,188,000	0.99	-	-	-	-	-	-	
J.P. Morgan Securities Plc	2,884,617	0.90	-	-	-	-	-	-	
Ming-Long Huang	1,938,000	0.60	-	-	-	-	-	-	
Citibank Taiwan as custodian of UBS Europe SE Investment Account	1,423,512	0.44	-	-	-	-	-	-	
Goldman Sachs International	1,203,050	0.37	-	-	-	-	-	-	
HSBC Custody Merrill Lynch Investment Account	1,073,000	0.33	-	-	-	-	-	-	
Wen-Feng Liu	1,020,801	0.32	-	-	-	-	-	-	
Chong-Ting Zhao	838,000	0.26	-	-	-	-	-	-	

X. Shareholdings and Combined Joint Shareholdings of Businesses Invested in by the Company, Company Directors or Executive Officers or Directly or Indirectly Controlled by the Company

December 31, 2022; Unit: thousand shares; %

Re-investing business	The company investment		Held by Directors, Supervisors, managerial officers, and directly/indirectly controlled entities		Comprehensive investment	
	Amount of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Interactive Digital International Co., Ltd.	16,703	41.49	-	-	16,703	41.49
Hitron Technologies Europe Holding B.V.	15	100.00	-	-	15	100.00
Hitron Technologies (Americas) Inc.	300	100.00	-	-	300	100.00
Hitron Technologies (Samoa) Inc.	21,350	100.00	-	-	21,350	100.00
Hitron Technologies (SIP) Inc.	-	100.00	-	-	-	100.00
Hwa Chi Technologies (Shanghai) Inc.	-	41.49	-	-	-	41.49
Jietech Trading (Suzhou) Inc.	-	100.00	-	-	-	100.00
InnoAuto Technologies Inc.	2,000	100.00	-	-	2,000	100.00
Hitron Technologies Vietnam Company Limited	-	100.00	-	-	-	100.00
Imagetech Co., Ltd.	120	1.20	-	-	120	1.20
Tsunami Visual Technologies Inc.	1,220	9.34	-	-	1,220	9.34
Pivot Technology Corp.	198	10.94	-	-	198	10.94
Cardtek Digital Technology Co., Ltd.	1,000	6.45	-	-	1,000	6.45
Yesmobile Holdings Company Ltd.	294	0.75	-	-	294	0.75
Chao Long Motor Parts Corp.	668	1.79	-	-	668	1.79
Codent Networks(Cayman) Limited. (Note)	1,570	-	-	-	1,570	-

Note: Long-term investment of the Company. The Company holds the preferred shares of Codent Networks (Cayman) Limited.

## Four. Capital and Shares

### I. Capital and Shares

#### (I) Source of capital

##### 1. Share types for the most recent year until the publication date of the annual report

Unit: NT\$/share

Year/ Month	Issue price	Authorized Capital		Paid-in Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Property other than cash provided as capital contributions	Others
2019.4	10	300,000,000	3,000,000,000	224,689,554	2,246,895,540	Shares converted from corporate bond	—	Note 1
2019.5	10	300,000,000	3,000,000,000	227,799,421	2,277,994,210	Shares converted from corporate bond	—	Note 2
2019.8	10	300,000,000	3,000,000,000	228,986,229	2,289,862,290	Shares converted from corporate bond	—	Note 3
2019.12	10	400,000,000	4,000,000,000	328,986,229	3,289,862,290	Private placement of newly issued shares	—	Note 4
2022.2	10	400,000,000	4,000,000,000	321,317,229	3,213,172,290	Cancellation of treasury stock	—	Note 5

Note 1: The capital increase record date for convertible bonds was on March 28, 2019, and the capital increase amounted to NT\$3,956 thousand. The approval document number was HSP No. 1080011240 (April 17, 2019).

Note 2: The capital increase record date for convertible bonds was on May 13, 2019, and the capital increase amounted to NT\$31,099 thousand. The approval document number was HSP No. 1080014914 (May 24, 2019).

Note 3: The capital increase record date for convertible bonds was on August 13, 2019, and the capital increase amounted to NT\$11,868 thousand. The approval document number was HSP No. 1080024677 (August 26, 2019).

Note 4: The record date of the new privately placed shares was on December 17, 2019, and the capital increase amounted to NT\$1,000,000 thousand. The approval document number was HSP No. 1080037612 (December 25, 2019).

Note 5: Cancellation of treasury stock was carried out was on February 26, 2022 as the base date for capital reduction of NT\$76,690 thousand, The approval document number was HSP No.1110007294 (March 11, 2022)

(Share type)	Authorized capital		
	Outstanding shares	Unissued shares	Total
Common stock	321,317,229	78,682,771	400,000,000

2. For shelf registration for issuing marketable securities that have been approved, the Company should disclose the approved issue amount, and relevant information on scheduled issuance and issued marketable securities: Not applicable.

## (II) Shareholder Structure

March 27, 2023 Unit: shares/%

Shareholder structure Amount	Governmental agencies	Financial institutions	Other legal persons	Individual	Foreign institutions and foreign persons	Total
Number of People	0	1	149	33,300	87	33,537
Shareholding	0	3,265,000	201,090,692	102,974,092	13,987,445	321,317,229
Percentage of Shareholding	0.00	1.02	62.58	32.05	4.35	100.00

## (III) Share ownership distribution

March 27, 2023 Unit: Person/Shares/%

Shareholding Tiers	Number of Shareholders	Shareholding	Percentage of shareholding %
1-999	16,278	2,010,775	0.62
1,000-5,000	13,728	28,614,141	8.91
5,001-10,000	2,004	16,468,916	5.13
10,001-15,000	448	5,732,047	1.78
15,001-20,000	381	7,083,600	2.20
20,001-30,000	267	6,787,999	2.11
30,001-40,000	111	4,031,380	1.25
40,001-50,000	102	4,807,843	1.50
50,001-100,000	134	9,626,161	3.00
100,001-200,000	42	5,749,930	1.79
200,001-400,000	15	4,068,425	1.27
400,001-600,000	12	5,965,556	1.86
600,001-800,000	4	2,729,999	0.85
800,001-1,000,000	2	1,644,477	0.51
More than 1,000,001	9	215,995,980	67.22
Total	33,537	321,317,229	100.00

## (IV) Major Shareholders

March 27, 2023

Name of Major Shareholder	Share	Shareholding	Percentage of Shareholding
Alpha Networks Inc.		200,000,000	62.24%
Fubon Life Insurance Co., Ltd.		3,265,000	1.02%
HSBC Hosted Mitsubishi UFJ Morgan-Tripartite SBL Transaction		3,188,000	0.99%
J.P. Morgan Securities Plc		2,884,617	0.90%
Ming-Long Huang		1,938,000	0.60%
Citibank Taiwan as custodian of UBS Europe SE Investment Account		1,423,512	0.44%
Goldman Sachs International		1,203,050	0.37%
HSBC Custody Merrill Lynch Investment Account		1,073,000	0.33%
Wen-Feng Liu		1,020,801	0.32%
Chong-Ting Zhao		838,000	0.26%

## (V) Market share price, net worth, earnings, dividend and relevant information for the most recent two years

Unit: NT\$

Item	Year		2021	2022	Until March 31, 2023 (Note 8)
	Stock price per share (Note 1)	Maximum		27.50	31.40
	Minimum		17.90	17.25	23.85
	Average		21.85	23.27	27.41
Net value per share (Note 2)	Prior to distribution		14.28	16.47	-
	After distribution		13.79	14.97	-
Earnings per share (EPS)	Weighted average outstanding shares (shares in thousands)		321,317	321,317	-
	EPS (Note 3)	Prior to adjustment	0.22	1.50	-
		After adjustment	0.22	1.49	-
Dividend per share	Cash dividends		0.15	1.50	-
	Distribution of cash disbursement using capital surplus		0.35	-	-
	Bonus shares	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Analysis of investment returns	PE Ratio (Note 5)		99.32	15.51	-
	Price to dividend ratio (Note 6)		43.7	15.51	-
	Dividend Yield (Note 7)		0.69%	6.45%	-

Note 1: List the highest and lowest stock prices of each year. Compute the average stock price according to turnover in value and trading volume.

Note 2: Indicate based on the number of stocks issued as at year-end, and computed according to the distribution per the resolution of the Board meeting or Shareholders' Meeting in the following year.

Note 3: If retrospective adjustment is needed due to bonus shares, EPS prior to and after adjustments should be presented.

Note 4: If the terms of issuance of equity securities stipulate the unpaid dividend of the year can only be cumulated and disbursed in the year where the Company is profitable, respective disclosure on the cumulative unpaid dividend for the period should be made.

Note 5: PE Ratio = Average closing price for the period / Earnings per share.

Note 6: Price to dividend ratio = Average closing price for the period / Cash dividend per share.

Note 7: Dividend Yield = Cash dividend per share / Average closing price for the period.

Note 8: Net value per share and EPS should be presented using the latest audited quarterly report as of the publication of the annual reports; the rest of the information should be presented using the latest yearly report as of the publication of the annual reports.

(VI) Dividend Policy and Implementation Status

1. Dividend policy as stipulated in the Articles of Incorporation

The industrial environment of the Company is ever-changing and the Company is in a stable growth stage. Its dividend policy takes into consideration its future capital need and long-term financial planning to pursue a sustainable development strategy. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. When there is a surplus earning at the final account of a fiscal year and when the distributable earnings of the current year reaches 2% of the capital, the dividend distribution shall not be less than 10% of the distributable earnings of the current year, and the cash dividend shall not be less than 10% of the total amount of the cash and share dividends issued in the current year.

Article 29-1 of the Articles of Incorporation stipulates that the earning after tax should be first utilized to offset losses from previous years, and next, set aside 10% of the remaining profit as a legal reserve. However, if the legal reserve is on par with the authorized capital, the Company is allowed to stop allocation to the legal reserve, and allocate to a special reserve in accordance with relevant laws and regulations. If there are earnings left, the Board of Directors can devise an earnings distribution proposal using the remaining amount, together with the cumulative unappropriated retained earnings, and submit to the Shareholders' Meeting to disburse as a cash dividend or retain it. When the earnings distribution proposal described in the preceding paragraph is made in the form of cash dividends, the Board of Directors is authorized to reach resolution and to report to the shareholders' meeting.

2. The dividend distribution proposal by the Shareholders' Meeting:

The Company distributed cash dividends of NT\$481,975,844 (NT\$ 1.5 per common share), have been approved by the meeting of the board of directors held on February 23, 2023, which will be reported at the 2023 Annual Shareholders' Meeting.

(VII) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue bonus shares: Not applicable.

(VIII) Employees Bonus and Directors Remuneration

1. Employees' and directors' compensation policies as stated in the Articles of Incorporation:

Articles of Incorporation, Article 29:

When the Company has a profit at the end of each fiscal year, an amount between 5% and 20% of the profit shall be appropriated as the remuneration of employees, which is to be distributed and issued in the form of shares or cash according to the resolution of the Board of Director, and the recipients thereof may include employees of affiliates satisfying a certain criteria, and such criteria is to be specified by the Chairman.

The Company may appropriate the aforementioned profit as the remuneration of directors, in which the appropriation ratio shall not exceed 1% of the profit of the current year.

If there are previous accumulated losses, the losses shall first be offset before allocating compensation and remuneration to employees and directors. The remaining profits may be allocated as aforementioned. The proposal of compensation to employees and remuneration to Directors must be approved by the Board Meeting, in which two-thirds of the Directors have attended and the majority has concurred with the proposal.

2. The estimation basis of the compensation for employees, Directors, and Supervisors for the current period, the computation basis for the number of shares issued as stock dividend serving as Employee compensation, and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed:

In pursuant to the Company Act and the Articles of Incorporation, to appropriate for compensation to employees and remuneration to Directors, according to Accounting Research and Development Foundation (96) Explanatory Note No. 052, the Company shall make an estimation when preparing for interim and annual reports, and make recognition under the appropriate accounting categories based on the nature of the compensation and remuneration. Afterward, when the actual disbursement approved by the Shareholders' Meeting differs from the estimation in the financial reports, the discrepancy shall be deemed as a change in accounting estimate and recognized as the profit and loss for the period.



3. Employees compensation proposal passed by the Board of Directors:
- (1) For 2022, the Board of Directors resolved to distribute NT\$50,291,722 as employee bonus and NT \$3,771,879 as remuneration to directors. The discrepancy in the recognized employees' remuneration and directors' remuneration totaled NT\$306,477, which was due to changes in accounting estimates and included in the profit or loss of 2023.
  - (2) Sum of employees' compensation in stock and its proportion of the net income after tax (NIAT) provided in the Individual Financial Statement and the total sum of employees' compensation: Not applicable.
4. Actual disbursement of employee bonus and remuneration to Directors for the preceding year (including employee stocks, cash disbursement and share prices). In circumstances where any differences between the actual distributed and recognized amount, the difference, reasons and handling of such matter shall be stated as follows:
- (1) The amount distributed to employees' remuneration in cash was NT\$ 7,316,661 and NT\$ 548,750 for Directors' one.
  - (2) The difference between the proposed distribution amount approved by the Board of Directors and the actual amount distributed: the actual distributed amount was the same as the proposed distribution amount approved by the Board of Directors.

(IX) Share Repurchase by the Company

Count of share repurchase	11th
Objective of repurchase	Confer to employees
Repurchase period	2019/1/2-2019/2/26
Interval price of repurchase	NT\$13.13 - NT\$29.36
Type and number of shares repurchased	Common stock / 7,669,000 shares
Amount of shares repurchased	NT\$160,670,084
Amount of shares repurchased to Estimated number of shares repurchased (%)	76.69%
Number of shares cancelled and transferred	7,669,000 shares
Cumulative number of the Company's shares held	0 shares
Percentage (%) of number of the Company's shares held to the total number of issued shares in issue	0%

- II. Preferred Shares: None
- III. Preferred Shares: None
- IV. Global Depository Receipts: None
- V. Subscription of Warrants for Employee: None
- VI. New Employee Restricted Stock Plans: None
- VII. Issuance of New Shares Regarding Acquisitions of the Other Companies: None

VIII. Execution of Fund Usage Plan:

- (I) Content of plan: the private placement of marketable securities for 2019 amounted to NT\$1,611,000 thousand. The funds privately placed were used to expand plants and purchase machinery and equipment. Taking into account the Company's mid- and long-term strategic development plan, the Board meeting held on November 4, 2021 resolved to change the use of funds privately placed to purchasing machinery and equipment, and building plants as well as enriching the working capital. This helps the Company strengthen its competitiveness, increase operational effectiveness, and enhance the financial structure of the Company, thus beneficial to the Shareholders' interest.
- (II) Implementation status: The funds privately placed were completed in the fourth quarter of 2021.

## Five. Overview of Operations

### I. Our Businesses

#### (I) Business Scope:

1. Content of main businesses: R&D, manufacturing and sales of network and telecommunication equipment.
2. Revenue distribution

The revenue based on products for 2022 is as follows:

Unit: NT\$ (thousand), %

Major Products	Sales revenue for 2022	Weighted in the operation
Network and telecommunication equipment	12,318,229	100.00

#### 3. Products and services of the company at present

Hitron has accumulated decades of experience, sales channels and research and development under Hitron's brand worldwide. The goal of business development remains mainly on continuing the development of broadband telecommunication products. In addition to the existing CPE for the product line, the Company has also completed the development of the corresponding software network platform management system and customer operation management system. In addition to the original Broadband CPE product line, we also continued to develop and have completed three home access network product lines in the past two years: ultra-high-speed fiber access equipment, WiFi 6/6E wireless gateways and extenders, 5G wireless access devices, and Small Cell base stations. In terms of software, Hitron Cloud, a self-developed cloud management development system that has been applied by operators, has been strengthened with user friendly APP to support and the GUI interface, allowing home users to use these services in a diversified way, boosting the ARPU of operators. This is the trend and necessary feature for the overall development for cloud management. With the Company's longstanding dedication to its field as a broadband operator, it has accumulated extensive and outstanding software and firmware integration capabilities. While we take a proactive approach to participate in the forward-looking broadband technology development and projects of customers, with our leading technology in communications, we also work closely with our customers around the world.

#### 4. The development plan of new products and services

Using the existing technologies and products as its foundation, the Company continues to develop the following new products:

- (1) DOCSIS 4.0 next generation cable router and VOIP modem
- (2) IoT Gateway
- (3) SD-WAN
- (4) 10Gbps Full Duplex DOCSIS 3.1 Cable Gateway (10Gbps downstream speed and Wi-Fi 6support)
- (5) Mobile Backhaul for Small Cell Base Station
- (6) Hitron Cloud Management System
- (7) Wi-Fi 6, Wi-Fi Extender with EasyMesh
- (8) 3.5GHz wireless base station CBRS Small Cell RAN
- (9) 2.5Gbps/10Gps PON ONU
- (10) Indoor and outdoor 5G FWA and mmWave solutions
- (11) Provide new value-added services by integrating Hitron Cloud and third-party software application platforms.
- (12) Analysis of big data and prediction/modeling calculation of customer behavior patterns

#### (II) Industry overview

##### 1. Current Status and Development of the Industry

According to the Senior Industry Consultant of the Market Intelligence & Consulting Institute (MIC), on December 6, 2022, the global communication industry is expected to reach US\$724.8 billion (about NT\$21 trillion) in 2022, a growth rate of 1.2%. In 2022, the overall communication industry in Taiwan reached NT\$4.45 trillion, a growth of 5.8% compared to 2021. Based on the anti-China of the global high-tech industry and the Giga-speed

generation business opportunities, Taiwan’s Internet Service Providers (ISPs) will continue to benefit. A global growth rate estimated at 1.5% is estimated. In terms of the trend of Taiwan’s ISPs in 2023, the MIC is optimistic towards orders in the international market. We will take proactive efforts of developing new products and striving for exposure opportunities. At the same time, a high inventory level will be maintained in case of sudden demand in the market. We will keep a close eye on the impact of global inflation. Some international telecom service providers plan to reduce capital expenditure in 2023 will bring uncertainty to the market. The MIC also predicts that the demand for software-defined products will gradually increase in 2023, pointing out that the importance of “software and hardware integration” will continue to rise in the future. With the continuous improvement of hardware performance, more emphasis will be placed on the implementation of software applications in various vertical industries in the future. In order to achieve differentiation, the role of software will become more important, driving the rising demand for software-defined products. According to MIC, Taiwanese companies are at an advantage as they are good at affordable and high-quality hardware. Through the integration of software and hardware development, Taiwanese companies will have more room for creativity and development. There is an opportunity to break free from hardware equipment to team up with equipment manufacturers and solution providers. In the product development process, software must be designed with various vertical industry applications. With the demand for software and hardware integration capability continuing to grow, investment in software technology and talent driven by system vendors is expected.

Looking forward to the industry trend in 2023, it is necessary to pay attention to the business opportunities of the next generation broadband network stimulated by the rural broadband subsidy policies of the United States and the United Kingdom. For example, five of the top eight U.S. fixed-line telecom providers are expanding investment and commercial use of 10G PON network. If the supply chain issues are eased, 2023 will still be a year of significant growth for FTTH equipment in the European and American markets, which is expected to drive the shipment demand for high-bandwidth, high-end products such as Wi-Fi 6/Wi-Fi 7 routers. In the post-pandemic period, people’s dependence on communications has increased, and the bandwidth needs of global telecom providers for broadband customers are still strong. The new generation of DOCSIS Wi-Fi 7 routers, 5G FWA and LEO products will drive another wave of networking opportunities.

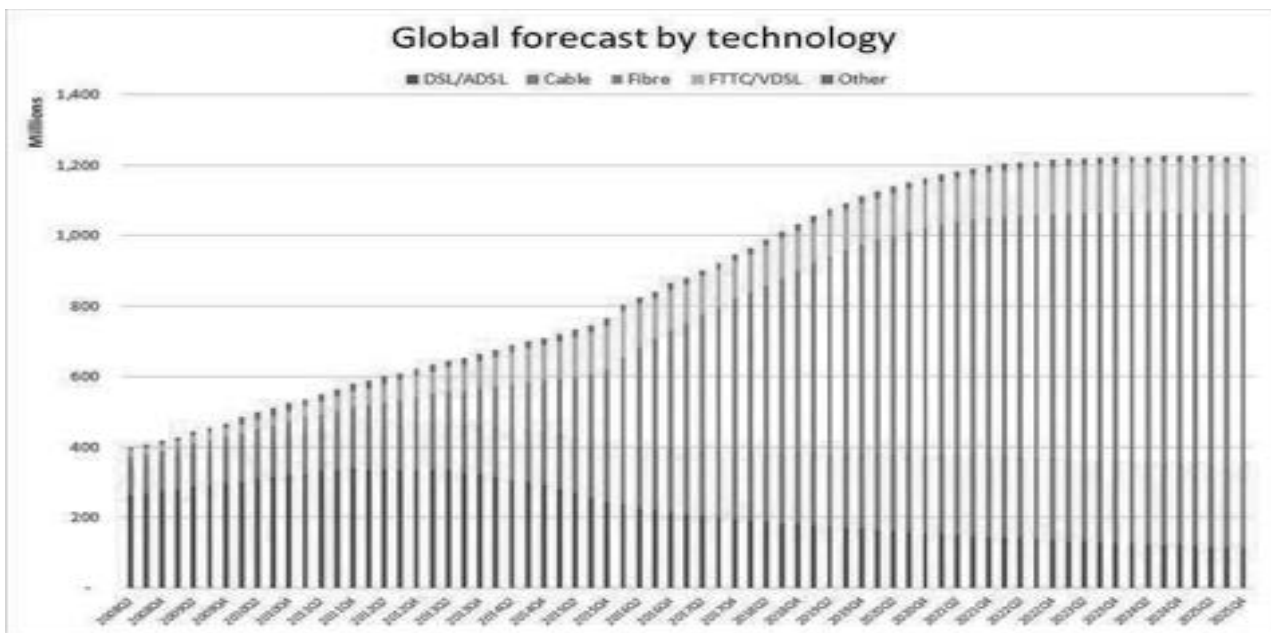


Figure 1. Global Wired Broadband Demand (source: VSOL)

From 2021 to 2026, the compound annual growth rate of the fixed-line communication market is expected to exceed 11.32%. The trend of digitalization has also resulted in the emergence and change of the set-top box (STB) purchased from the cable TV. This, in turn, enables customers to enjoy a wider range of services at relatively low costs, and also enables suppliers to provide better service quality. The cloud is essentially a remote virtual platform for storing, managing, and retrieving data or resources when needed by an enterprise. The increase in the number of data-enabled devices and Web applications increases the demand for scalable cloud technology. Many enterprises turn to cloud storage to eliminate the investment required for storage hardware and physical infrastructure.

The demand for faster internet service is driving the market studied. The technology and popularity of wired network communications are highly related to the bandwidth needs of small and medium enterprises, families, educational institutions, and offices. Fixed line telephone operators are witnessing the booming development of data service revenues and are attempting to provide consumers with "triple play" through IP network, that is, a combination of broadband Internet, video and voice over IP networks.

With the emergence of the Internet of Things, big data analysis, and cloud-based services, the market demand for data centers continues to increase. Network equipment plays an important role in the operation of data centers. In addition, the rising demand for data centers by government agencies, large enterprises, and telecommunication organizations is boosting the demand for broadband-to-home and broadband-to-office and complete services.

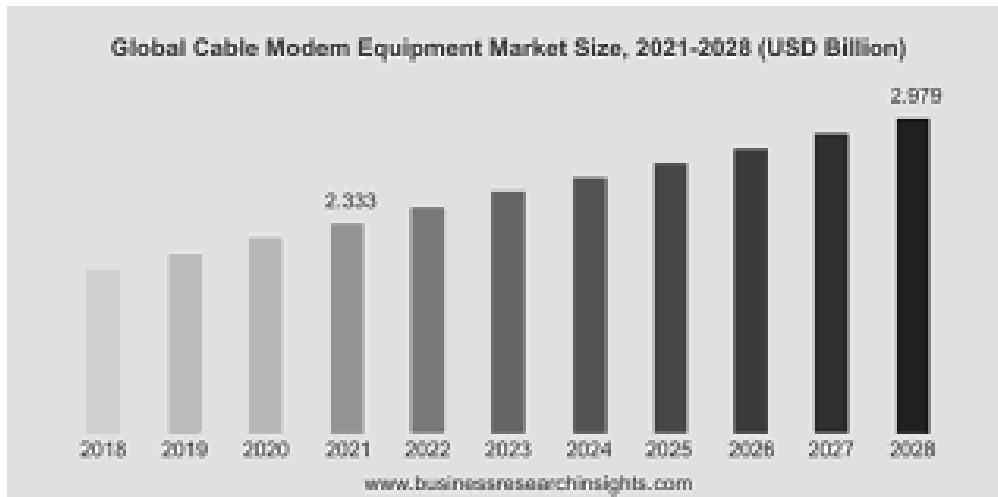


Figure 2. Global demand for cable modems (source: Marketandmarkets.com)

Global broadband traffic has grown rapidly, with a four-fold increase from 2016 to 2021, and a double-fold increase from 2022 to 2026. Apart from the growth in the number of broadband subscribers, the growth also comes from the increase in people’s demand for bandwidth. In 2022, the number of broadband subscribers was 1.26 billion. The regional ratio is led by China, India, Europe, North America, and Central and South America. The number of broadband subscribers is expected to reach 1.51 billion in 2026. In the next few years, the largest market is expected to be North America, followed by Europe and then Asia Pacific.

When the bandwidth of broadband service raises to giga bit per second (Gbps), the monthly broadband subscriber fee for households would range between US\$70 and US\$140. The difference is mainly due to the competition between the local service providers. However, such a fee range represents the advent of broadband service in Gbps. North America will first change, and Europe, Japan, and Korea will be next. Nevertheless, the broadband service in Gbps is not without worries and concerns. Currently, many households face a shortage in VR and 4K content services. As such, the growth of users would not be as fast as it used to be. Cable TV service providers would make use of such investment on market segmentation of corporate users and Mobile Backhaul, because this market has a great need for broadband and the profitability is high. As such, the low-priced high-speed internet service is a good backup service, presenting business opportunities to the broadband service providers, commercial users of new corporate service providers and SME users in North America.

In certain regions, some broadband service providers have rolled out broadband service in 2Gbps. Take the US for example. The monthly subscription fee for service in 2Gbps amounts to US\$300. In HK, the fee ranges from US\$218 to US\$318. In Taiwan, some providers plan to roll out service in 2Gbps in 2025. For equipment manufacturers, for service in 10Gbps, 10Gbps EPON products have since been made available. Cablelab from the US set the specification of the next-generation 10Gbps as the new standard for DOCSIS 4.0.

Meanwhile, what broadband service providers find unfair is that higher bandwidth requires a large investment in the construction of infrastructure, but the monthly subscription fee has since gone down year by year, while cloud service providers such as Google, Amazon, and Facebook have taken or are taking a lion share of the profit. Cloud service is needed by end-users. Therefore, the broadband service providers incorporate services of Apple, Google, and Amazon into their offer to increase revenue and profit, as well as binding the users to their services.

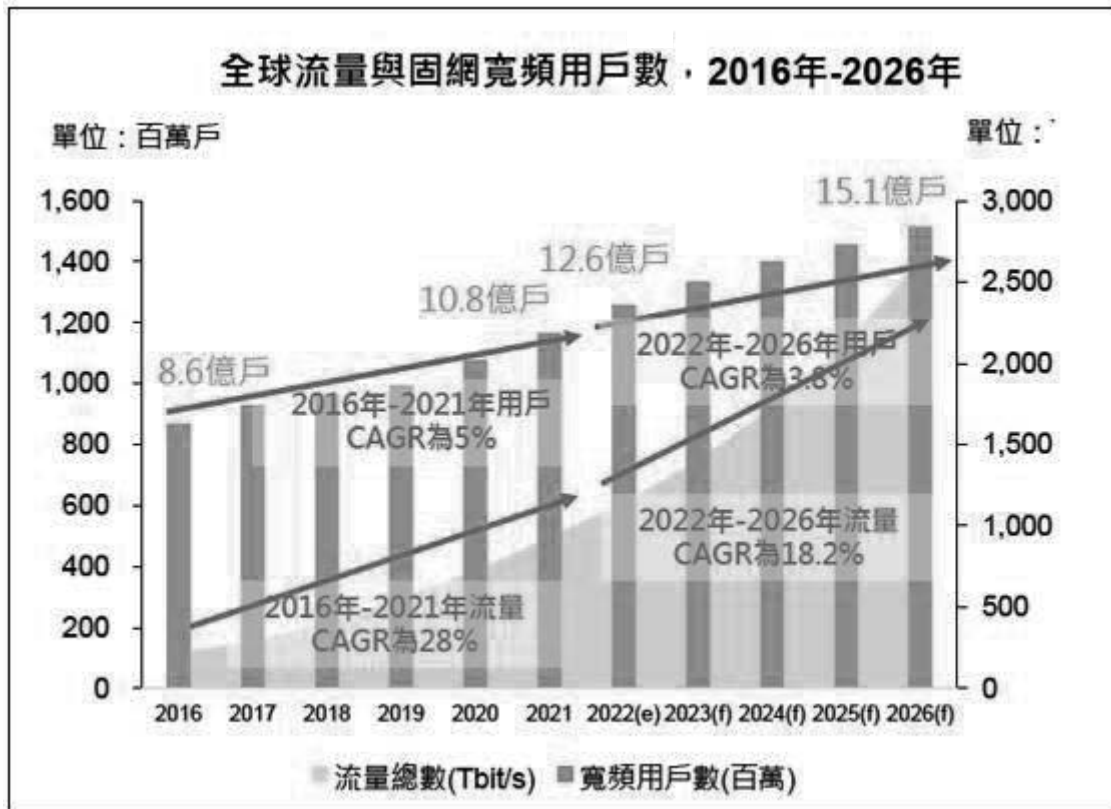


Figure 3. Estimated Global Fixed-line Broadband Subscribers (Source: ITU, Yahoo (Omidia), MIC, November 2022)

The existence of the internet has changed many traditional industries. The traditional pay-TV market is shrinking. Globally, the traditional cable and satellite pay-TV market is shrinking at a rate of 3% per year. Such a trend is also noted in the reports of Kagan and S&P Global Market Intelligent. However, this does not mean that the viewers of traditional pay-TV change from satellite and cable TV to the internet to viewing the pay-TV. The viewership of traditional internet pay-TV is also falling, but the rate of falling is lower than the satellite and cable TVs. The most affected are the satellite pay-TV. For example, in 2021, AT&T lost 650,000 Direct TV satellite TV viewers. Meanwhile, Dish Network continued to lose 110,000 viewers in the first three quarters of 2021. This was due to content providers of traditional pay-TV provided digital content via the internet, causing the subscription model for the traditional channels to be replaced by the free selection model. Through broadband internet service, some providers can collaborate with streaming service providers like Netflix, TiVO, Amazon, or Apple to reach the viewers. However, traditional viewing is the main revenue source of cable and satellite TV. As such, they must quickly find a new revenue source and profit-making method. This is evident in the annual reports of some of the cable TV businesses. For example, in the financial report for 2020 Q3, the overall revenue of Comcast Communication for the first 3 quarters amounted to US\$47.922 billion, up by 8.1% as compared to US\$44.346 billion in the preceding year. Of which, the monthly broadband subscription fee revenue amounted to US\$17.118 billion, up by 12.6% as compared to the preceding year. However, revenue from corporate users amounted to US\$6.597 billion, up by 8.2%; revenue from mobile communication amounted to US\$1.672 billion, up by 56.4%. Audio-visual content service amounted to US\$16,676 million, a slight increase of 1.3% from the previous year.



Figure 4. Service by MSO Operators

Some of the cable TV providers have successfully developed their service infrastructure onto a platform that integrates user equipment with other cloud service providers, and providing one-stop integrative services. When users apply for broadband services, they can apply for a selection of new generation content at the same time and are not limited to one viewing platform. Further, due to the integration of infrastructure, the quality of one-stop integrative services is much more guaranteed than separate applications for different contents. Moreover, the cloud management platform providers can reduce the number of complaints during internet congestion, occurrences whereby users threaten to cancel, and costs. As such, the ability of terminal infrastructure to be managed and incorporated into cloud management is a must in the future.

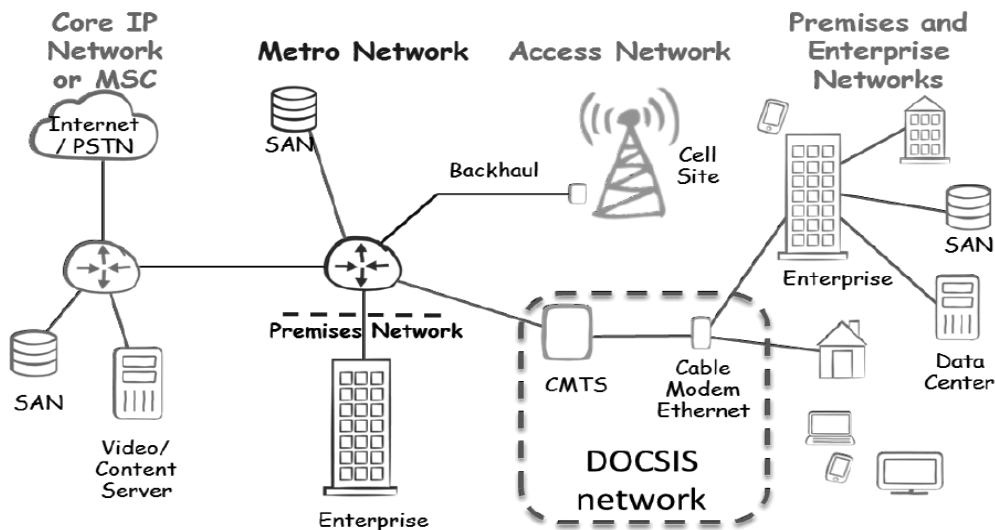


Figure 5. Mobile and fixed-line network providers

In addition, as mobile communication becomes the mainstream internet service, some cable TV operators are venturing into mobile data and value-added network services. Other operators possess the service framework and licenses for both cable TV and mobile communication service. Cable TV businesses that do not own mobile communication infrastructure will adopt a mobile virtual network operator (MVNO) model to lease the broadband use from mobile network operator (MNO) and re-sell to consumers. In US, Comcast launched Xfinity Mobile as followed the mode of MVNO. In 2019, the top 2 cable companies Comcast and Charter both had double-digit percentage growth in customers and revenue of mobile communications service. Firstly, the integration of mobile communication users with cable TV viewers has reached economies of scale. Secondly, data flow and backbone fees must be incorporated as revenue items. In other words, the existing cable TV infrastructure must translate to the new subscriber of mobile communication. However, the revenue from mobile communication is not sufficient to support the expenditure on a large scale or aimless construction of the base station. Therefore, some cable TV providers set their eyes on the corporate private network, Citizens Broadband Radio Service (CBRS) to reach their target market, because the target customers are concentrated, the ROI of infrastructure can be estimated, and it is a blue ocean where existing mobile communication service providers have not taken up much profit. In 2020, the Federal Communications Commission (FCC) approved the business use of CBRS. The approval is expected to be beneficial for the cable TV businesses to fight for the market share of the mobile communication industry. In addition, 2023 will be the year when the development of low-orbiting satellite commercial services matures. Major international operators such as Starlink and OneWeb will continue to deploy "galaxies". The growth in the number of users will drive the demand for related terminals. In order to support the rollout of commercial services, carriers will accelerate the cooperation with the equipment supply chain to expand the manufacturing of satellite/terrestrial equipment and the procurement of spare parts. The Company mainly focuses on the design and manufacturing of routers, coupled with the self-developed device cloud management solution - Hitron Cloud, potential growth in revenue is expected in the next 10 years.

DOCSIS 3.1 provides the downlink speed of 5Gbps. The uplink speed can reach up to 1Gbps, which provides sufficient backbone capacity to corporate and mobile communication users. The standard of DOCSIS 4.0 which governs the stage one FDX DOCSIS confirms to increase the downlink and uplink frequencies to between 108 MHz and 684 MHz and is expected to provide a "two-way," approximately 10Gbps service. Looking back on 2022, in mature markets such as North America and Europe, service providers rolled out broadband service of 500Mbps to 1Gbps. The sales of DOCSIS 3.1 has taken up more than 65% of total sales and will continue to drive high-level hybrid cable modems that integrate voice, data, content and residential internet access, to provide users not only with high-speed internet and cable TV programs, but also the recording of other channels simultaneously, and supporting the transmission of content to mobile devices, notepads, and other network terminals. Further, the service providers in mature markets have gradually adopted the standard of DOCSIS3.1 for terminal devices. More cable TV service providers are launching Hybrid Fiber/Coax (HFC) internet service that combines the DOCSIS 3.1 technology and fiber optics, so that without constructing more optical fiber infrastructure, higher speed broadband internet service can still be provided to users. Due to the aforementioned factors, the output value of the global cable CPE would still be growing.

With broadband service provider no longer offering simple broadband service and instead of venturing into the application of IoT, so as to launch various cross-platform smart home/community-related application service via the integration of fixed network and mobile communication networking infrastructure, and with the mobile networking and cloud service gaining popularity, the concept of integration -- IoT has become the focus of development of various corporations in the near future. IoT is not a brand new conception and product. When the internet became popular, electronic appliance manufactures had already come up with the idea. However, the opportunity is only maturing now as compared to before. Its objective is to link devices through radio frequency identification sensing equipment to IoT, implementing smart identification and management. As the internet is more ubiquitous than ever, use of personal mobile devices is prevalent, equipment costs decreasing substantially, platforms from Apple IOS, Google and Amazon offering value-adding software and services, and industry chain becoming more complete, from facilities, services, content to financial integration, the product and service systems are maturing.

Meanwhile, corporates apply IoT technologies extensively and widely used products are applied in different markets. Cases in point include medical equipment, factory automation and industrial robotics, monitoring sensor installation to increase agricultural output, car automation and infrastructural monitoring systems for different areas, such as streets, railway transportation, water and electricity supplies. IoT industry includes the making of hardware and embedded software, telecommunication service and IT services related to IoT.

Currently, most broadband service providers use hybrid access to provide for the last mile wire layout. The internet service providers provide the optical fiber, copper wire transmission, and even services through integrated wireless transmission platform. The traditional operating model of single access or old transmission method has since disappeared. The difference among the service providers is diminishing gradually, leading to even more cutthroat competition.

Our country is the main production area for cable CPE manufacturing, comprising more than 80% of global output. The cable CPE manufacturing of our country consists of serving as OEMs for system products, and as brand operators. So far, no other countries or production area have emerged to threaten the status of our country. Further, in Taiwan, there is a growing number of manufacturers who bypass brands and get in touch with MSO directly to solicit orders, thus making the Taiwanese manufacturers to quickly come up with product design and manufacturing capability, which helps maintain their product profitability. For this industry, in terms of comparison of output value or production volume, Taiwan has been the most important R&D and production site globally.

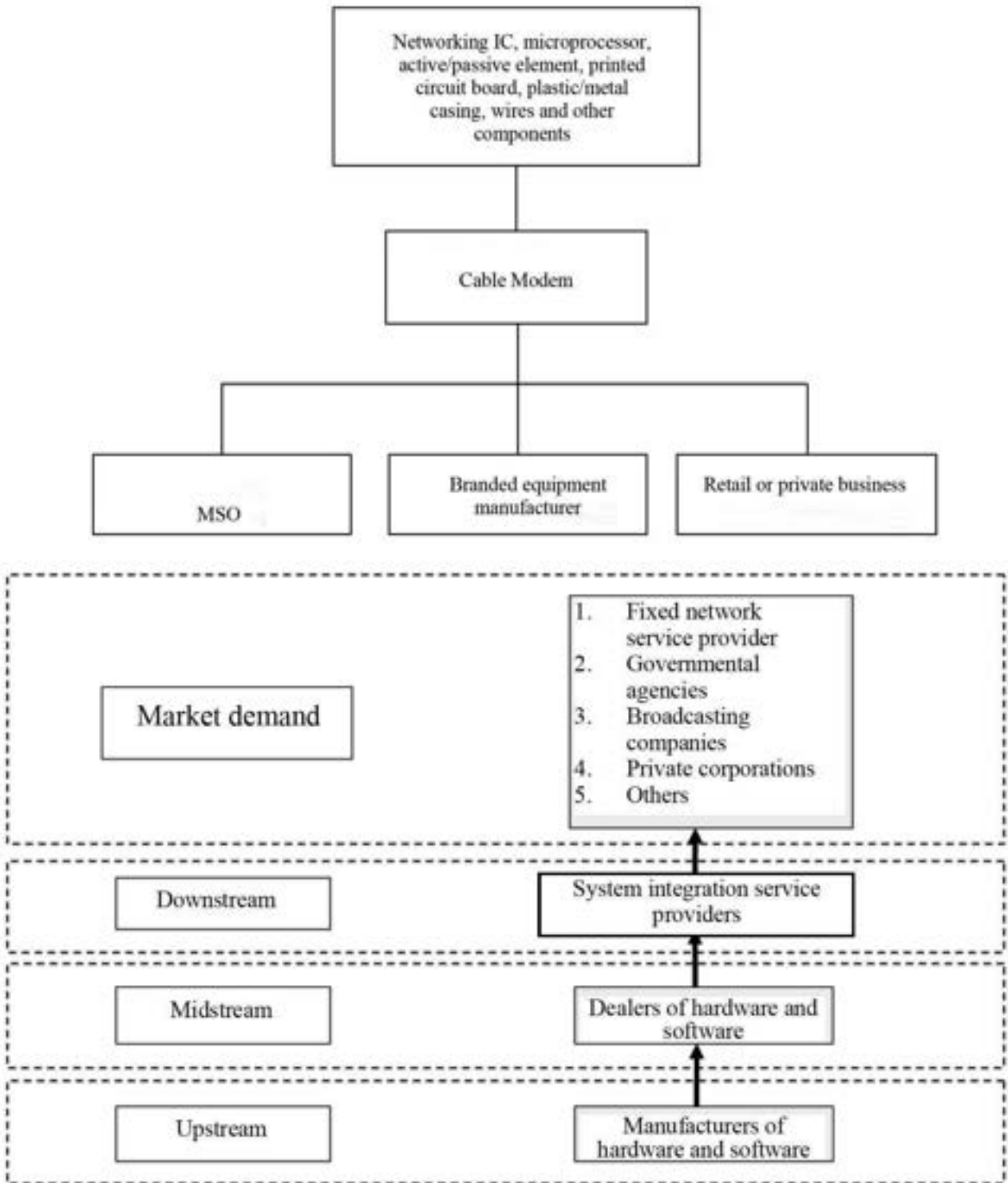
Due to the high cable laying cost and time consumption, the entry barrier for manufacturing cable CPE is relatively higher. Looking at the future outlook, globally, the current number of cable modem users is fewer than ADSL's. However, with the ubiquity of the digitalization of cable TV, compounded by the increase in wire broadcasting users, the revenue of the global telecommunication market will continue to grow. Further, the cable modem is being integrated into the communication module of the set-up box (STB), and the development of DOCSIS technology drives the trend of renewing devices. This development may be where the growth of cable modem lies in the future, especially for large cable user markets, such as the US, Korea, and Japan.

## 2. The relationship of target customers services content and supply chain

According to services, the Company re-deconstructs the supply chain of the cable TV industry and no longer positions the value of the Company in terms of a single terminal equipment supply chain. Supplying target customers with in-house brand products requires substantial operating costs. Increasing revenue and profitability for the costs incurred requires an integration strategy, which besides the existing vertical integration business strategy, can enhance the product standard. This is because from the point of view of the customers, they would go for the double equipment supplier while reducing the total number of suppliers strategy, reducing the risk of equipment supply, increase the room for price bargaining and reduce operating costs. As such, if a single equipment supplier is unable to provide more supply for other equipment or services, its revenue will fall while the operating costs remain the same.

The establishment of sales channels requires the time and cultivation of professionals and relationships. The development of new products takes time as well. The building of a brand also requires focus and professionalism. The capability and knowledge of product line and professionalism must also in tandem with the needs of customers.





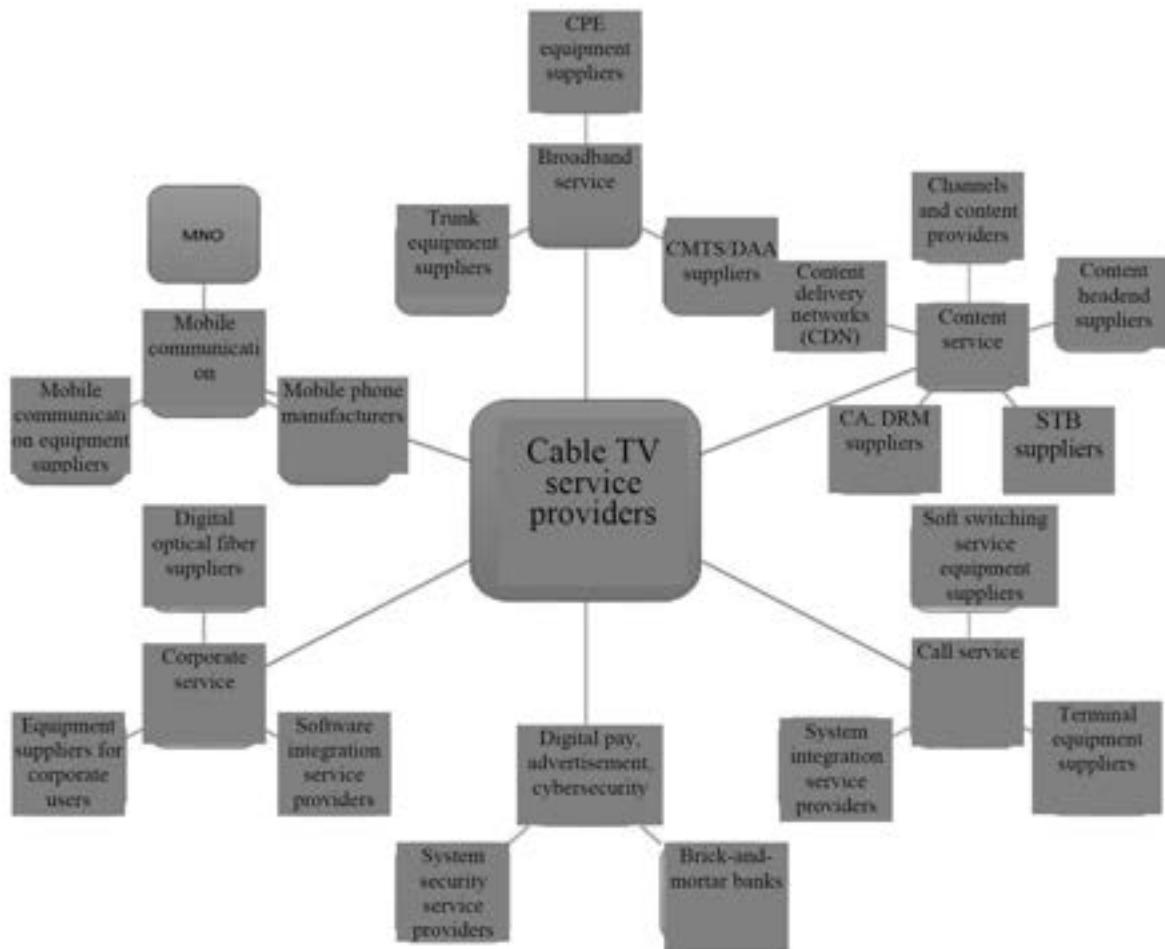


Figure 6. Relationship between services provided to target customers and supply chain

### 3. Product development trend and competition

CableLabs released the standard for DOCSIS 4.0, supplementing and amending previous generation technology, DOCSIS 3.1. The average downloading and uploading rate can reach up to 10Gbps, including the full-duplex DOCSIS (FDX) which allows the downloading and uploading data to flow in the same band. Further, it has a low delay (target <1ms) and a new DOCSIS (EDS) function of expanding the band to support HFC 1.8GHz (expanded by 600MHz as compared to DOCSIS 3.1) internet data flow. The DOCSIS 3.1 products will take up more than 55% of total sales in 2019. From DOCSIS 3.1 and DOCSIS 1.0 to DOCSIS 3.0, the difference is substantial, with the main difference being DOCSIS 3.1 changing the way frequency is categorized. The uplink frequency has increased from the existing 42MHz to 204 MHz while the starting point of the downlink frequencies has increased to 258 MHz and the ending point has increased to 1218/1794 MHz. This means that the amplifier and splitter at the trunk must be changed. Further, the telecommunication law of the country and the timetable for the re-allocation of the frequency spectrum are filled with uncertainty. The modulation method is going to change to orthogonal frequency division multiplexing (OFDM), which means the use of the existing headend equipment must be discontinued and the service providers must make large scale investment again. In the early stage of introducing DOCSIS 3.1, the market may use 32 downstream DOCSIS 3.0 downlink channel bundling to provide the highest speed service, as the headend equipment is unable to support DOCSIS 3.1 yet. The CPE products for the end-users will be launched in the market first. The specification of the products will also be limited to the existing frequency spectrum. This is similar to the introduction of DOCSIS 2.0 previously. The CPE for the end-users will be ahead of the headend market. However, in the foreseeable future, only optical fiber networks can match it.

Percentage of end-users of the supplier that use DOCSIS 3.1	Percentage of the total number of interviewed businesses	
	End of 2017	End of 2018
Less than 20%	49%	17%
21% to 50%	46%	57%
51% to 75%	3%	20%
76% to 100%	3%	6%

Table 1 In 2017, Kagan interviewed users of 35 cable TV businesses that use DOCSIS 3.1

Hitron Technology has accumulated many years of research and development strength, and the research and development team has deeply captured the confidence and loyalty of customers with customized research and development services. In the future product development, using its existing technologies and products as its R&D basis, the Company will integrate multimedia and diversified service medium with service platforms, providing the broadband products and integrated services, such as Hybrid Video Gateway, SMB Gateway and other diversified terminal equipment of IoT that support content transmission through ultra-high frequency.

Apart from broadband, wireless telecommunication network is the most important demand. In the development of application software, the software design capability of the businesses in Taiwan is one of the best globally. Therefore, for a wireless telecommunication network, in addition to the four capabilities of broadband network, the technological capability of the businesses in our country include the capability of designing the value-adding service of the application software.

Many domestic competing cable modem manufacturers are gradually merging and acquiring one another or bowing out of the market altogether. The main OEMs are Foxconn, Pegatron, Sercomm. Companies with in-house designers are Hitron, CBN, etc. In the future, the Company will develop products that timely cater to market needs, integrating further with customers' processes, providing value-added services to customers with innovation, and pursuing higher quality in products. We expect there is more room for growth in the future.

### (III) Technological capability and R&D

In 2018, Hitron Technologies had upgraded the Ethernet interface at the user end to the expansion speed of 2.5Gbps. The PC and notebook interface of end-user provided will be 2.5Gbps as well globally. In 2021, new Wi-Fi 6E specifications were also introduced into new home wireless network routers and extenders by Hitron Technologies. With the main terminal equipment, it can produce a better wireless telecommunication coverage. Users will increase the mini Wi-Fi access points (APs) for the wireless mesh network (WMN). Hitron Technologies will design and manufacture pure wireless APs, and hybrid APs with Wi-Fi and cable network capacities that integrate them with the existing router production line. With the introduction of cloud computing, AI and other technologies, Hitron Technologies will incorporate remote control and telecommunication interface into the new design of network analyzer, providing network analyzer with positioning and range forecast troubleshooting to service providers, and thus giving more value-adding services and functions to new products.

1. Annually R&D expenditure and the latest successfully developed technologies or products for the most recent year until the publication date of the annual report

Unit: NT\$ (thousand)

Item \ Year	2022	Until March 31, 2023
R&D expenses	534,967	140,349
Successfully developed technologies or products	1.DOCSSIS 3.1 Cable Wi-Fi Gateway: CODA-4680, CODA-4589, CODA-4514,CHITA; DOCSIS 3.0 Wi-Fi 24x8 Cable Gateway CGNV4-28, HUB4, CGNV4-FX4; DOCSIS 3.0 Wi-Fi 16x4, CODA-5712 2.DOCSSIS 3.1 Cable 802.11ax Wi-Fi Gateway: CODA-552X, CODA-553X 3.DOCSSIS 3.0 Cable Network Probe:CGN-DP2, DOCSSIS 3.1 Cable Network Probe: CGN-DP3 4.Optical fiber voice gateway: SVE-3710 5.Outdoor DOCSIS 3.1 Cable Modem: COMA, CHOE. ODIN-1112 6.Wi-Fi 6 Extender ARIA2210 , ARIA3411 6 NOVA2200 10GPON ONU, NOVA1214 10GPON HTU	

#### (IV) Long-Term and Short-Term Business Development Plan

##### 1. Short Term Business Development Plans

- (1) Marketing strategy: Continue to expand the existing market by providing products with stable functions and high quality to cater to customer needs, timely provide customization of product specifications to create a 100% top-grade service. In the short term, Hitron Technologies will actively engage service providers to develop products that can increase operational effectiveness. Via the channels of existing brands, the product design will be adjusted to cater to the needs of service providers in terms of profitability and services.
- (2) Increase in product quality and cost reduction: the factory in Vietnam will serve as the production base of Hitron, striving to improve in-house R&D and production technology and increase product quality. To counter the increase in labor costs in Mainland China, the Company will strive to introduce automation, reduce labor needs and improve production capacity, in order to lower production costs and increase the room for profitability.
- (3) Reduce the percentage of customers and products that require a longer development period, so as to increase profit realization from investments and assets.
- (4) Increase the sales of innovative and high value-adding product lines.

##### 2. Long Term Business Development Plans

- (1) Continue to develop cable modem and system integration service, start to venture into integrating products with value-adding services, cloud, and AI big data.
- (2) Expand the scale of a product based on existing products by instilling the results of in-house R&D, so as to master the core technology that can be the lead company in the industry. The scale of the market shall expand globally, catering to customer needs in terms of both cable and wireless products.
- (3) Develop new products and customers in new markets, effectively mitigate risk by diversifying customer groups and regions, and obtain long-term stable ordering to maintain the yearly growth target.
- (4) Continue to explore new opportunities for growth and cross-industry consolidation, develop products related to home-used network gateway and other module inserted TVs that cater to the digital needs of households.

## II. Markets and Sales Overview

### (I) Market Analysis

#### 1. Sales (Service) by Regions

Unit: NT\$ (thousand)

Region \ Year		2022		2021	
		Amount	%	Amount	%
Sales domestically		2,668,020	21.66	2,375,974	24.54
Export sales	Asia	281,606	2.28	203,365	2.10
	America	8,156,923	66.22	6,225,748	64.31
	Europe	1,211,680	9.84	876,459	9.05
	Others	-	-	-	-
	Subtotal	9,650,209	78.34	7,305,572	75.46
Total		12,318,229	100.00	9,681,546	100.00

#### 2. Market Share

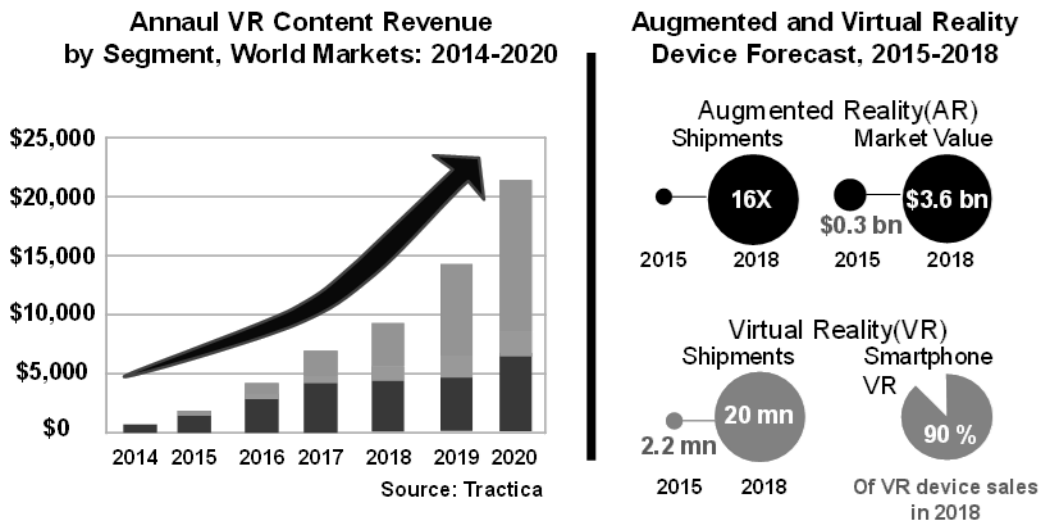
Since 2008, Hitron Technologies has strived to develop in-house brands and provide localized services. In recent years, as customers have widely accepted our product design, functions and quality, the Company has achieved economies of scale and is invited to take part in bidding for high-level mainstream products. Currently, the sales of Hitron Technologies rank number three to four in Taiwan in terms of the export of cable modem products. Of which, more than 70% of the products contain wireless networking function and are deemed as high-level home-used routers. Some customers apply them in SMEs or connecting subsidiaries. Due to the consolidation of in-house R&D, manufacturing and sales of cable modems and system integration service to a one-stop-shop, the Company has more competitive advantage than other cable modem OEMs in the country, such as Foxconn, Pegatron, Askey, Sercomm. Companies with in-house designs are Hitron, CBN. Our main difference is reflected in time-saving and effectiveness in communication, allowing the Company to win over the ultimate users and make direct sales to them. In the future, the Company will develop products that timely cater to market needs, integrating further with customers' processes, providing value-added services to customers with innovation, and pursuing higher quality in products. We expect there is more room for growth in the future.

In 2022, most of the cable TV service providers used DOCSIS 3.1 equipment globally. In 2022, Hitron's cable CPE shipment volume accounted for 10% of the global market share. The market share for DOCSIS 3.1 CPE in the overall cable market continued to increase, and the demand for DOCSIS 3.1 CPE in Central and South America was higher than expected. Wireless gateways have become our main product. With the addition of Wi-Fi 6 (original 802.11ax) and Wi-Fi extender supporting mesh function, the entire product planning becomes more complete. Unlimited extenders have also indirectly contributed to the operators' broadband as they use Hitron's cloud services. It is expected that the new model of the next generation of the standard product DOCSIS 4.0 CPE will be developed in the fourth quarter this year. The Company's development centers on the home network and user experience. By doing so, we enable our customers to increase revenue from more software services with the existing business model and network structure, generating more profits.

#### 3. Situations and growth of the supply and demand of markets in the future

- (1) In the internet era, the ubiquity of broadband can increase the overall competitive advantage of a country. As such, due to the ever-increasing internet users, the need for broadband internet equipment continues to grow, so as to cater to the need of cable TV service providers.
- (2) Broadband Home and Automation has significant growth potential. The main application lies in home security, home automation, health care and treatment, and smart grid.
- (3) In response to the global digitalization phenomenon, the need for integration of many high-level functions at the end-user equipment is getting more evident. The upgrading of DOCSIS version continues to grow, and thus the global market is expected to grow significantly.

- (4) The application and need for augmented reality (AR) and Virtual Reality (VR) are starting to pick up. The need for internet bandwidth will grow by more than six times, and thus a higher bandwidth technology is in demand.
- (5) Internet from 1Gbps to 2.5Gbps or 10Gbps is becoming ubiquitous.



4. Niche of competition

The Company can grow in a competitive telecommunication and broadband service market and take up a certain percentage of market share due to the following after an analysis of its niche market strategy:

- (1) A strong R&D team that create a niche applications

The Company closely follows new technologies such as hybrid cloud computation, big data and AI, and consolidates existing technologies to prepare for the advent of an era where future communication and software-defined network (SDN) are closely integrated.

- (2) Building brand awareness, adding application value and system integration to products

The Company acutely masters telecommunication technologies, the trend of development, while gradually building a well-oiled sales network and servicing group, which can increase professional value-add. This will not only provide an integrative solution to customers but also reduce operational and service costs, creating a three-way win for users, Hitron Technologies, and customers.

- (3) Professional talents with high qualification and experience that can create high productivity

To meet the goals of strengthening technologies and developing the international market, the Company consistently hires professional talents with high qualifications and experience. Take R&D researchers, for example. 100% of the personnel possess at least a bachelor’s degree. 50% of them possess at least a master’s degree.

- (4) Consistently reduce costs and increase margin of profitability

With an increasing of oil price and standard of living, the survival of companies and their profitability is threatened. New technology is consistently applied to reduce costs and search for new substituting components and manufacturing process. In the future, it will also be beneficial to resist inflation and improve profitability. High automation will reduce the labor need and robots will increase production effectiveness and enhance product standardization.

- (5) Improve cost–performance ratio

When the costing is optimal, to avoid hurting profitability, the Company should not continue to engage in a price war. Instead, it should improve cost-performance ratio. For service providers, services include after-sale service, maintenance, response time to feedback, delivery and tax services. Helping service providers to save costs should be taken into consideration. For example, delivery of products to end-users on behalf of service providers can reduce the storage, dispatch and management costs for service providers.

(6) Vertical integration of production, sales and R&D

Vertical integration of sales and production is an evident costing advantage as opposed to foreign competitors. Further, effective sales channels can shorten the delay from ordering to delivery. The risk of raw material wastage is lowered. Once R&D and sales are vertically integrated, the Company can timely cater to customer needs. When production and R&D are vertically integrated, the Company can effectively improve product quality and production effectiveness.

5. Factors of advantages and disadvantages, and countermeasures of the development for prospect

(1) Factors of advantages

A. Obtaining certification of various countries

Many cable modem products of the Company have passed the DOCSIS1.0/1.1/2.0/3.0/3.1 certification of CableLabs, which is helpful in market development and maintaining technological advantages.

B. Regulations and intellectual property law in securing R&D technologies

The domestic trading regulations and intellectual property law compel businesses to acquire new technologies and invest in R&D, securing the protection of technologies and contributing to the growth and continuance of the Company. The Company possesses a strong R&D team. Currently, it has actively developed transmission products, such as products related to FTTH and Wi-Fi Mesh. The results are promising.

C. The sales channels are well run, and we have set up sales bases in North America, South America, and Europe.

The Company has established many subsidiaries all over the world to conveniently provide technical support and advisory services to their respective regions, giving customers and sales agencies the most accessible and complete services. Establishing regional offices is also part of the Company's plan, so as to further the sales and technical support network. In 2021, we began to develop new e-commerce platforms to sell our products, which will also be sold on Amazon and NewEggs.

D. Key innovative technological breakthroughs

The Company has invested in R&D for well over ten years, accumulating new techniques needed in telecommunication technology, message coupling and de-coupling techniques on ASIC and noise-canceling techniques, all of which are core competitive advantage in constructing future telecommunication infrastructure. In recent years, cloud platforms and artificial intelligence (AI) have been introduced in equipment management and service optimization. Except to equipment sales, a new business of charged software services (Software as a service-SaaS) has also been launched .

E. Development of home-based internet/automatic products to cater to market needs.

Nonetheless, the product level has advanced from home networking to home server, or even home automation. In which, home automation sees the greatest growth. For service providers, this helps raise the monthly average revenue per user (APRU) and will reflect in the revenue made off the broadband services. From the point of view of the user, the needs are mainly in home security, home automation, health care and treatment, and smart grid. Currently, the number of machines is at least four times greater than the number of people. This marks a great market potential for the Company. Hitron possesses first-mover advantage and a comprehensive understanding of users' habits as compared to other platforms and has thus accumulated a large number of application software and product design that provide users with direct interaction and integration with other related information.

(2) Factors of disadvantages and countermeasures

A. Merging and acquiring capability that is lagging behind international brands

Countermeasures:

- a. To acquire the niche for its products, the Company shall develop its services and application framework on the niche of the cable modem. The market potential for its products remains promising. As such, in terms of operational strategy, the Company strives to maintain an advantage in its profits, and even expand the niche market share. The Company will make use of the economies of scale accumulated in the niche market to acquire an advantage in cost, to apply pressure to other international brands.
- b. In terms of product functions, the Company must increase new functions or interface to prolong the product cycle life, while focusing on catering to customer needs to maintain its advantages.
- c. Medium to large businesses continues to merge. Their economies of scale will create a substantial difference in terms of cost.

- d. The Company shall consistently develop new technologies and collaborate with suppliers.
- B. The shortage of critical part has gradually improved, and local procurement of components still needs to be strengthened

The disparity in raw material supply is much smaller now compared to before. However, the overall demand is slightly lower than the capacity supply. Therefore, in 2023, the Company will be able to continue to handle the source of the main chip to reduce the main disadvantages. Currently, the domestic high-tech product development is not yet mature. However, some of the main components, such as ASIC etc. still require importing from large international suppliers.

Countermeasures:

- a. The Company shall strengthen the long-term relationship with suppliers, closely monitoring the change in the upstream industry to obtain the information regarding the supply of raw materials, so as to maintain flexibility in the production schedule and tying down of capital or interruption of raw material supply.
- b. Seeking for design diversity and variety to avoid single supplier

- C. Inflation in raw materials and an increase in labor costs

Countermeasures:

- a. The Company extends the preparation time for raw material. Due to the expectation of rising prices, suppliers would stockpile inventories, hoping to make a greater profit subsequently. To avoid the interruption of raw material supply, the Company will increase the preparation time for raw material. However, the shortfall is that inventory turnover will be lowered and more capital will be tied down.
- b. Increase automation. To replace labor with robots.
- c. Expand the scale of the market. Accumulate more price bargaining chips.
- d. Sourcing for substituting materials and suppliers.

- D. CSR regulations

CSR is a new concept that is trending in the mid to late 20th century. The influence that large corporations possess, corporate image, pressure from NGOs and international regulations imposed on exports documented on CSR reports (ESG) have become the competitive advantage in sustainable development that corporations pursue. Companies showcase their management results, improvement of corporate image and the communication medium with stakeholders by issuing CSR reports. Internationally, the more common CSR standard is as follows:

Global Reporting Initiative (GRI) G3: Provides the preparation principle for sustainable development report writing and standard for disclosure. The reporting comprises three major aspects in voluntary disclosure framework in the economy, environmental protection and social, providing a guideline for sustainable development reporting that is applicable internationally and thus standardizing the reporting of different regions.

Account Ability 1000 (AA 1000): Aims at improving interaction and issues between corporations and stakeholders. The standard is established by maintaining a balance between accounting, auditing and reporting standards. Its principle examines the accommodation, comprehensiveness and responsiveness of the reporting.

Electronic Industry Citizenship Coalition (EICC): Ensures the workplace safety of the network and telecommunication manufacturing industry, and establishes an environment that treats workers with respect and observes eco-friendliness principles in the manufacturing process. Usually, customers (members of EICC) would ask to review suppliers or have suppliers designated an inspection institution.

ISO 26000 (the International Organization for Standardization): Emphasizes the lawfulness of corporations, human rights, care workers, consumer protection, social welfare, environmental protection, contribution to sustainable development in terms of social, economic and environmental aspects. The reporting is for reference only and should not be deemed as third-party certification. The content of the reporting could be made by self-assessment or declaration, or review by a third party.

Countermeasures:

- a. In 2017, Hitron Technologies had passed the certification from Ecovadis CSR and was conferred a silver award. The Company will continue its effort in obtaining SA8000 certification and reviews by a third party.



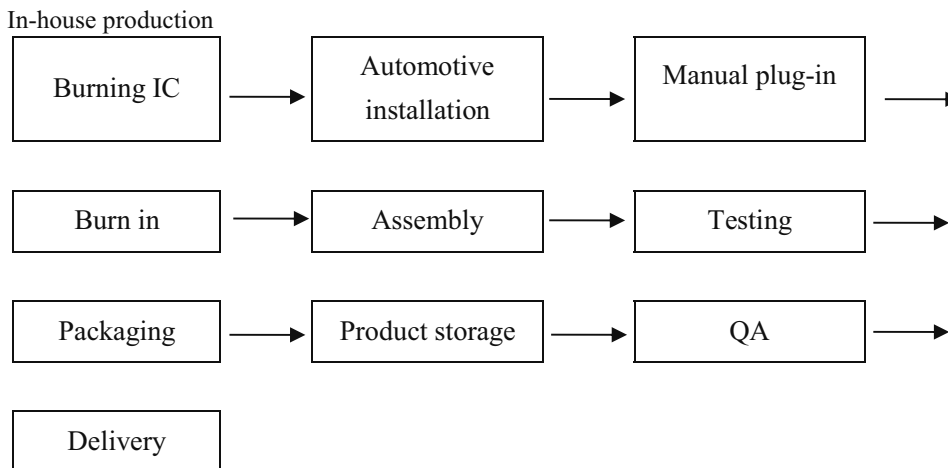
- b. In 2022, Hitron Technologies had issued its first ESG report. In the next 5 years, the promotion of ESG will be focused on social responsibility (employees), creating a people-oriented and inclusive workplace, and caring for its employees. Hence, a series of actions will be implemented.
- c. The Company had introduced cross-border cloud management system integration as a preventive measure to undertake challenges posed by its environment.

(II) Important applications and manufacturing processes of main products

1. The important applications of main products

Product type Service type	Item	Main Usage
Cable Modem Product	<ul style="list-style-type: none"> <li>* Cable modem</li> <li>* Multiple line eMTA cable modem</li> <li>* Multiple line eMTA voice gateway</li> <li>* Digital STB with cable modem module (STB eCMM)</li> <li>* Cable network analyzer</li> <li>* WiFi 6 wireless broadband router and extender</li> <li>* Optical fiber router - XGPON</li> </ul>	<ul style="list-style-type: none"> <li>* Using cable TV HFC network and integrating cable modem, MSO can provide various value-adding services such as internet access, cable telephony, or even VOD etc.</li> <li>* Multiple Dwelling Unit (MDU) in communities, buildings, apartments, VoIP over cable</li> <li>* Digital STB with cable modem module</li> <li>* Internet access of cable TV and message return</li> <li>* Troubleshooting for a cable network</li> </ul>
System integration service	<ul style="list-style-type: none"> <li>* Telecommunication and broadband system and wireless transmission services.</li> </ul>	<ul style="list-style-type: none"> <li>* Using cable TV HFC network and integrating cable modem, MSO can provide various value-adding services such as internet access, cable telephony, or even VOD etc.</li> <li>* Multiple Dwelling Unit (MDU) in communities, buildings, apartments, VoIP over cable</li> <li>* Digital STB with cable modem module</li> <li>* Internet access of cable TV and message return</li> <li>* Troubleshooting for a cable network</li> </ul>

2. Manufacturing process



(III) Supply status of main materials

The suppliers of the main raw materials are from the US, Taiwan, Japan, Korea, and Mainland China. The Company maintains a good relationship and signs a long-term supply contract with major suppliers. Therefore, the supply of raw materials is stable. The sales of the Company is fairly substantial currently. Thus, the bargaining chips of the Company have increased. Suppliers are willing to stock up and thus the supply is fairly stable. As Hitron Technologies possesses technological advantages and control over service providers, major wafer makers deem Hitron important collaborative counterparts and are willing to provide better technical support and competitive pricing.

(IV) For either fiscal year of the two most recent fiscal years, the customers with purchase or sale of 10% or more

1. Major customers for the most recent two years

Unit: NT\$ (thousand)

Item	2022				2021			
	Name	Amount	As a percentage of net sales for the year [%]	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year [%]	Relationship with the issuer
1	Customer C	2,480,025	20.13	-	Customer C	2,694,099	27.83	-
2	Others	9,838,204	79.87	-	Others	6,987,447	72.17	-
	Net sales	12,318,229	100.00	-	Net sales	9,681,546	100.00	-

Description on change: No significant changes in the most recent two years

2. Major Suppliers for the most recent two years

Unit: NT\$ (thousand)

Item	2022				2021			
	Name	Amount	As a percentage of net purchases for the year [%]	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year [%]	Relationship with the issuer
1	Supplier W	2,528,166	19.78	-	Supplier M	2,553,339	23.78	-
2	Others	10,254,850	80.22	-	Others	8,184,155	76.22	-
	Net purchases	12,783,016	100.00	-	Net purchases	10,737,494	100.00	-

Description on Changes: The decrease in purchases to Supplier M was mainly due to the fact that Supplier M purchased from its agent supplier W.

## (V) Production in the most recent two years

Unit: NT\$ Thousand ; unit

Production volume/ value	Year	2022			2021		
		Production Capability	Production Volume	Production Volume	Production Capability	Production Volume	Production Volume
Main products							
Cable modem		-	4,432,109	9,180,107	-	4,216,437	6,836,435
System integration service		-	-	-	-	-	-
Total		-	4,432,109	9,180,107	-	4,216,437	6,836,435

## (VI) Sales in the most recent two years

Unit: Value: NT\$ (thousand)/device

Sales volume	Year	2022				2021			
		Domestic sales		Export sales		Domestic sales		Export sales	
Main products		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cable modem		320,330	635,616	3,823,484	9,634,410	284,971	523,520	3,869,833	7,292,692
System integration service		-	2,032,404	-	15,799	-	1,852,454	-	12,880
Total		320,330	2,668,020	3,823,484	9,650,209	284,971	2,375,974	3,869,833	7,305,572

## III. Employees Information for the Past Two Years Until the Publication Date of the Annual Report

Year		2021	2022	Until March 31, 2023
Number of employees	Management employees	165	181	177
	Technical employees	501	594	532
	Direct labor	478	587	529
	Total	1,144	1,362	1,238
Average age		31.28	30.32	30.35
Average years of service		2.68	2.6	2.95
Distribution of academic qualifications	PhD	3	2	0
	Master's Degree	107	117	122
	Bachelor's Degree	495	484	466
	High School	428	543	438
	Below High School	111	216	212

#### IV. Expenditure on Environmental Protection

- (I) For the most recent year until the publication date of the annual report, the total losses (including damages) and fines incurred by the Company due to environmental pollution:

The production process of IT and telecommunication service systems of the Company has never had any pollution issue. Further, the production plant has many pollution prevention facilities and large scale sewage treatment plants that meet the international standard. The requirements imposed by the Park Bureau regarding environmental protection under the care of corporations are also very strict. Since its establishment, the Company has never been punished or has incurred losses due to pollution.

Apart from paying quarterly sewage treatment fees to the Park Bureau, there are no other regulations that compel the Company to apply for a license for installation of anti-pollution facilities or permit for pollutant emission, or designate specific unit and personnel for environmental protection. Moreover, depending on the circumstances, the Management of the Company would hold review meetings to improve the comfort and safety of the work environment.

- (II) Countermeasures (including improvement measures) and possible expenditure due to pollution (including estimation of possible losses, fines, and damages due to inaction): The Company has never been punished or has incurred losses due to pollution.

#### V. Labor Relations

- (I) Availability and execution of employee welfare, education, training and retirement policies. Elaboration of the agreements between employers and employees, and protection of employee rights.

The welfare, education, training, retirement and opinion of employees are important to the Company. As such, labor relations have always been harmonious. There was no labor dispute for the past two years.

##### 1. Employee welfare

The employee welfare includes labor and health insurance, employee group insurance, medical checkup, year-end bonus, performance bonus, employee stock options and dividends, all of which is to increase the sense of belonging of the employees. Further, the Company has established the Staff Benefits Committee, in which members are elected by open ballot. The fund is allocated to the Committee as a benefit to promote various welfare activities for the employees. including staff retreats, wedding congratulatory money, and bereavement ex gratia payment, childbirth allowance, scholarship for the children of employees, birthday allowance and get-togethers.

##### 2. On-the-job training

Apart from orientation and on-job training, various departments will hold internal and external training according to their own needs, to cultivate the professional skills of the employees. The Company holds business management, R&D, market development courses regularly, to enhance the service quality and management results. Through a transparent performance evaluation and promotion system, the Company promotes growth in experience and knowledge of employees, gradually leading them to realize their career goals.

##### 3. Retirement system

The employee retirement system is established in accordance with the Labor Standard Act. The Company appropriates pension funds regularly which is deposited in Central Trust of China. Every year-end, the Company appoints an actuary to compute the pension cost to ensure that the pension liability is sufficient. Since July 1, 2005, after the new system was implemented, the Company conforms to the regulations and pays 6% of employees' salaries to their individual accounts at the Bureau of Labor Insurance.

##### 4. Employer-employee communications

Since its establishment, labor relations have always been important to the Company. Employee welfare is well established in accordance with the Labor Standard Act. As such, the labor relations of the Company have always been harmonious. Staff benefits and material measures are announced by the relevant unit, while employees can express themselves and find out the intentions of the Company's regulations via many channels.

##### 5. Work environment and employee safety measures

To protect the safety of employees, the entrances of the Company have access control installation. Security guards are hired to manage the entrances when employees have to work overtime to ensure their safety. The machinery and fire-fighting equipment are regularly maintained or repaired. The Company has also insured against public accident, to provide extra work security to the employees.

6. Has the Company established the protocols for filing complaints against illegal (including bribery) and immoral acts for employees?
  - (1) Illegal (including bribery) and immoral acts: The Company has established “Working Rules” and “Code of Conduct for Employees” to stipulate the immoral acts against the Company for employees to conform to. A reward and punishment system is also established.
  - (2) Channel for filing complaints: The Company has established an employee mailbox. Any employee who wishes to file a complaint or provide feedback may send to the employee mailbox.
7. Measures to protect the interests of employees
  - (1) The Company has established a comprehensive documentation and management system that details various protocols, employees’ rights, duties and welfare. Evaluation of the content of these protocols is undertaken regularly to ensure the rights of employees are well protected.
  - (2) The Company holds a labor mediation meeting quarterly to establish a communication mechanism between labor and the management to protect the interests of employees.
  - (3) For the most recent year until the publication date of the annual report, actual or estimated losses arising as a result of labor disputes and any countermeasures taken: None.

## VI. Cyber Security Management

### (I) Information Security Policy and Structure

1. After taking into account the information security requirements and expectations of all stakeholders in the organization, we formed an Information Security Management System Promotion Committee to promote information security management matters and increase the awareness of information security. We have also introduced the PDCA management cycle to establish an Information Security Management System. The management direction of the System is constantly adjusted and evaluated with improvement proposed in order to correspond internal and external changes. This approach maintains the effectiveness of the construction of ISMS and its implementation status is reported to the Board of Directors each year.
2. In accordance with the information security management framework of ISO 27001:2013, the Committee establishes the Company’s information security documents, including form records, guidelines, procedures and policies. Based on these, rules and guidelines for management of the organization, protection of information assets and distribution of resources are formulated. Documents are managed in a hierarchical approach in correspondence with various information security aspects.
3. Risk management is handled in accordance with ISO 27001:2013 management system requirements and the framework and process of ISO 31000 risk management principles and guidelines are incorporated to establish a risk management framework. By continuing to monitor main risks in order to achieve the objective of risk management, while reducing personnel, property and reputation.

### (II) Information Security Governance Effectiveness

The Company introduced the ISO27001 information security management system (ISMS) standard in 2019, and was verified by the SGS Group in June 2020, with the ISO/IEC 27001:2013 certificate issued by the SGS Group. Through the validation of ISO 27001 standard, the following has been achieved:

1. Through education and training coupled with the promotion of the Committee, internal security consensus is deepened to jointly partake and maintain the operation of information management system.
2. During 2022, 3 sessions of information security education training were organized: 0.5 hours of “Social Engineering Education and Training” and 3 hours of “Looking at Information Security from the Ukrainian-Russian War” and 3 hours of “Trade Secret Leakage Prevention”. A total of 163 employees received training, totaling 274 hours.
3. Identify information assets and reduce operational risks through robust risk management rules.
4. Implement risk management in daily activities and build a feasible system for employees to comply with and are happy to do so.
5. Construct a secure and reliable information security management system that is internationally verified to strengthen customer confidence.

- (III) List of losses due to labor disputes in the most recent year up to the date this report is published, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided: None.

VII. Material Contracts:

Type of Contract	People who are involved	Date of the start and end of the contract	Main Content	Restriction Clause
Syndicated loan contract	First Commercial Bank, Taipei Fubon Commercial Bank, Chang Hwa Bank, Bank SinoPac, Esun Bank, Land Bank of Taiwan, Mega International Commercial Bank, Cathay United Bank	Five years since the first utilization	Five-year syndicated loan of NT\$2.2 billion	Per syndicated loan contract

## Six. Financial Highlights

### I. Most Recent Five Years Concise Balance Sheet and Comprehensive Income Statement

#### (I) Concise Balance Sheet and Comprehensive Income Statement (Consolidated) - Based on IFRS

##### Concise Balance Sheet

Unit: NT\$ (thousand)

Item	Year	Financial Analysis of the most recent year (Note 1)				
		2018	2019	2020	2021	2022 (Note2)
Current assets		8,662,314	8,255,614	10,109,051	8,654,473	9,562,665
Property, plant and equipment		959,324	1,108,216	1,876,017	1,782,568	2,059,077
Intangible assets		83,464	50,916	48,136	33,757	97,425
Other assets		256,027	500,450	522,751	515,162	518,928
Total assets		9,961,129	9,915,196	12,555,955	10,985,960	12,238,095
Current liabilities	Prior to distribution	5,884,595	3,573,694	6,905,165	5,462,528	6,058,063
	After distribution	6,044,149	3,741,413	7,118,090	5,510,497	6,540,039
Non-current liabilities		195,565	797,950	67,903	116,227	120,155
Total liabilities	Prior to distribution	6,080,160	4,371,644	6,973,068	5,578,755	6,178,218
	After distribution	6,239,714	4,539,363	7,185,993	5,626,724	6,660,194
Equity attributable to owners of the parent company		3,358,146	4,947,171	4,945,149	4,696,622	5,293,792
Capital		2,243,105	3,289,862	3,289,862	3,289,862	3,213,172
Capital surplus	Prior to distribution	729,418	1,401,968	1,326,737	1,236,008	1,114,994
	After distribution	708,924	1,312,633	1,218,345	1,123,318	1,114,994
Retained earnings	Prior to distribution	442,238	505,757	618,048	476,705	856,534
	After distribution	282,684	338,038	405,123	428,736	374,558
Other equity interests		(56,615)	(89,974)	(129,056)	(145,511)	109,092
Treasury stock		-	(160,442)	(160,442)	(160,442)	-
Non-controlling interest		522,823	596,381	637,738	710,583	766,085
Total equity	Prior to distribution	3,880,969	5,543,552	5,582,887	5,407,205	6,059,877
	After distribution	3,721,415	5,375,833	5,369,962	5,359,236	5,577,901

Note 1: The financial information above has been audited by CPAs.

Note 2: The distribution of cash dividends from 2022 earnings will be resolved by the board of directors in 2023.

Condensed Statement of Comprehensive Income

Unit: NT\$ (thousand)

Item	Year	Financial Analysis of the most recent year (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		10,057,776	10,325,500	10,278,461	9,681,546	12,318,229
Operating margin		1,847,373	2,084,765	2,152,500	1,964,120	2,711,167
Net operating income		362,263	480,552	446,832	296,092	797,197
Non-operating income and expenses		6,369	(74,314)	21,553	12,378	(65,542)
Net profit before tax		368,632	406,238	468,385	308,470	731,655
Net income from continuing operations		295,935	350,343	402,659	221,384	607,936
Net loss from discounting operations		-	-	-	-	-
Net income (loss)		295,935	350,343	402,659	221,384	607,936
Other comprehensive income recognized for the period (Profit after tax)		(13,459)	(30,520)	(39,074)	(16,377)	255,298
Total comprehensive income of the current period		282,476	319,823	363,585	205,007	863,234
Net income attributes to shareholders of the parent		191,960	219,959	280,010	71,582	482,193
Net profit attributable to non-controlling interest		103,975	130,384	122,649	149,802	125,743
Comprehensive income attributed to owners of the parent		178,750	189,715	240,926	55,127	737,340
Comprehensive income attributed to non-controlling interests		103,726	130,108	122,659	149,880	125,894
Earnings per share (EPS)		0.81	0.98	0.87	0.22	1.50

Note 1: The financial information above has been audited by CPAs.



## (II) Concise Balance Sheet and Comprehensive Income Statement (Standalone) - Based on IFRS

## Concise Balance Sheet

Unit: NT\$ (thousand)

Item	Year	Financial Analysis of the most recent year (Note 1)				
		2018	2019	2020	2021	2022 (Note2)
Current assets		5,682,094	5,196,479	6,558,930	4,998,492	5,833,099
Property, plant and equipment		228,571	236,925	225,461	219,442	203,902
Intangible assets		50,948	44,418	29,896	20,896	78,587
Other assets		1,383,833	1,645,550	1,925,440	2,942,344	4,073,379
Total assets		7,345,446	7,123,372	8,739,727	8,181,174	10,188,967
Current liabilities	Prior to distribution	3,764,761	1,934,973	3,765,943	3,456,699	4,853,395
	After distribution	3,924,315	2,102,692	3,978,868	3,504,668	5,335,371
Non-current liabilities		222,539	241,228	28,635	27,853	41,780
Total liabilities	Prior to distribution	3,987,300	2,176,201	3,794,578	3,484,552	4,895,175
	After distribution	4,146,854	2,343,920	4,007,503	3,532,521	5,377,151
Equity attributable to owners of the parent company		3,358,146	4,947,171	4,945,149	4,696,622	5,293,792
Capital		2,243,105	3,289,862	3,289,862	3,289,862	3,213,172
Capital surplus	Prior to distribution	729,418	1,401,968	1,326,737	1,236,008	1,114,994
	After distribution	708,924	1,312,633	1,218,345	1,123,318	1,114,994
Retained earnings	Prior to distribution	442,238	505,757	618,048	476,705	856,534
	After distribution	282,684	338,038	405,123	428,736	374,558
Other equity interests		(56,615)	(89,974)	(129,056)	(145,511)	109,092
Treasury stock		-	(160,442)	(160,442)	(160,442)	-
Non-controlling interest		-	-	-	-	-
Total equity	Prior to distribution	3,358,146	4,947,171	4,945,149	4,696,622	5,293,792
	After distribution	3,198,592	4,779,452	4,732,224	4,648,653	4,811,816

Note 1: The financial information above has been audited by CPAs.

Note 2: The distribution of cash dividends from 2022 earnings will be resolved by the board of directors in 2023.

Condensed Statement of Comprehensive Income

Unit: NT\$ (thousand)

Item	Year	Financial Analysis of the most recent year (Note 1)				
		2018	2019	2020	2021	2022
Operating revenue		8,565,195	7,504,329	8,526,047	7,243,067	9,947,772
Operating margin		614,446	677,605	782,230	555,013	464,063
Net operating income		25,160	89,983	115,946	(106,562)	(621,063)
Non-operating income and expenses		172,787	123,108	191,990	171,863	1,069,610
Net profit before tax		197,947	213,091	307,936	65,301	448,547
Net income from continuing operations		191,960	219,959	280,010	71,582	482,193
Net loss from discounting operations		-	-	-	-	-
Net income (loss)		191,960	219,959	280,010	71,582	482,193
Other comprehensive income recognized for the period (Profit after tax)		(13,209)	(30,244)	(39,083)	(16,455)	255,148
Total comprehensive income of the current period		178,751	189,715	240,927	55,127	737,341
Net income attributes to shareholders of the parent		191,960	219,959	280,010	71,582	482,193
Net profit attributable to non-controlling interest		-	-	-	-	-
Comprehensive income attributed to owners of the parent		178,751	189,715	240,927	55,127	737,341
Comprehensive income attributed to non-controlling interests		-	-	-	-	-
Earnings per share (EPS)		0.81	0.98	0.87	0.22	1.50

Note 1: The financial information above has been audited by CPAs.

## (V) Names of CPAs for the past five years and the auditors' Opinions, the reason for the change in CPAs

Year	CPA firm	CPA	Audit Opinion	Reason for change of CPA
2018	BDO Taiwan	Ke-Yi Liu and Kun- His Hsu	Unqualified opinion	Internal adjustment of CPA firm
2019	BDO Taiwan	Ke-Yi Liu and Kun- His Hsu	Unqualified opinion	None.
2020	BDO Taiwan	Ke-Yi Liu and Kun- His Hsu	Unqualified opinion	None.
2021	BDO Taiwan	Kun-His Hsu and Shu-Chen Chang	Unqualified opinion	Internal adjustment of CPA firm
2022	BDO Taiwan	Kun-His Hsu and Shu-Chen Chang	Unqualified opinion	None.

## II. Financial Information for the Most Recent Five Years

## (I) Financial analysis (consolidated) - IFRS

Analyzed Item (Note 2)		Year (Note 1)	Financial Analysis within 5 years				
			2018	2019	2020	2021	2022
Financial structure (%)	Total liabilities to total assets		61.04	44.09	55.54	50.78	50.48
	Long-term capital to PP&E		424.94	572.23	301.21	33	300.14
Debt-paying ability (%)	Current ratio		147.20	231.01	146.40	158.43	157.85
	Quick ratio		80.99	171.54	91.59	92.93	91.29
	Interest protection multiples		7.11	6.48	14.61	10.83	11.73
Operating performance	Accounts receivable turnover (times)		6.20	6.03	5.72	4.80	5.64
	Average collection days		58.87	60.53	63.81	76.04	64.72
	Inventory turnover (times)		3.34	3.14	3.15	2.16	2.60
	Accounts payable turnover (times)		3.97	3.92	4.66	4.66	5.10
	Average inventory turnover days		109.28	116.24	115.87	168.98	140.38
	Property, plant and equipment turnover (times)		9.88	9.99	6.89	5.29	6.41
	Total Assets Turnover (times)		1.13	1.04	0.91	0.82	1.06
Profitability	ROA (%)		3.88	4.12	3.83	2.09	5.71
	ROE (%)		5.52	5.30	5.66	1.48	9.65
	Pre-tax profit to paid-in capital (%)		16.43	12.35	14.24	9.38	22.77
	Net profit margin (%)		2.94	3.39	3.92	2.29	4.94
	Earnings per share (NT\$)		0.81	0.98	0.87	0.22	1.50
Cash Flow Analysis	Cash flow ratio (%)		0.00	47.57	(6.56)	(4.84)	13.75
	Cash flow adequacy (%)		102.91	100.69	36.54	16.53	11.85
	Cash flow reinvestment ratio (%)		0.00	22.69	0.00	0.00	10.36
Leverage	Operating leverage		7.69	6.12	6.50	8.92	4.61
	Financial leverage		1.20	1.18	1.08	1.12	1.09

Reasons for all financial ratio fluctuations within the most recent two years.

1. The increase in Inventory turnover rate and Property, plant and equipment turnover rate and Total asset turnover rate was mainly due to increase in Revenue.
2. The increase in Various ratios of profitability was mainly due to the introduction of new products and market expansion, as well as the improvement of production efficiency, which contributes to profit growth.
3. The decrease in Cash flow adequacy ratio mainly due to increase in inventory.
4. The increase in Cash flow ratio and Cash flow reinvestment ratio mainly due to increase in revenue and the increase in net cash inflow from operating activities.
5. The decrease in Operating leverage mainly due to invrease in operating income.

## (II) Financial Analysis (Standalone) - IFRS

Year (Note 1)		Financial Analysis within 5 years				
		2018	2019	2020	2021	2022
Analyzed Item (Note 2)						
Financial structure (%)	Total liabilities to total assets	54.28	30.55	43.42	42.59	48.04
	Long-term capital to PP&E	1,566	2,189	2,206	2,153	2,617
Debt-paying ability (%)	Current ratio	150.93	268.56	174.16	144.60	120.19
	Quick ratio	129.54	248.47	168.47	142.49	116.68
	Interest protection multiples	10.98	8.67	20.60	5.47	11.61
Operating performance	Accounts receivable turnover (times)	17.98	21.81	23.94	13.16	11.01
	Average collection days	20.30	16.74	15.25	27.74	33.15
	Inventory turnover (times)	17.73	12.15	28.34	57.89	123.36
	Accounts payable turnover (times)	4.41	3.48	5.47	5.14	4.56
	Average inventory turnover days	20.59	30.04	12.88	6.31	2.96
	Property, plant and equipment turnover (times)	36.16	32.24	36.88	32.56	47.00
	Total Assets Turnover (times)	1.33	1.04	1.07	0.86	1.08
Profitability	ROA (%)	3.24	3.35	3.69	0.98	5.62
	ROE (%)	5.52	5.30	5.66	1.48	9.65
	Pre-tax profit to paid-in capital (%)	8.82	6.48	9.36	1.98	13.96
	Net profit margin (%)	2.24	2.93	3.28	0.99	4.85
	Earnings per share (NT\$)	0.81	0.98	0.87	0.22	1.50
Cash Flow Analysis	Cash flow ratio (%)	(2.40)	6.02	(11.03)	(12.17)	21.69
	Cash flow adequacy (%)	40.92	30.24	(8.33)	(18.75)	11.42
	Cash flow reinvestment ratio (%)	(10.63)	(1.20)	(13.14)	(15.23)	16.53
Leverage	Operating leverage	87.08	21.48	19.44	(16.42)	(3.49)
	Financial leverage	4.73	1.45	1.16	0.88	0.94
Reasons for all financial ratio fluctuations within the most recent two years.						
1. The increase in Ratio of long-term capital to property, plant and equipment and Interest coverage ratio mainly due to increase in profits.						
2. The increase in Inventory turnover rate and Property, plant and equipment turnover rate and Total asset turnover rate mainly due to increase in Revenue.						
3. The increase in Various ratios of profitability was mainly due to increase in profits.						
4. The increase in Cash flow ratio 、Cash flow adequacy and Cash flow reinvestment ratio was mainly due to increase in revenue and the increase in net cash inflow from operating activities.						
5. The increase in Operating leverage was mainly due to increase in profits.						

Note 1: The financial information above has been audited by CPAs.

Note 2: The calculation formulae of the ratios are listed at the end of the table:

1. Financial Structure

- (1) Total liabilities to total assets = Total liabilities / Total assets
- (2) Long-term capital to PP&E = (Total equity + Non-current liabilities) / Net property, plant and equipment

2. Debt-paying ability

- (1) Current ratio = Current Assets / Current liability
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
- (3) Interest protection multiple = Net income before income tax and interest expense / Interest expense

3. Operating performance

- (1) Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance
- (2) Average collection days = 365 / account receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory
- (4) Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance
- (5) Average inventory turnover days = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Net property, plant and equipment
- (7) Total assets turnover = Net sales / Total assets

4. Profitability

- (1) ROA = [PAT + Interest expense × (1 - Interest rate)] / Average total assets
- (2) ROE = PAT / Average net equity
- (3) Net income ratio = PAT / Net sales
- (4) EPS = (PAT - Dividend from preferred shares) / Weighted average outstanding shares (Note 4)

5. Cash Flow Analysis

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Most recent five years cash flow from operating activities / Most recent five years (Capital expenditure + Increase of inventory + Cash dividend)
- (3) Cash investment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets in property, plant and equipment + Long-term investment + Other assets + Working capital) (Note 5)

6. Leverage

- (1) Operating leverage = (Net revenue - Variable cost of goods sold and operating expense) / Operating income (Note 6)
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 3: For the calculation formula of EPS above, the following should be noted:

1. Based on weighted average common shares, not outstanding shares as at year-end.
2. For transactions of capital increase by cash and treasury stock, weighted average outstanding shares should be used for computation during the circulation period.
3. If there is capital increase by retained earnings or capital reserve, when computing previous year or half-yearly EPS, the retrospective adjustment should be made according to capital increase ratio. The issuance period of the capital increase need not be taken into consideration.
4. If the preferred shares are unconvertible cumulative preferred shares, the dividend of the year (disbursed or otherwise) should be deducted from net profit after tax, or added to a net loss after tax. If the preferred shares are non-cumulative preferred shares, when there is a net profit after tax, the dividend of preferred shares should be deducted from net profit after tax; if there is a net loss after tax, no adjustment is required.

Note 4: For cash flow analysis, the following should be noted:

1. Net cash flow from operating activities is net cash flow from operating activities in Cash Flow Analysis.
2. Capital expenditure refers to cash outflow for capital expenditure every year.
3. Inventory increase is only accounted for if the ending balance is greater than the beginning balance. If the ending balance decreases, the inventory increase amounts to 0.
4. Cash dividends include cash dividends for ordinary and preferred shares.
5. Property, plant, and equipment refer to property, plant, and equipment before depreciation.

Note 5: The issuer should distinguish the various cost of goods sold and operating expense items as fixed or variable. If the estimation of subjective judgment is involved, consistency must be observed.

Note 6: For the Company shares without a face value or with a face value that is not equivalent to NT\$10 per share, the aforementioned equations that involve dividing by paid-in capital should be amended to dividing by equity attributable to parent company shareholders.

### III. Audit Report Issued by the Audit Committee for the Most Recent Financial Statements

#### Audit Committee's Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements and Earnings Distribution Proposal for the year of 2022. Kun-His Hsu and Shu-Chen Chang Certified Public Accountants of BDO Taiwan have audited the Financial Statements. The 2022 Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Hitron Technologies Inc. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

2023 Annual General Shareholder's Meeting

Chairman of the Audit Committee: Lo-Min Chen

February 23, 2023

- IV. Financial report for the most recent fiscal year: Please refer to Appendix 1.
- V. Parent only financial statements audited by CPAs: Please refer to Appendix 2.
- VI. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None.

## Seven. Review and Analysis of Financial Position and Financial Performance, and Risk Management

### I. Financial Position

#### Financial Position Analysis

Unit: NT\$ (thousand)

Item	Year	2022	2021	Difference	
				Amount	%
Current assets		9,562,665	8,654,473	908,192	10.49
non-current assets		2,675,430	2,331,487	343,943	14.75
Total assets		12,238,095	10,985,960	1,252,135	11.40
Current liabilities		6,058,063	5,462,528	595,535	10.90
Non-current liabilities		120,155	116,227	3,928	3.38
Total liabilities		6,178,218	5,578,755	599,463	10.75
Share capital		3,213,172	3,289,862	(76,690)	(2.33)
Capital surplus		1,114,994	1,236,008	(121,014)	(9.79)
Retained earnings (Note 1)		856,534	476,705	379,829	79.68
Other equity interests (Note 2)		109,092	(145,511)	254,603	(174.97)
Treasury stock (Note 3)		-	(160,442)	160,442	(100)
Total equity interest of parent company		5,293,792	4,696,622	597,170	12.71
Non-controlling interest		766,085	710,583	55,502	7.81
Total equity		6,059,877	5,407,205	652,672	12.07

Fluctuation analysis:

Note 1: The increase in retained earnings was mainly due the increase in profit in 2022.

Note 2: The increase in other equity was mainly due to exchange rate fluctuations, foreign operating institutions generate exchange benefits when converting their financial statements.

Note 3: The increase in treasury stocks was mainly due to the cancellation of treasury stocks in 2022.

### II. Financial Performance

#### (I) Comparison analysis for operating performance

Unit: NT\$ (thousand)

Items	2022	2021	Increase/ (decrease)	Change in %
Net operating revenue	12,318,229	9,681,546	2,636,683	27.23
Operating cost	9,607,062	7,717,426	1,889,636	24.49
Gross profit (Note 1)	2,711,167	1,964,120	747,047	38.03
Operating expenses	1,913,970	1,668,028	245,942	14.74
Operating income (Note 1)	797,197	296,092	501,105	169.24
Non-operating income and expenses (Note 2)	(65,542)	12,378	(77,920)	(629.50)
Net profit before tax (Note 1)	731,655	308,470	423,185	137.19
Income taxes (expenses) (Note 3)	(123,719)	(87,086)	(36,633)	42.07
Net income from continuing operations (Note 1)	607,936	221,384	386,552	174.61

Analysis of fluctuation:

Note 1: The increase in gross profit 、 Operating income 、 Net profit before tax and Net income from continuing operations was mainly due to the increase of revenue and profit growth due to the introduction of new products, development of new markets and improvement of production efficiency.

Note 2: The decrease in Non-operating income and expenses was mainly due to exchange losses caused by exchange rate fluctuations and increased financial costs.

Note 3: The increase in Income taxes expenses was mainly due the increase in profit in 2022.

### III. Cash Flow

#### (I) Summary of cash flow change analysis in the most recent year

Cash balance at the beginning of the period (1)	Yearly net cash inflow from operating activities (2)	Yearly net cash inflow from investing activities (3)	Yearly net cash inflow from financing activities (4)	Forex fluctuation (5)	Cash Surplus (Shortage) (1)+(2)+(3)+(4)+(5)	Remedies for cash shortage	
						Investment plan	Financing plan
2,803,348	832,960	(68,109)	(1,309,594)	127,071	2,385,676	—	—
Analysis of fluctuation:							
(1) Operating activities: The net cash inflow from operating activities of NT\$832,960 thousand was mainly due to the revenue growth, profit increase and adjustment of payment date of accounts payable.							
(2) Investment activities: The net cash outflow of NT\$68,109 thousand was mainly due to the increasing in capital expenditure.							
(3) Financing activities: The net cash outflow of \$1,309,594 thousand was mainly due to the repayment of short-term loans and cash dividend payout.							

#### (II) Plans for improving liquidity

The end of period cash balance remaining NT\$2,385,676 thousand and there is no such condition of insufficient liquidity.

#### (III) Cash flow analysis for the coming year

Unit: NT\$ (thousand)

Cash balance at the beginning of the period (1)	Estimated yearly net cash inflow from operating activities (2)	Estimated yearly net cash inflow from investing activities (3)	Estimated yearly net cash inflow from financing activities (4)	Anticipated Cash Surplus (Shortage) (1)+(2)+(3)+(4)	Remedies for cash shortage	
					Investment plan	Financing plan
2,385,676	943,404	(233,294)	(24,792)	3,070,994	—	—
Analysis of future cash flow						
(1)Cash provided by operating activities: Cash provided by operating activities of 2023 is NTD 943,404 thousand dollars. It's attributed to growing revenue.						
(2)Cash provided by investing activities: Cash provided by investing activities of 2023 is NTD -233,294 thousand dollars. It's attributed to increasing capital expenditure.						
(3)Cash provided by financing activities: Cash provided by financing activities of 2023 is NTD -24,792 thousand dollars. It's attributed to cash dividend payout.						

#### IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance: None.

#### V. Causes of Profit or Loss Incurred on Investments in the Most Recent Year, and Any Improvements or Investments

The investment policy of the Company is mainly pertinent to the current basic business operation while searching for reinvestment on related businesses of the Company. Before making an investment, assessment in accordance with the "Procedures for Acquisition or Disposal of Assets" will be conducted.

#### VI. Risk Issues for the Most Recent Year until the Publication Date of the Annual Report

- (I) The impact of interest rates, exchange rate changes, and inflation on the Company's profit and loss and future response measures for the most recent year and up to the publication date of the annual reports: The Company closely monitors the change in interest rates and undertakes the necessary measures to low the impact on the Company's profit and loss due to interest rate fluctuation.
  1. Interest rates: The Company evaluates the bank loan interest rates regularly and maintain a good working relationship with the Bank to obtain favorable interest rates, so as to decrease the interest expense.



2. Exchange rates: The Company has established concrete strategies on forex maneuvering and strict procedures to monitor the fluctuation of forex rates.
  3. Inflation: Due to the nature of the industry, inflation has little impact on the operation of the Company. However, the Company shall monitor the inflation rate from time to time.
- (II) For the most recent year until the publication date of the annual report, policies on transactions involving high risks, highly leveraged investments, funds lending to others, endorsement or guarantee and derivatives, the main reasons for the profit or loss of these transactions and future countermeasures:
1. The Company concentrates on managing its own business and does not engage in highly risky and highly leveraged investments.
  2. The Company conducts transactions in forward exchange contracts and swaps primarily to hedge the risk arising from fluctuations in exchange rate of foreign-currency-denominated assets or liabilities. The Company uses derivative financial instruments that are highly negatively correlated with changes in the fair value of the hedged item as a hedging instrument, and carries out regular evaluation.
  3. When the Company loans funds to others, provides endorsements/guarantees, or engages in derivative transactions, in addition to complying with the regulations of the competent authorities, regular filing and announcement are also performed.
- (III) Future research & development projects and corresponding budget:
1. Future research & development projects:
    - \* DOCSIS 4.0 new generation cable router and voice modem
    - \* IoT Gateway
    - \* SD-WAN
    - \* 10Gbps Full Duplex DOCSIS 3.1 Cable Gateway (10Gbps downstream speed and Wi-Fi 6support)
    - \* Mobile Backhaul
    - \* Hitron Cloud Management System
    - \* WiFi6 / WiFi 7 Extender with EasyMesh
    - \* 3.5GHz wireless base station CBRS Small Cell RAN
    - \* 2.5Gbps/10Gps PON ONU
    - \* Indoor and outdoor 5G FWA and mmWave solutions
    - \* Provide new value-added services by integrating Hitron Cloud and third-party software application platforms.
    - \* Analysis of big data and prediction/modeling of customer behavior patterns
  2. Expected R&D expenditure: In 2023, the Company is expected to incur NT\$600,000 thousand in R&D expenditure.
  3. For the R&D status, please see Section Five. Operational Highlights, Business Activities (III) Technological capability and R&D for more details.
- (IV) Effects of and response to changes in local and foreign policies and regulations relating to corporate finance and sales:
- The Company closely monitors the changes in local and foreign policies and regulations to fully grasp and respond to the changes in the market environment. For the most recent year until the publication date of the annual report, there has been no incident that impacts the corporate finance and sales of the Company.
- (V) The impact of technological and industrial changes on the Company's financial business and the countermeasures
- The Company is committed to comprehending the future trends and new technology and thus would continue to invest in high value-adding telecommunication products to create optimal profit and core competitive advantages, while maintaining control on inventories to minimize the impact of the Company's finances. For control on cybersecurity, to implement internal control and policies on protecting cybersecurity, the Company has established IT safety protocols and preventive measures to regulate the information security. Further, the Board of Directors will receive reports regularly regarding cybersecurity issues. For the Company's information security management, please refer to the page 82 of this annual report.
- (VI) Impact of change in the corporate image on crisis management, and countermeasures:
- The business spirit of the Company is "Caring for humanity, leading with technologies". The corporate image is fairly well and for the most recent year until the publication date of the annual report, no incident that giving rise to a

change in corporate image and requiring crisis management has occurred.

(VII) Expected benefits from, risks relating to, and response to merger and acquisition plans: None.

(VIII) Expected benefits from, risks relating to, and response to factory expansion plans:

In response to the impact of US-China trade, the company established a subsidiary in Vietnam and established a new overseas production plant base. Excepting to expanding the group's production capacity, it can further solve the custom tax problem derived from US-China trade and help to enhance the overall product competitiveness. The establishment of the Company's Vietnam factory has undergone internal prudential and professional evaluation, and has made effective use of investment expenditures, and has fully understood the investment benefits and possible risks of this investment.

(IX) Risks relating to and responses to excessive concentration of purchasing sources and excessive customer concentration: None.

(X) Effects of, risks relating to, and response to large share transfers or changes in shareholdings by Directors, or Shareholders with shareholdings of over 10%: None.

(XI) Impact of changes in management on the Company and risks: None.

(XII) For litigation or non-litigation cases involving the Company, Directors, Supervisors, General Manager, actual persons in-charge or major Shareholders with a stake of 10% or more that have been concluded or are still pending, and have a material impact on the Shareholders' interest or security prices, the disclosure should be made regarding the content of the disputes, the sum of penalty or claim, the commencement date of the suits, the parties involved and the status as of the publication date of the annual report:

HT and eASPNET Taiwan Inc. ("eASPNET") entered into the "Agreement for Establishment of Kaohsiung City Wireless Common Platform" (the "Agreement"). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, filed a lawsuit against eASPNET and claimed for the contract payment of NT\$86,619 thousand. On February 17, 2011, the company obtained the prevailed judgment made by the Taiwan Shilin District Court, that eASPNET has to pay HT NT\$72,916 thousand and interest based on the 5% annual interest rate from April 12, 2008 to the repayment date. eASPNET appealed against the judgment and provided a guarantee of NT\$72,916 thousand in April 2011 to avoid provisiona execution. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and appealed to the Supreme Court. On Nov 18, 2013, the Supreme Court ruled that the original judgment should be abandoned, and remanded to the Taiwan High Court for trial update. On March 29, 2016, in the first retrial, Taiwan High Court declared that HT won the court case. eASPNET should pay NT\$71,115 thousand to HT. However, both parties filed appeals. The Supreme Court, on January 5, 2017, abandoned the original judgment except provisional execution and remanded the case to the Taiwan High Court. On October 20, 2020, in the second retrial, Taiwan High Court ruled to abandon the judgement of the first retrial. Based on legal experts' opinion, the case is still subject to appeal and has not yet been determined. The Company filed an appeal on November 17, 2020, and the High Court transferred the case to the Supreme Court on January 25, 2021. The two parties settled in the mediation court of the Supreme Court on September 27, 2021, and agreed that IMS, a shareholder of eASPNET, should remit US\$1,433,000 to the company's bank account and confirmed the receipt of funding on September 27, 2021 in order to reach a settlement of the case on that day.

(XIII) Other major risks and the countermeasures: None.

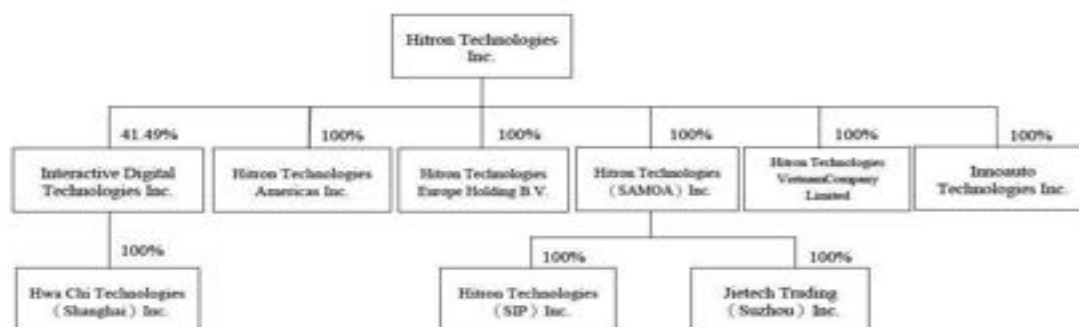
VII. Other Material matters: None.

## Eight. Special Notes

### I. Summary of Affiliated Companies

#### (I) Consolidated business reports with affiliated enterprises

##### 1. Organizational chart of affiliated companies



##### 2. Affiliated companies

December 31, 2022 Unit: Shares/%

Name of Company	Date of Establishment	Address	Paid-in-capital amount	Principle business
Interactive Digital International Co., Ltd.	May 14, 2003	No. 38-1, Wugong 5th Rd., Wugu Dist., New Taipei City 248, Taiwan (R.O.C.)	NTD402,532	Telecommunication and broadband internet service
Hitron Technologies (Samoa) Inc.	July 13, 2006	TrustNet Chambers, P.O.Box 1225, Apia, Samoa.	USD21,350	International trade
Hitron Technologies (SIP) Inc.	October 11, 2006	Room 1601, Building 2, No.88 Huachie Street, Suzhou Industrial Park	USD20,500	Manufacturing and selling products relating to broadband and telecommunications.
Huaqi Communication Equipment (Shanghai) Co., Ltd.	October 11, 2001	Room 702, Noah Square, 1759, Jinshajiang St., Putuo District, Shanghai	USD200	Technical consulting, research, maintenance and after-sales service for electronic communication
Jietech Trading (Suzhou) Company	July 20, 2010	Room 1601, Building 2, No.88 Huachie Street, Suzhou Industrial Park	USD850	Sales of broadband network products and related services
Hitron Technologies Europe Holding B.V.	July 1, 2011	Kingsfordweg 151, 1043GR Amsterdam The Netherlands	EUR1,500	International trade
Hitron Technologies (Americas) Inc.	October 21, 2011	9000 E Nichols Ave Suite 103 Centennial, CO 80112, U.S.A.	USD3,000	International trade
InnoAuto Technologies Inc.	June 11, 2015	3F, No. 365, Sec. 2, Gongdao 5th Road, Hsinchu City	NTD20,000	General investment and automotive electronics products
Hitron Technologies Viet Nam company limited	May 24, 2019	No.15, Road No.17, VSIP Hai Phong, Thuy Trieu Commune, Thuy Nguyen District, Hai Phong City, Vietnam	USD52,500	Manufacturing and selling products relating to broadband and telecommunications.

3. Common Shareholders of the Company presumed to have a relationship of control and subordination: Not Applicable.

4. The industries covered by the business operated by affiliates:

The businesses operated by the company and its affiliates include research development, production, sales and related consulting services of communications and telecommunications products; and international trade business.

## 5. Directors, Supervisors and General Managers of Affiliated Companies

December 31, 2022; Unit: Shares

Name of Company	Title	Name or Representative	Shareholding	
			Number of shares	Percentage of shareholding
Interactive Digital Technologies Inc.	Chairman	Representative of Hitron Technologies Inc.: Davis Cheng	16,702,600	41.49
	Director	Representative of Hitron Technologies Inc.: Amy Liu		
	Director	Representative of Hitron Technologies Inc.: April Huang		
	Director	Representative of Calais Development Ltd.: Jung-Huang Wang		
	Independent Director	Hsiao-Chen Chuang		
	Independent Director	Chao-Fu Shih		
	General Manager	Amy Liu		
Hitron Technologies (SAMOA) Inc.	Chairman	Representative of Hitron Technologies Inc.: Patrick Chiu	USD 21,350,000 (Contribution amount)	100
Hitron Technologies (SIP) Inc.	Chairman	Representative of Hitron Technologies (SAMOA) Inc.: Patrick Chiu	USD20,500,000 (Contribution amount)	100
	Director	Representative of Hitron Technologies (SAMOA) Inc.: Adams Lee		
	Director	Representative of Hitron Technologies (SAMOA) Inc.: Kevin liao		
	Supervisor	Representative of Hitron Technologies (SAMOA) Inc.: Allen Hsu		
	General Manager	Patrick Chiu		
Hitron Technologies Americas Inc.	General Manager	Representative of Hitron Technologies Inc.: Patrick Chiu	USD3,000,000 (Contribution amount)	100
Hitron Technologies Europe Holding B.V.	Chairman	Representative of Hitron Technologies Inc.: Patrick Chiu	EUR1,500,000 (Contribution amount)	100
Hitron Technologies Vietnam Company Limited	Chairman	Representative of Hitron Technologies Inc.: Patrick Chiu	USD52,500,000 (Contribution amount)	100
Innoauto Technologies Inc.	Chairman	Representative of Hitron Technologies Inc.: April Huang	2,000,000	100
	Director	Representative of Hitron Technologies Inc.: Adams Lee		
	Director	Representative of Hitron Technologies Inc.: Patrick Chiu		
	Supervisor	Representative of Hitron Technologies Inc.: Allen Hsu		
Jietech Trading (Suzhou) Inc.	Chairman	Representative of Hitron Technologies (SAMOA) Inc.: Patrick Chiu	USD850,000 (Contribution amount)	100
	Supervisor	Representative of Hitron Technologies (SAMOA) Inc.: Allen Hsu		
	General Manager	Patrick Chiu		
Hwa Chi Technologies (Shanghai) Inc.	Chairman	Representative of Interactive Digital Technologies Inc.: Davis Cheng	USD200,000 (Contribution amount)	41.49
	Supervisor	Representative of Interactive Digital Technologies Inc.: Jeffrey Lee		

## 6. Operational Highlights of Affiliated Companies

December 31, 2022, Unit: NT\$ (thousand)

Name of Company	Paid-in-capital amount	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Current profit (loss)	Earnings per share (EPS)
Interactive Digital Technologies Inc.	402,532	2,632,242	1,316,421	1,315,821	2,043,363	278,499	215,007	5.43
Hitron Technologies (SAMOA) Inc.	642,697	618,428	-	618,428	-	-	18,943	-
Hitron Technologies (SIP) Inc.	641,763	685,198	70,624	614,574	166,852	24,186	22,698	-
Hitron Technologies Americas Inc.	90,082	2,978,102	2,550,278	427,824	6,297,545	221,023	165,909	-
Hitron Technologies Europe Holding B.V.	59,604	513,187	406,284	106,903	1,211,680	104,957	86,528	-
Hitron Technologies Vietnam Company Limited	1,511,735	5,569,583	3,108,943	2,460,640	9,981,935	733,218	714,066	-
Innoauto Technologies Inc.	20,000	3,524	80	3,444	-	(201)	(188)	-
Jietech Trading (Suzhou) Inc.	31,139	3,740	-	3,740	-	(55)	(28)	-
Hwa Chi Technologies (Shanghai) Inc.	5,814	12,677	179	12,498	6,175	1,249	1,264	-

- II. For the private placement of Securities in the most recent year until the publication date of the annual report, the date and amount approved by the Shareholders' and Board Meetings, basis and rationale of the price determined, selection method of the specific persons and reasons why the private placement was necessary, and the status of use of the capital raised through the private placement of common shares, the implementation progress of the plan:

Items	First private placement in 2019 Date of issuance: December 16, 2019				
Types of private placement of marketable securities	Common stock				
Date and amount approved by the Shareholders' and Board Meetings	Date of Shareholders' Meeting: December 19, 2018 Issuance amount: Within the ordinary share limit of 100,000 thousand shares, depending on the market and specific persons, the Company will undertake once or a few (at most, not more than two) issuances.				
Basis and rationale for the price established	In accordance with the first Special Shareholders' Meeting in 2018 (December 19, 2018), the price of the private placement is not lower than 80% of the higher of the following computation before the price determination date: (1) The simple average closing price of the common shares for either 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; (2) The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. According to the price determination principle above, the reference price of the private placement was NT\$20.13. The private placement price was set at NT\$16.11, which was 80.03% of the reference price, and was not lower than 80% of the reference price as per the resolution passed in the Special Shareholders' Meeting. The price determination method and conditions were in accordance with the rules and regulations. They had taken into consideration the current state and future outlook of the Company, as well as the three-year conversion limitation imposed by the Securities and Exchange Act.				
Selection method of specific persons	In accordance with the Securities and Exchange Act, Article 43-6 subparagraph 1 on specific persons				
Reasons for private placement	The state of the capital market, the timeliness, feasibility, issue costs of raising capital and the actual need of strategic investors are taken into consideration. Further, the transfer of privately placed securities is subject to a three-year restriction. This can ensure long-term collaboration between the Company and its strategic investors. As such, the Company opted for private placement instead of public issuance of shares.				
Number of shares (or number of corporate bonds)	100,000,000 shares				
Payment completion date	December 16, 2019				
Delivery date	January 10, 2020				
Subscriber	Target subscriber	Eligibility requirement	Number of shares placed	Relationship with the Company	Participation in the management of the Company
	Alpha Networks Inc.	In accordance with the Securities and Exchange Act, Article 43-6 subparagraph 1 on specific persons	100,000 thousand shares	After cash capital increase by private placement, Alpha has become a major shareholder with more than a 10% stake	Acquired more than half of the Board of Directors
Subscription price	NT\$16.11 per share				
Difference between subscription price and reference price	The reference price was NT\$20.13. The subscription price was NT\$16.11, which was not lower than the minimum price that was set in the resolution of the Shareholders' Meeting.				
Impact of the private placement on Shareholders' interest	The private placement is expected to strengthen the competitiveness of the Company, increase operational effectiveness, and enhance the financial structure of the Company, thus beneficial to the Shareholders' interest.				
The use of capital raised in the private placement and the implementation of plans	Taking into account the Company's medium- and long-term strategic development plan, the Board meeting held on November 4, 2021 resolved to change the use of funds privately placed to purchasing machinery and equipment, and building plants as well as enriching the working capital. A total of NT\$346 million was put into enriching the working capital, and funds raised by private placement were completed in the fourth quarter of 2021.				
Benefit of private placement	The private placement is expected to strengthen the competitiveness of the Company, increase operational effectiveness, and enhance the financial structure of the Company, thus beneficial to the Shareholders' interest.				

- III. For the Most Recent Year until the Publication Date of the Annual Report, the Shareholding or Disposal of Shares of the Company by Subsidiaries: None.

- IV. Other supplementary information: None.

- V. For the Most Recent Year until the Publication Date of the Annual Report, Matters Affecting Shareholders' Equity Stock Price as Prescribed in the Securities and Exchange Act, article 36 paragraph 3 subparagraph 2: None.



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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Hitron Technologies Inc.

### *Opinion*

We have audited the accompanying consolidated balance sheets of Hitron Technologies Inc. and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Hitron Technologies Inc. and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

### *Basis for Opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standard on Auditing of the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Hitron Technologies Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Base on our audits and the reports of other auditors, 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 for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

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



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### Revenue recognition

Please refer to Note 4(23) to the consolidated financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. and its subsidiaries mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

### Valuation for Inventories

Please refer to Note 4(13) to the consolidated financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(6) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or services influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.





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### Provisions

Please refer to Note 4(19) to the consolidated financial statements about accounting policy of provisions, Note 5(3) about key sources of estimation and assumptions of uncertainty for provisions.

Hitron Technologies Inc. and its subsidiaries estimates the possible maintenance costs and accrues provisions of the product warranty based on past technical experience and contractual conditions. Considering the uncertainty in estimation, the accrual of warranty provisions has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Understood the evaluation process of provision performed by the management.
2. Evaluate the appropriateness of procedures used and the rationality of estimates in assessing provisions.
3. Sampled warranties not expired and evaluated if there were significant unexpected liabilities.
4. Reviewed the settlements of expired warranties and the relevant authorization and supporting documents.

### **Other Matter**

We did not audit the financial statements of the Hitron Technologies Europe Holding B.V. Thus, the amounts and information of the subsidiary shown within are based solely on the reports of other auditors. Total assets of the subsidiary were NT\$513,187 thousand and NT\$211,934 thousand, constituting 4.19% and 1.93% of the consolidated total assets as of December 31, 2022 and 2021 respectively. Total operating revenues of the subsidiary were NT\$1,211,680 thousand and NT\$825,908 thousand, constituting 9.84% and 8.53% of the consolidated operating revenues for December 31, 2022 and 2021 respectively.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Hitron Technologies Inc. as of and for the years ended December 31, 2022 and 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed 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.



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In preparing the consolidated financial statements, management is responsible for assessing the ability of Hitron Technologies Inc. and its subsidiaries 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 Hitron Technologies Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc. and its subsidiaries.

#### ***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 Standard on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 internal control of Hitron Technologies Inc. and its subsidiaries.
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 Hitron Technologies Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Hitron Technologies Inc. and its subsidiaries to cease to continue as a going concern.



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5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Hitron Technologies Inc. and its subsidiaries to express an opinion on the consolidated 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kun-His Hsu and Shu-Chen Chang.

BDO TAIWAN

*BDO Taiwan*

Feb 23, 2023

Notice to Readers

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

*For the convenience of readers, the Independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language Independent auditors' report and consolidated financial statements shall prevail.*

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BDO Taiwan, a joint accounting firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2022 and 2021

Assets	Notes	December 31, 2022		December 31, 2021		UNIT : NTD (In Thousands)	
			%		%	December 31, 2021	%
<b>Current assets</b>							
Cash and cash equivalents	6.1	\$2,385,676	19.49	\$2,803,348	25.52	\$1,940,870	15.86
Financial assets at fair value through profit or loss - current	6.2	61,084	0.50	65,200	0.59	7,421	0.06
Financial assets at amortized cost - current	6.3	-	-	371,960	3.39	531,475	4.34
Notes receivable, net	6.5	36,008	0.29	134,278	1.22	2,558,762	20.91
Accounts receivable, net	6.5	2,488,920	20.34	1,662,845	15.14	112,984	0.92
Accounts receivable - related parties		765	0.01	21	-	591,259	4.83
Other receivables		460,618	3.76	8,121	0.07	5,165	0.04
Current income tax assets		93,235	0.76	26,744	0.24	155,901	1.27
Inventories	6.6	3,848,848	31.45	3,453,905	31.44	136,953	1.12
Prepayments	6.7	183,639	1.50	124,298	1.13	11,522	0.09
Other current assets		3,872	0.04	3,753	0.04	5,751	0.06
<b>Sub-total</b>		<b>9,562,665</b>	<b>78.14</b>	<b>8,654,473</b>	<b>78.78</b>	<b>6,058,063</b>	<b>49.50</b>
<b>Non-current liabilities</b>							
Provisions - non-current	6.12					66,069	0.54
Deferred tax liabilities	6.25					19,464	0.16
Lease liabilities - non-current	6.9					34,213	0.28
Other non-current liabilities						409	-
<b>Sub-total</b>						<b>120,155</b>	<b>0.98</b>
<b>Total Liabilities</b>						<b>6,178,218</b>	<b>50.48</b>
<b>Equity</b>							
Equity attributable to owners of the parent							
Share Capital	6.17						
Common stock		3,213,172	26.26	3,289,862	29.95	3,213,172	26.26
Capital surplus	6.18	1,114,994	9.11	1,236,008	11.25	1,114,994	9.11
Retained earnings	6.19					283,224	2.31
Legal reserve						145,512	1.19
Special reserve						427,798	3.50
Unappropriated earnings (Accumulated deficit)						109,092	0.89
Other equity						-	-
Treasury stock						(160,442)	(1.46)
<b>Total equity attributable to owners of the parent</b>						<b>5,293,792</b>	<b>43.26</b>
<b>Non-controlling interests</b>							
<b>Total Equity</b>						<b>766,085</b>	<b>6.26</b>
<b>Total Liabilities and Equity</b>						<b>6,059,877</b>	<b>49.52</b>
<b>Total assets</b>		<b>\$12,238,095</b>	<b>100.00</b>	<b>\$10,985,960</b>	<b>100.00</b>	<b>\$12,238,095</b>	<b>100.00</b>

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue	6.20	\$12,318,229	100.00	\$9,681,546	100.00
Operating costs	6.6	(9,607,062)	(77.99)	(7,717,426)	(79.71)
Gross profit (loss)		2,711,167	22.01	1,964,120	20.29
Net gross profit (loss)		2,711,167	22.01	1,964,120	20.29
Operating expenses					
Selling expenses		(706,690)	(5.74)	(648,318)	(6.70)
General and administrative expenses		(650,184)	(5.28)	(639,363)	(6.60)
Research and development expenses		(534,967)	(4.34)	(363,400)	(3.75)
Expected credit impairment gain (loss)		(22,129)	(0.18)	(16,947)	(0.18)
Total operating expenses		(1,913,970)	(15.54)	(1,668,028)	(17.23)
Operating profit (loss)		797,197	6.47	296,092	3.06
Non-operating income and expenses					
Interest income		18,697	0.15	11,770	0.12
Other income	6.21	30,658	0.25	44,550	0.46
Other gains and losses	6.22	(46,684)	(0.38)	(12,566)	(0.13)
Financial costs		(68,213)	(0.55)	(31,376)	(0.32)
Sub-total		(65,542)	(0.53)	12,378	0.13
Profit (loss) before income tax		731,655	5.94	308,470	3.19
Income tax (expenses) benefit	6.25	(123,719)	(1.00)	(87,086)	(0.90)
Net profit (loss) from continuing operations		\$607,936	4.94	\$221,384	2.29
Net profit (loss)		\$607,936	4.94	\$221,384	2.29
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		\$681	0.01	\$-	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		12,480	0.10	-	-
Income tax relating to components		(136)	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		242,273	1.96	(16,377)	(0.17)
Other comprehensive income (loss), net of income tax		\$255,298	2.07	\$(16,377)	(0.17)
Total comprehensive income (loss)		\$863,234	7.01	\$205,007	2.12
Profit (loss) attributable to:					
Shareholders of the parent		482,193	3.91	71,582	0.74
Non-controlling interests		125,743	1.03	149,802	1.55
Total		607,936	4.94	221,384	2.29
Comprehensive income (loss) attributable to:					
Shareholders of the parent		737,340	5.99	55,127	0.57
Non-controlling interests		125,894	1.02	149,880	1.55
Total		\$863,234	7.01	\$205,007	2.12
Earnings per share	6.26				
Basic earnings (loss) per share (in dollars)		\$1.50		\$0.22	
Diluted earnings per share (in dollars)		\$1.49		\$0.22	

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Summary	Equity Attributable to Shareholders of the Parent										Non-Controlling Interest	Total
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Stock	SubTotal			
Balance on January 1, 2021	\$3,289,862	\$1,326,737	\$248,065	\$89,973	\$280,010	\$(132,543)	\$3,487	\$(160,442)	\$4,945,149	\$637,738	\$5,582,887	
Appropriation of earnings 2020	-	-	28,001	-	(28,001)	-	-	-	-	-	-	
Legal reserve	-	-	-	39,083	(39,083)	-	-	-	-	-	-	
Special reserve	-	-	-	-	(212,926)	-	-	-	(212,926)	-	(212,926)	
Cash dividends	-	(9,185)	-	-	-	-	-	-	(9,185)	-	(9,185)	
Effects of changes in ownership interest from investee	-	-	-	-	-	-	-	-	-	-	-	
Changes in capital surplus of investees	-	26,848	-	-	-	-	-	-	26,848	44,879	71,727	
Cash dividends distributed from capital surplus	-	(108,392)	-	-	-	-	-	-	(108,392)	-	(108,392)	
Net profit (loss)	-	-	-	-	71,582	(16,455)	-	-	71,582	149,802	221,384	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(16,455)	78	(16,377)	
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(121,914)	(121,914)	
Rounding	-	-	-	1	-	-	-	-	1	-	1	
Balance on January 1, 2022	\$3,289,862	\$1,236,008	\$276,066	\$129,057	\$71,582	\$(148,998)	\$3,487	\$(160,442)	\$4,696,622	\$710,583	\$5,407,205	
Appropriation of earnings 2021	-	-	7,158	-	(7,158)	-	-	-	-	-	-	
Legal reserve	-	-	-	16,455	(16,455)	-	-	-	-	-	-	
Special reserve	-	-	-	-	(47,970)	-	-	-	(47,970)	-	(47,970)	
Cash dividends	-	(13,496)	-	-	-	-	-	-	(13,496)	-	(13,496)	
Effects of changes in ownership interest from investee	-	-	-	-	-	-	-	-	-	-	-	
Changes in capital surplus of investees	-	33,985	-	-	-	-	-	-	33,985	60,208	94,193	
Cash dividends distributed from capital surplus	-	(112,691)	-	-	-	-	-	-	(112,691)	-	(112,691)	
Net profit (loss)	-	-	-	-	482,193	-	-	-	482,193	125,743	607,936	
Other comprehensive income (loss)	-	-	-	-	545	242,123	12,480	-	255,148	151	255,299	
Cancellation of treasury stock	(76,690)	(28,812)	-	-	(54,940)	-	-	160,442	-	-	-	
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	(130,600)	(130,600)	
Rounding	-	-	-	-	1	-	-	-	1	-	1	
Balance on December 31, 2022	\$3,213,172	\$1,114,994	\$283,224	\$145,512	\$427,798	\$93,125	\$15,967	\$0	\$5,293,792	\$766,085	\$6,059,877	

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Items	2022	2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	\$731,655	\$308,470
Consolidated profit (loss) before tax	731,655	308,470
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	243,483	254,080
Amortization	31,397	29,307
Expected credit impairment loss (gain)	22,130	16,947
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	8,552	(12,609)
Interest expense	68,213	31,375
Interest income	(18,697)	(11,770)
Dividend income	(6,391)	(3,679)
Loss (gain) on disposal and scrap of property, plant and equipment	(23)	3,764
Property, plant and equipment transferred to expenses	49	-
Loss (gain) on disposal of intangible Assets	-	(271)
Loss (gain) on disposal of investments	152	3,764
Intangible assets transferred to other loss	-	962
Loss (gain) on a lease modification	-	(445)
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in notes receivable	98,270	20,675
(Increase) decrease in accounts receivable	(848,205)	362,234
(Increase) decrease in accounts receivable - related parties	(744)	1
(Increase) decrease in other receivables	(456,984)	68,062
(Increase) decrease in inventories	(394,943)	160,125
(Increase) decrease in prepaid expenses	(15,753)	22,771
(Increase) decrease in prepayments	(43,587)	23,802
(Increase) decrease in other current assets	(119)	1,192
Increase (decrease) in contract liabilities	(90,852)	(45,730)
Increase (decrease) in notes payable	-	(86)
Increase (decrease) in accounts payable	1,520,945	(1,140,829)
Increase (decrease) in accounts payable - related parties	55,502	17,531
Increase (decrease) in other payables	82,913	(232,120)
Increase (decrease) in other payables - related parties	(876)	6,041
Increase (decrease) in provisions	33,267	(41,620)
Increase (decrease) in advanced receipts	(552)	552
Increase (decrease) in other current liabilities	463	(10,903)
Increase (decrease) in net defined benefit liabilities	545	-
Interest received	23,183	8,047
Dividends received	6,391	3,679
Interest paid	(60,404)	(22,178)
Income taxes refund (paid)	(156,020)	(85,790)
Net cash flows generated from (used in) operating activities	<u>832,960</u>	<u>(264,649)</u>
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	-	(371,960)
Repayments of financial assets at amortized cost	371,960	-
Proceeds from disposal of financial assets at fair value through profit or loss	1,748	11,851
Acquisition of property, plant and equipment	(397,464)	(164,300)
Proceeds from disposal of property, plant and equipment	48	9,467
Increase in guarantee deposits	(2,706)	-
Decrease in guarantee deposits	-	22,196
Acquisition of intangible assets	(94,083)	(17,184)
Proceed from disposal of intangible assets	-	1,367
Increase in other non-current assets	-	(8,293)
Decrease in other non-current assets	8,393	-
Increase in prepayments for equipment	-	(14,640)
Decrease in prepayments for equipment	43,995	-
Net cash flows generated from (used in) investing activities	<u>(68,109)</u>	<u>(531,496)</u>
Cash flows from financing activities		
Increase in short-term borrowings	-	137,200
Decrease in short-term borrowings	(613,842)	-
Repayment of bonds	(372,300)	-
Increase in guarantee deposits received	169	-
Decrease in guarantee deposits received	-	(43)
Repayment of lease principle	(17,384)	(25,147)
Cash dividends paid	(160,659)	(321,317)
Increase (decrease) in minority interest	(145,578)	(132,290)
Net cash generated from (used in) financing activities	<u>(1,309,594)</u>	<u>(341,597)</u>
Effects of changes in exchange rate on cash and cash equivalents	127,071	5,866
Net increase (decrease) in cash and cash equivalents	(417,672)	(1,131,876)
Cash and cash equivalents at beginning of period	2,803,348	3,935,224
Cash and cash equivalents at end of period	<u>\$2,385,676</u>	<u>\$2,803,348</u>

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

**1. GENERAL**

Hitron Technologies Inc. (the “Company”) was incorporated in the Republic of China (R.O.C.) on March 24, 1986 under Company Act. The Company is mainly engaged in integrating communication systems, producing and selling electronic and telecom communication products. Qisda Corporation is the ultimate parent company of the Company.

**2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS**

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on Feb 23, 2023.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**3.1 Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”) :**

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB</b>
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 on the Company’s financial condition and financial performance based on the Company’s assessment.



3.2 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 as 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 position and operating results.

3.3 Effect 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 IASB
Amendments to IFRS 16 ‘Leases 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 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

The above standards and interpretations have no significant impact to the Company’s financial condition and operating results.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (the 'IFRSs').

##### 4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the followings:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets and financial liabilities at fair value through other comprehensive income.
- (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

##### 4.3. Basis of Consolidation

4.3.1. Basis for preparation of consolidated financial statements:

- (1) All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by HT. 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. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of its subsidiaries have been adjusted to align with those used by the Company.

(3) Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

#### 4.3.2. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business and Products	Percentage of Ownership		
			2022.12.31	2021.12.31	Note
HT	HITRON TECHNOLOGIES (SAMOA) INC. (HT SAMOA)	International trade	100.00	100.00	
HT	INTERACTIVE DIGITAL TECHNOLOGIES INC. (IDT)	Telecommunications and broadband network systems and services	41.49	43.10	(1) (2)
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V. (HT BV)	International trade	100.00	100.00	
HT	HITRON TECHNOLOGIES AMERICAS INC.(HT US)	International trade	100.00	100.00	
HT	INNOAUTO TECHNOLOGIES INC. (INNO)	Investment and automotive electronics products	100.00	100.00	
HT	HITRON TECHNOLOGIES VIET NAM Co.Ltd (HT VN)	Manufacturing wireless and telecom products	100.00	100.00	
HT SAMOA	HITRON TECHNOLOGIES (SIP) INC. (HT SZ)	Manufacturing wireless and telecom products	100.00	100.00	
HT SAMOA	JIETECH TRADING (SUZHOU) INC. (HT JT)	International trade	100.00	100.00	
IDT	HWA CHI TECHNOLOGIES (SHANGHAI) INC. (HWA CHI)	Technical consulting, researching, maintenance and after service of electronic and telecom products	100.00	100.00	

Note (1): IDT's convertible bond converted to ordinary shares, the Company shareholding ratio dropped from 43.10% to 41.49%.

Note (2): Even though the company does not hold more than 50% of shares of IDT, it is included in the consolidated financial statements in view of the company has controlling interests in it.

4.3.3. Subsidiaries not included in the consolidated financial statements: None

4.3.4. Adjustments for subsidiaries with different reporting period: None

4.3.5. Significant restrictions: None

4.3.6. Subsidiaries that have non-controlling interests that are material to the Company:

As of December 31, 2022 and 2021, the information on non-controlling interest and respective subsidiaries is as follows:

	Non-controlling interest			
	2022.12.31	Ownership (%)	2021.12.31	Ownership (%)
Interactive Digital Technologies Inc.	\$766,085	58.51	\$710,583	56.90

Summarized financial information of the subsidiaries:

(1) Balance sheets

	Interactive Digital Technologies Inc.	
	2022.12.31	2021.12.31
Current assets	\$1,736,533	\$2,261,640
Non-current assets	895,888	614,750
Current liabilities	(1,246,980)	(1,544,563)
Non-current liabilities	(69,620)	(74,962)
Total net assets	\$1,315,821	\$1,256,865

(2) Statements of comprehensive incomes

	Interactive Digital Technologies Inc.	
	Year ended December 31, 2022	Year ended December 31, 2021
Operating revenue	\$2,048,203	\$1,865,334
Profit (loss) before tax	272,306	323,706
Income tax	(57,299)	(63,052)
Profit (loss) from continuing operations	215,007	260,654
Profit (loss) for the year	215,007	260,654
Total comprehensive income for the year	\$215,192	\$260,732

### (3) Statements of cash flows

	Interactive Digital Technologies Inc.	
	Year ended	Year ended
	December 31, 2022	December 31, 2021
Net cash generated from (used in) operating activities	\$180,902	\$(16,420)
Net cash generated from (used in) investing activities	(287,144)	(17,101)
Net cash generated from (used in) financing activities	(479,099)	(239,412)
Effect of exchange rate	182	77
Net increase(decrease) in cash and cash equivalents	(584,159)	(272,856)
Cash and cash equivalents at beginning of year	912,367	1,185,223
Cash and cash equivalents at the end of year	\$328,208	\$912,367

#### 4.4. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the HT and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT\$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity. (attributed to non-controlling interests as appropriate.)

#### 4.5. Classification of current and non-current items

4.5.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-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 end of the reporting period;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

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

- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be paid off within twelve months from the end of the reporting period;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. 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.

#### 4.6. 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 can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

#### 4.7. Financial assets or financial liabilities 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 measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.
- (4) Dividend income is recognized 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.

#### 4.8. Financial assets at amortized cost

4.8.1. 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.

4.8.2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

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

#### 4.9. Accounts receivable and Notes Receivable

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

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

#### 4.10. Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company and its subsidiaries has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income; or the debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:
- (1) The financial asset is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition the Company and its subsidiaries measures the financial assets at fair value plus transaction costs. The Company and its subsidiaries subsequently measures the financial assets at fair value:
- (1) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings, and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.
  - (2) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.



#### 4.11. 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 or contract assets), at each end of the financial reporting period, the Company recognize 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 recognize the impairment provision for lifetime ECLs.

#### 4.12. Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage the market risk exposure to foreign exchange rate, including forward exchange contracts and cross currency swap contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which situation the timing of the recognition in profit or loss depends on the nature of the hedge.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

#### 4.13. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Fixed manufacturing cost is amortized to finished goods and work in progress based on normal operating capacity. Variable manufacturing cost is amortized according to actual production. However, when the difference between normal operating capacity and actual production is insignificant, amortization based on actual production should be adopted. When actual production exceeds normal operating capacity, manufacturing cost should be amortized by the actual operating capacity.

#### 4.14. Property, Plant and Equipment

4.14.1 Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.14.2 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset 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 expensed to profit or loss during the financial period in which they are incurred.

4.14.3 Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If 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.

4.14.4 The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each 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 useful lives for buildings are 1-56 years, useful lives for other PP&E are 1-12 years.

#### 4.15. Leasing

4.15.1 Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.15.2 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 are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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.

4.15.3 At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) 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 recognised as an adjustment to the right-of-use asset.

#### 4.16. Intangible Asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives of 1 to 5 years.

Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

#### 4.17. Impairment of non-financial Assets

The Company assesses at the end of the reporting period 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. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

#### 4.18. Bonds payable

The convertible bonds that the Company issued are embedded with a put option and a call option. At issuance, the issue price is split between financial assets and financial liabilities based on the issue term and the related accounting treatments are as follows:

- A. The option to convert the bonds to common stocks, put option and call option are measured at net fair value at initial recognition and are recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the carrying amount and the fair value at each reporting date is recognized as gains or losses on financial assets (liabilities) at fair value through profit or loss.
- B. The bonds payable at initial recognition is measured at issue price less the amounts recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the fair value at initial recognition and the redemption value is recognized as premiums or discounts, an addition to or reduction from bonds payable, and is amortized using the effective interest rate. The amortization is recognized as an adjustment to financial cost in profit or loss during the outstanding period of the bonds.
- C. Transaction costs that directly attribute to the issue of convertible bonds are allocated to each liability component of the bonds in proportion to the initial carrying amounts.
- D. When the bonds are converted to common stocks by bondholders, the liability components, including bonds payable and financial liabilities at fair value through profit or loss, shall be re-measured according to their respective subsequent treatment aforementioned. The issue cost of the common stocks then equals to the total of the carrying amounts of the liability components.

#### 4.19. Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

#### 4.20. Employee benefits

##### 4.20.1. Pensions

###### (1) Defined contribution plans

1. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Effective July 1, 2005, HT adopted the “Labor Pension Act” (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the “Labor Standards Act” HT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee’s monthly wages. The contributions are accounted for as current pension expense.

2. Subsidiaries in the People’s Republic of China participate in the pension benefit plan operated by the local governments. The benefit plan is a defined contribution plan. After making contribution to the plan, the subsidiaries are not liable to pay any pension benefits, but the local governments in PRC assume the obligations to pay instead.

## (2) Defined benefit plans

A defined benefit pension plan uses projected unit credit method to calculate actuarial valuation at the end of the fiscal year. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise. In accordance with the “Labor Standards Act”, HT makes contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.

### 4.20.2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 4.20.3. Bonuses to Employees and Remuneration to Directors and Supervisors

Employee bonuses and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated. Any difference between the actual distributed amounts is accounted for as changes in estimates.

## 4.21. Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus - treasury share transactions. Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

## 4.22. Income Tax

4.22.1. The tax expense for the period comprises both 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.

- 4.22.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates where the Company is able to control the reversal of the temporary difference in the foreseeable future.
- 4.22.3. Deferred income 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 the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

#### 4.23. Revenue recognition

- 4.23.1. The Company mainly engaged in producing and selling electronic and telecom communication products. Sales revenues are recognized when the performance obligation has been satisfied by transferring a promised good or service to a customer. Additionally, sales revenues are recognized based on the contract price net of sales return and discounts of a contract and only recognized to the extent that it is highly probable that a significant reversal will not occur.
- 4.23.2. For certain contracts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

#### 4.24. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonuses paid to employee. However, the adverse dilutive share is not computed.

#### 4.25. Operating segments

Operating segments are reported in a manner consistent with the internal managements reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

### 5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

The preparation of consolidated financial statements requires management to make critical judgments in applying the 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. The above information is addressed below:

#### 5.1 Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

#### 5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

#### 5.3 Provision

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive obligation) that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. In accordance with the contracts terms or commitments to customers, the Company estimates the maintenance obligations based on past technical experience. In addition, the Company periodically reviews the reasonableness of the estimates.



## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### 6.1 Cash and cash equivalents

	<u>December 31,2022</u>	<u>December 31,2021</u>
Cash on hand	\$977	\$922
Deposits in bank	2,286,519	2,002,426
Time deposit	98,180	300,000
cash equivalents	-	500,000
Total	<u>\$2,385,676</u>	<u>\$2,803,348</u>

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

### 6.2 Financial assets at fair value through profit or loss

#### 6.2.1 Current items:

##### (1)Financial assets

	<u>December 31,2022</u>	<u>December 31,2021</u>
Financial assets at fair value through profit or loss		
Listed Stocks	\$55,764	\$63,776
Foreign currency forward contracts	5,320	1,424
Total	<u>\$61,084</u>	<u>\$65,200</u>

##### (2)Financial liabilities

	<u>December 31,2022</u>	<u>December 31,2021</u>
Financial liabilities at fair value through profit or loss		
Foreign currency forward contracts	\$7,421	\$1,023
Total	<u>\$7,421</u>	<u>\$1,023</u>

6.2.2 The Company entered into forward exchange contracts to manage exposure due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

6.2.3 Outstanding forward exchange contracts as financial assets of the following:

items	December 31,2022	
	Contract Amount (Thousands)	Contract Period
Buy USD/ Sell EUR	USD 2,420/ EUR 2,256	2022.12.27~2023.03.24
Buy NTD/ Sell USD	NTD 168,210/ USD 5,500	2022.12.29~2023.03.10
Buy EUR/ Sell USD	EUR 4,207/ USD 4,340	2022.10.27~2023.02.16
Buy CNY/ Sell USD	CNY 2,849/ USD400	2022.11.25~2023.01.17

items	December 31,2021	
	Contract Amount (Thousands)	Contract Period
Buy NTD/ Sell EUR	NTD 110,248/ EUR 3,479	2021.10.12~2022.03.28
Buy USD/ Sell EUR	USD 1,505/ EUR 1,329	2021.12.27~2022.01.20
Buy USD/ Sell NTD	USD 1,000/ NTD 27,652	2021.12.29~2022.01.20

6.2.4 Outstanding forward exchange contracts as financial liabilities of the following:

items	December 31,2022	
	Contract Amount (Thousands)	Contract Period
Buy NTD/ Sell EUR	NTD 149,452/ EUR 4,770	2022.09.27~2023.02.10
Buy USD/ Sell EUR	USD 1,376/ EUR 1,319	2022.11.29~2022.03.10
Buy EUR/ Sell USD	EUR 689/ USD 736	2022.12.27~2023.01.17
Buy CNY/ Sell USD	CNY 2,421/ USD 350	2022.12.30~2023.02.24

items	December 31,2021	
	Contract Amount (Thousands)	Contract Period
Buy EUR /Sell USD	EUR 1,279/ USD 1,447	2021.12.29~2022.01.19
Buy EUR /Sell USD	EUR 1,073/ USD 1,248	2021.10.26~2022.01.10

### 6.3 Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Time deposits	\$-	\$371,960

### 6.4 Financial assets at fair value through other comprehensive income, non-current

Items	December 31, 2022	December 31, 2021
Non-current items		
Common Stocks		
Chao Long Motor Parts Corp.	\$31,815	\$19,335
Total	\$31,815	\$19,335

These investments in equity instruments are held for medium or long-term strategic purposes.

### 6.5 Notes receivable and Accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$36,008	\$134,278
Accounts receivable	\$2,522,625	\$1,674,162
Less: allowance for doubtful account	(33,705)	(11,317)
Total	\$2,488,920	\$1,662,845

6.5.1 The company and its subsidiaries measure expected credit losses (ECLs) by applying the simplified model, in which ECLs are measured at an amount equal to lifetime ECLs. The model is not only based on historical data, but it is also adjusted to reflect reasonable and foreseeable future economic conditions. Based on historical loss experience, there is no significant difference between customer segments. Therefore, the company and its subsidiaries do not apply segmentation, but merely determine the credit loss rates based on aging buckets.

6.5.2 Aging analysis of accounts receivable is as follows :

December 31, 2022	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due over 180 days	Total
Expected credit loss rate	0.00%	2.71%	9.81%	0.00%	0.00%	
Booking value	\$1,954,651	\$330,633	\$221,759	\$15,582	\$-	\$2,522,625
Loss allowance	-	(8,947)	(21,764)	(2,994)	-	(33,705)
Amortized cost	\$1,954,651	\$321,686	\$199,995	\$12,588	\$-	\$2,488,920

December 31,2021	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due over 180 days	Total
Expected credit loss rate	0.00%	2.69%	10.62%	0.00%	0.00%	
Booking value	\$1,481,997	\$114,733	\$77,432	\$-	\$-	\$1,674,162
Loss allowance	-	(3,092)	(8,225)	-	-	(11,317)
Amortized cost	\$1,481,997	\$111,641	\$69,207	\$-	\$-	\$1,662,845

#### 6.5.3 Movements of the allowance for expected credit loss :

	2022	2021
Balance, beginning of year	\$11,317	\$32,443
Reversal of impairment loss	22,388	(21,126)
Balance, end of year	\$33,705	\$11,317

6.5.4 The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

#### 6.6 Inventories

	December 31,2022	December 31,2021
Raw materials	\$824,844	\$1,097,728
Work in process	175,982	224,313
Finished goods	453,699	291,234
Merchandise inventories	1,046,692	308,747
Consigned merchandise	236,702	134,214
Merchandise in transit	818,501	1,005,594
Project inventory	353,627	423,705
Subtotal	3,910,047	3,485,535
Allowance for inventory valuation losses	(61,199)	(31,630)
Total	\$3,848,848	\$3,453,905

### Inventory related cost and expense

	2022	2021
Cost of goods sold	9,104,655	\$7,449,915
Loss on inventory disposal	41,113	29,952
Loss on (gain on reversal of) decline in market value	26,578	(8,743)
Total cost of goods sold	9,172,346	7,471,124
Costs of service revenue	434,716	246,302
Total	\$9,607,062	\$7,717,426

6.6.1 Project inventories mainly consist of labor costs and related expenses that have been invested but not yet recognized as revenue.

6.6.2 The gain on reversal of decline in market value is due to the sales of obsolete inventory.

### **6.7 Prepayments**

	December 31,2022	December 31,2021
Prepayment for products	\$91,367	\$63,000
Overpaid sales tax	31,434	12,784
Other prepaid expenses	60,838	48,514
Total	\$183,639	\$124,298

## 6.8 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Total
<u>2022.1.1</u>					
Cost	\$412,696	\$1,149,453	\$589,582	\$203,840	\$2,355,571
Accumulated depreciation and impairment	(8,984)	(286,335)	(157,754)	(119,930)	(573,003)
Total	<u>\$403,712</u>	<u>\$863,118</u>	<u>\$431,828</u>	<u>\$83,910</u>	<u>\$1,782,568</u>
<u>2022</u>					
As at 1.1	\$403,712	\$863,118	\$431,828	\$83,910	\$1,782,568
Additions	228,330	54,186	65,955	48,993	397,464
Disposals	-	-	(71)	(2)	(73)
Depreciation charge	-	(65,759)	(109,067)	(50,290)	(225,116)
Net exchange differences	-	60,675	42,461	1,098	104,234
As at 12.31	<u>\$632,042</u>	<u>\$912,220</u>	<u>\$431,106</u>	<u>\$83,709</u>	<u>\$2,059,077</u>
<u>2022.12.31</u>					
Cost	\$641,026	\$1,269,545	\$709,821	\$227,468	\$2,847,860
Accumulated depreciation and impairment	(8,984)	(357,325)	(278,715)	(143,759)	(788,783)
Total	<u>\$632,042</u>	<u>\$912,220</u>	<u>\$431,106</u>	<u>\$83,709</u>	<u>\$2,059,077</u>
	Land	Buildings	Machinery and equipment	Others	Total
<u>2021.1.1</u>					
Cost	\$412,696	\$1,131,646	\$761,218	\$423,272	\$2,728,832
Accumulated depreciation and impairment	(8,984)	(228,820)	(304,776)	(310,235)	(852,815)
Total	<u>\$403,712</u>	<u>\$902,826</u>	<u>\$456,442</u>	<u>\$113,037</u>	<u>\$1,876,017</u>
<u>2021</u>					
As at 1.1	\$403,712	\$902,826	\$456,442	\$113,037	\$1,876,017
Additions	-	30,687	87,527	46,086	164,300
Disposals	-	-	(6,718)	(11,628)	(18,346)
Depreciation charge	-	(57,726)	(103,773)	(63,263)	(224,762)
Net exchange differences	-	(12,669)	(1,650)	(322)	(14,641)
As at 12.31	<u>\$403,712</u>	<u>\$863,118</u>	<u>\$431,828</u>	<u>\$83,910</u>	<u>\$1,782,568</u>
<u>2021.12.31</u>					
Cost	\$412,696	\$1,149,453	\$589,582	\$203,840	\$2,355,571
Accumulated depreciation and impairment	(8,984)	(286,335)	(157,754)	(119,930)	(573,003)
Total	<u>\$403,712</u>	<u>\$863,118</u>	<u>\$431,828</u>	<u>\$83,910</u>	<u>\$1,782,568</u>

## 6.9 Lease Arrangements

1. The Company leases various assets including land, buildings, transportation equipment and other equipments. Rental contracts are typically made for periods 2 to 39 years. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

2. The book value of right-of-use asset

	December 31,2022	December 31,2021
Land	\$164,224	\$157,273
Buildings	18,128	20,820
Transportation equipment	4,219	2,469
Other equipment	295	479
Total	<u>\$186,866</u>	<u>\$181,041</u>

3. Depreciation expense for right-of-use asset

	2022	2021
Land	\$5,307	\$5,402
Buildings	9,848	20,854
Transportation equipment	2,788	2,563
Other equipment	424	499
Total	<u>\$18,367</u>	<u>\$29,318</u>

4. The company and its subsidiaries added \$10,133 and \$42,573 respectively to their right- of - use assets during the reporting periods for 2022 and 2021.

5. The lease liabilities of the Company and its subsidiaries are as follows :

	December 31,2022		
	Future minimum lease payments	Interest	Minimum rent pay present value
Current	\$12,347	\$825	\$11,522
Non-current	38,224	4,011	34,213
<b>Total</b>	<b>\$50,571</b>	<b>\$4,836</b>	<b>\$45,735</b>

	December 31,2021		
	Future minimum lease payments	Interest	Minimum rent pay present value
Current	\$12,316	\$984	\$11,332
Non-current	41,237	4,664	36,573
<b>Total</b>	<b>\$53,553</b>	<b>\$5,648</b>	<b>\$47,905</b>

6. Information on profit or loss in relation to lease contracts is as follows :

	December 31,2022	December 31,2021
Interest expense on lease liabilities	\$1,071	\$913
Expense on short-term lease contracts	\$20,626	\$26,427

7. The Company and its subsidiaries leased cash outflows total \$17,384 and \$25,147 during the reporting periods for 2022 and 2021.

#### 6.10 Other non-current assets

	December 31,2022	December 31,2021
Prepayments for equipment	\$17,119	\$61,115
Refundable deposits	109,881	107,175
Other non-current assets-other	8,163	16,419
<b>Total</b>	<b>\$135,163</b>	<b>\$184,709</b>



### 6.11 Short-term borrowings

	<u>December 31,2022</u>	<u>December 31,2021</u>
Working capital loan	\$1,940,870	\$2,554,712
Interest rate range	1.40%-5.10%	0.55%-1.00%

According to the loan agreement, during the loan term, the Company and its subsidiaries shall maintain its current ratio, leverage ratio, interest coverage ratio, and tangible net worth semiannually and annually

### 6.12 Provisions

	<u>Warranties</u>	<u>Onerous Contract</u>	<u>Total</u>
January 1, 2022	\$169,755	\$-	\$169,755
New provision for the current period	116,198	23,225	139,423
Provision used in the current period	(107,323)	-	(107,323)
Impact of exchange rate changes	1,167	-	1,167
December 31, 2022	<u>\$179,797</u>	<u>\$23,225</u>	<u>\$203,022</u>

	<u>Warranties</u>	<u>Onerous Contract</u>	<u>Total</u>
January 1, 2021	\$211,375	\$-	\$211,375
New provision for the current period	152,622	-	152,622
Provision used in the current period	(193,940)	-	(193,940)
Impact of exchange rate changes	(302)	-	(302)
December 31, 2021	<u>\$169,755</u>	<u>\$-</u>	<u>\$169,755</u>

	<u>December 31,2022</u>	<u>December 31,2021</u>
Warranties - current	\$136,953	\$95,902
Warranties - non-current	66,069	73,853
Total	<u>\$203,022</u>	<u>\$169,755</u>

6.12.1 The provision for warranty liabilities of the Company and its subsidiaries is primarily related to product sales. It is estimated based on historical warranty data and management judgment for potential future product repairs or replacements.

6.12.2 The provision for onerous represents the present obligation resulting from the measurement for the unavoidable costs of meeting the Company's contractual obligations exceed the economic benefits expected to be received from the contracts.

### 6.13 Other payables

	December 31, 2022	December 31, 2021
Accrued Salaries	\$399,951	\$284,767
Business tax payable	26,198	25,603
Payables on equipment	27,886	14,856
Other payables	137,224	182,887
Total	<u>\$591,259</u>	<u>\$508,113</u>

### 6.14 Other current liabilities

	December 31, 2022	December 31, 2021
Current portion of bonds payable	\$-	\$461,471
Others	5,751	5,839
Total	<u>\$5,751</u>	<u>\$467,310</u>

### 6.15 Bonds payable

6.15.1 Outstanding secured convertible bonds issued by HT and IDT are as follows:

	December 31, 2022	December 31, 2021
Unsecured Convertible bonds	\$600,000	\$600,000
Less: discount on bonds payable	-	(7,229)
Less: accumulated converted amount	(227,700)	(131,300)
Less: repayment of bonds	(372,300)	-
Less: current portion of bonds payable	-	(461,471)
Total	<u>\$-</u>	<u>\$-</u>

6.15.2 The IDT convertible bonds have been converted into a total 3,309 thousand shares and the capital accumulation due to the conversion is \$198,827 thousand.

6.15.3 With the aim of operational requirements, purchase of office buildings and warehouses, the IDT first convertible bonds in 2019 was approved by Financial Supervisory Commission on 6 November 2019. Terms and conditions of the issuance are as follows:

Total issuance	NT\$600,000 thousand
Issue date	November 22, 2019
The coupon rate	0%
Issue period	November 22, 2019 ~ November 22, 2022
Repayment	Except for early call and cancellation by the IDT Company or early put and conversion by bondholders in accordance with the terms and conditions set by the IDT Company, the bondholders will receive in cash at maturity of the convertible bonds.
Redemption at the option of the Company	1. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the IDT Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the balance of outstanding bonds is lower than NT\$60,000 thousand of the total issuance, if the outstanding balance of the bonds is less than NT\$60,000 thousand the IDT Company may repurchase the outstanding bonds at par in cash.
Redemption at the option of the bondholders	Within the 40 days prior to 2 years after the issue day, the bondholders shall have the right to require the IDT to redeem the bonds at redemption price of par value plus interest compensation in cash. The interest compensation for the 2 years from the date of issuance is 0.5%.
Conversion period	Bondholders may convert bonds into the IDT Company's common shares at any time starting three months from the issue date to the maturity date.
Conversion price	The conversion price was NT\$78.5 per share at issuing. The conversion price was adjusted to NT\$72.5 from NT\$78.5 since July 27, 2020. The conversion price was adjusted to NT\$67 from NT\$72.5 since Aug 30, 2021. The conversion price was adjusted to NT\$61.2 from NT\$67 since July 04, 2022.

## 6.16 Pensions

### 6.16.1 Defined Contribution plans

HT·IDT and INNO have defined contribution pension plans set up according to Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of \$46,358 thousand and \$46,107 thousand are recognized for the year 2022 and 2021, respectively.

### 6.16.2 Defined benefit plans

- (1) HT have defined benefit pension plans 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. As that Act, employee's pension is based on an employee's length of service and average monthly salary. HT contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. The balance of pension fund in Bank of Taiwan were \$3,733 thousand and \$3,437 thousand as of December 31, 2022 and 2021 respectively.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$(1,424)	\$(1,987)
Fair value of plan assets	3,733	3,437
Net defined benefit liability	<u>\$2,309</u>	<u>\$1,450</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
Balance at January 1	\$(1,987)	\$3,437	\$1,450
Interest (expense) income	(18)	31	13
	<u>(2,005)</u>	<u>3,468</u>	<u>1,463</u>
Remeasurements:			
Return on plan assets	-	265	265
Change in financial assumptions	(76)	-	(76)
Experience adjustments	657	-	657
Balance at December 31	<u>\$ (1,424)</u>	<u>\$3,733</u>	<u>\$2,309</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
Balance at January 1	\$(1,915)	\$3,376	\$1,461
Interest (expense) income	(8)	14	6
	<u>(1,923)</u>	<u>3,390</u>	<u>1,467</u>
Remeasurements:			
Return on plan assets	-	47	47
Change in financial assumptions	(177)	-	(177)
Change in demographic assumptions	(1)	-	(1)
Experience adjustments	114	-	114
Balance at December 31	<u><u>\$(1,987)</u></u>	<u><u>\$3,437</u></u>	<u><u>\$1,450</u></u>

(4) The Bank of Taiwan is commissioned to manage the fund assets of HT pension plans in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”.

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

	December 31, 2022	December 31, 2021
Discount rate	1.5%	0.90%
Future salary increases rate	3%	2.00%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	\$ (58)	\$ 60	\$ 56	\$ (54)
December 31, 2021				
Effect on present value of defined benefit obligation	\$ (102)	\$ 108	\$ 101	\$ (96)

(6) Expected contributions to the defined benefit pension plan of HT is \$0 thousand for the year ending December 31, 2023.

(7) As of December 31, 2022, the weighted average duration of the retirement plan is 16.4 years.

#### 6.17 Share capital

	December 31, 2022	December 31, 2021
Authorized Common Stock	\$4,000,000	\$4,000,000
Common Stock issued	\$3,213,172	\$3,289,862
Total	\$3,213,172	\$3,289,862

(1) As of December 31 2022, HT's authorized numbers of shares were 400,000 thousand shares with 30,000 thousand shares reserved for employee stock option plan and convertible bond convergent. Par value of common stock is \$10 (in dollars) per share and each share has one voting power.

(2) On December 19, 2018, according to the resolution of the interim shareholder meeting, a capital increase plan of private issuance was approved. The board of directors approved to carry out the plan through the issuance of 100,000 thousand common shares at a issuance price of 16.11, with total value amounting 1,611,000 thousand. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden.

(3) Treasury stock

(1) The changes in treasury stocks in 2022 is as follows :

Reason to buy back	2022			December 31
	January 01	Increase	Decrease	
Transfer to employees	7,669	-	(7,669)	-
Total	7,669	-	(7,669)	-

(2) In December 2018, the Company's Board of Directors resolved to repurchase 7,669,000 treasury shares for the purpose of transferring them to employees. However, the Board of Directors resolved to cancel it in February 2022, and the updated registration procedures were completed in March 2022.

(3) In compliance with Securities and Exchange Law of the R.O.C., treasury stock held by the parent company should not be pledged, nor should it be entitled to voting rights or receiving dividends.

#### 6.18 Capital surplus

(1) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit or to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

(2) Capital surplus for the years of 2022 and 2021 are as follows:

	December 31,2022	December 31,2021
Additional paid-in capital	\$742,718	\$742,718
From convertible bonds	279,668	421,170
From share of changes in equities of subsidiaries	90,020	69,532
From employee stock options	2,461	2,461
Others	127	127
Total	\$1,114,994	\$1,236,008

## 6.19 Retained earnings

### (1) Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

### (2) Special reserve

A. In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

B. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC regulations shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

### (3) Retained earnings and dividend policies

A. According to Paragraph 29-1 of HT's Articles of Incorporation, the order of and restrictions on annual earnings allocation are as follows:

- a. Paying income tax ;
- b. Offsetting previous deficit ;
- c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.
- d. Setting aside or reversing a special reserve according to relevant regulations when necessary.
- e. Such remaining amount along with the accumulated undistributed surplus earnings from the previous years are then submitted to the Board of Directors for the establishment of an earnings distribution proposal, followed by submitting to the shareholders' meeting for resolution on the distribution of earnings. When the earnings distribution proposal described in the preceding paragraph is made in the form of cash dividends .The Board of Directors is authorized to reach resolution and to report to the shareholders' meeting.



- f. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. When there is a surplus earning at the final account of a fiscal year and when the distributable earnings of the current year reaches 2% of the capital, the dividend distribution shall not be less than 10% of the distributable earnings of the current year, and the cash dividend shall not be less than 10% of the total amount of the cash and share dividends issued in the current year
- B. The information about the earning appropriations by the Company as proposed by the Board of Directors and resolved by the stockholders of HT for the year 2022 and 2021 are available at the Market Observation Post System website.
- C. For the information relating to employees bonuses and directors and supervisors remuneration, please refer to Note 6(24).

## 6.20 Operating revenue

### (1) Revenue from contracts with customers

	2022	2021
Sales revenue	\$11,953,123	\$9,333,018
Service revenue	365,106	348,528
Total	<u>\$12,318,229</u>	<u>\$9,681,546</u>

### (2) Detail information about revenue from contracts with customers are as follows:

#### A. Disaggregation of revenue from contracts with customers:

	2022	2021
At a point in time	\$12,271,296	\$9,646,886
Over time	46,933	34,660
	<u>\$12,318,229</u>	<u>\$9,681,546</u>

#### B. Contract assets and liabilities

	December 31, 2022	December 31, 2021
Contract liabilities	<u>\$531,475</u>	<u>\$622,327</u>

## 6.21 Other income

	2022	2021
Rental income	\$2,339	\$2,331
Dividend income	6,391	3,679
Government grants	8,625	18,033
Others	13,303	20,507
Total	<u>\$30,658</u>	<u>\$44,550</u>

## 6.22 Other gains and losses

	2022	2021
Net currency exchange gain (loss)	\$(32,817)	\$(12,751)
Financial asset or liability held for trading valuation gain (loss)	(8,552)	12,609
Gain (loss) on disposal of investments	(152)	(3,764)
Others	(5,163)	(8,660)
<b>Total</b>	<b>\$(46,684)</b>	<b>\$(12,566)</b>

## 6.23 Expenses by nature

	2022	2021
Change in merchandise	\$1,196,102	\$866,613
Change in finished goods, work in process, raw materials and supplies	7,463,596	6,027,933
Service costs and other expenses	434,716	246,302
Employee benefit	1,520,365	1,325,824
Depreciation and amortization	274,880	283,387
Other expenses	631,373	635,395
<b>Total operating costs and expense</b>	<b>\$11,521,032</b>	<b>\$9,385,454</b>

## 6.24 Employee benefit

	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries	\$170,612	\$1,145,901	\$1,316,513	\$160,876	\$967,570	\$1,128,446
Labor and health insurance	13,531	73,194	86,725	15,832	70,993	86,825
Pension	-	46,334	46,334	2,929	43,184	46,113
Board compensation	-	21,900	21,900	-	21,059	21,059
Other expenses	17,977	30,916	48,893	16,993	26,388	43,381
<b>Total</b>	<b>\$202,120</b>	<b>\$1,318,245</b>	<b>\$1,520,365</b>	<b>\$196,630</b>	<b>\$1,129,194</b>	<b>\$1,325,824</b>

1. According to HT'S Articles of Incorporation, HT shall allocate 5%-20% of annual profit as bonuses to employees and no more than 1% of annual profit as remuneration to directors, respectively, pursuant to the resolution of the boards of directors. Employees of subsidiaries are entitled to receive employees' bonuses.

2. For the year ended December 31, 2022 and 2021 employees' bonuses and directors' remuneration were accrued \$54,370 thousand and \$7,865 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

For the year ended December 31, 2022, the employees' bonuses and directors' remuneration were estimated and accrued based on profit of current year distributable as prescribed by the Company's Articles of Incorporation. The employees' bonuses and directors' remuneration of \$54,064 thousand for 2022 were resolved by the Board of Directors on February 23, 2023.

Employees' bonuses and directors' remuneration for 2021 had been approved by the shareholders meeting with no difference to the accrued amount in the consolidated financial statements ended December 31, 2021.

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

## 6.25 Income tax

### (1) Income tax (expense) benefit

#### A. Components of income tax (expense) benefit:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$(136,718)	\$(85,436)
Income tax adjustment of prior years	(3,392)	1,386
Foreign withholding tax (non-deductible)	-	(169)
Investment tax credit	379	-
Total current tax (expense)	<u>(139,731)</u>	<u>(84,219)</u>
Deferred income tax:		
Origination and reversal of temporary differences	16,012	(2,867)
Total deferred income tax (expense)	<u>16,012</u>	<u>(2,867)</u>
Income tax (expense) benefit	<u><u>\$(123,719)</u></u>	<u><u>\$(87,086)</u></u>

#### B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>2022</u>	<u>2021</u>
Actuarial gains/losses on defined benefit obligations	<u><u>\$(136)</u></u>	<u><u>\$-</u></u>

### (2) Reconciliation between income tax (expense) benefit and accounting profit

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$(221,516)	\$(95,247)
Effects from items disallowed by tax regulations	84,798	9,811
Effect from investment tax credit	379	-
Origination and reversal of temporary differences	16,012	(2,867)
Income tax adjustments on prior years	(3,392)	1,386
Foreign withholding tax (non-deductible)	-	(169)
Income tax (expense) benefit	<u>\$(123,719)</u>	<u>\$(87,086)</u>

- (3) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					-
- Deferred income tax assets:					
Unrealized exchange loss	\$4,264	\$4,701	\$-	\$-	\$8,965
Inventory valuation losses	4,536	1,832	-	-	6,368
Unrealized gross profit from affiliates	27,241	38,416	-	-	65,657
Warranty pronsion	31,831	6,323	-	-	38,154
Other loss	3,200	(3,200)	-	-	-
Advance sales receipts	52,876	(10,032)	-	-	42,844
Loss carry forward	5,641	(5,641)	-	-	-
Others	488	2,608	-	-	3,096
Subtotal	<u>\$130,077</u>	<u>\$35,007</u>	<u>\$-</u>	<u>\$-</u>	<u>\$165,084</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	\$(3,961)	\$(13,767)	\$-	\$-	\$(17,728)
Defined benefit plans	(1,600)	-	(136)	-	(1,736)
Subtotal	<u>\$(5,561)</u>	<u>\$(13,767)</u>	<u>\$(136)</u>	<u>\$-</u>	<u>\$(19,464)</u>
Total	<u>\$124,516</u>	<u>\$21,240</u>	<u>\$(136)</u>	<u>\$-</u>	<u>\$145,620</u>

	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					-
- Deferred income tax assets:					
Unrealized exchange loss	\$13,079	\$(8,815)	\$-	\$-	\$4,264
Inventory valuation losses	3,847	689	-	-	4,536
Unrealized gross profit from affiliates	22,171	5,070	-	-	27,241
Warranty pronsion	39,710	(7,879)	-	-	31,831
Other loss	-	3,200	-	-	3,200
Advance sales receipts	47,089	5,787	-	-	52,876
Loss carry forward	15,017	(9,376)	-	-	5,641
Others	518	(30)	-	-	488
Subtotal	\$141,431	\$(11,354)	\$-	\$-	\$130,077
- Deferred income tax liabilities:					
Unrealized exchange gain	\$(10,182)	\$6,221	\$-	\$-	\$(3,961)
Defined benefit plans	(1,600)	-	-	-	(1,600)
Subtotal	\$(11,782)	\$6,221	\$-	\$-	\$(5,561)
Total	\$129,649	\$(5,133)	\$-	\$-	\$124,516

- (4) Income tax returns of HT, IDT and INNO through 2020 have been assessed and approved by the Tax Authority.



- (1) Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonuses to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the shareholders' meeting in the following year, and thus the shares of employee bonuses resolved will be included in the basic EPS.
- (2) Movements in common shares outstanding of HT are as follows (unit: in thousands):

	2022	2021
At January 1	328,986	328,986
Buy back treasury shares	-	(7,669)
Cancellation of treasury shares	(7,669)	-
At December 31	<u>321,317</u>	<u>321,317</u>

- (3) Please refer to Note 6.17 "Share capital" for more information of capital increasing and common shares conversion.

## 7 RELATED-PARTY TRANSACTIONS

### 7.1 Significant related party transactions:

#### (1) Name and Relationship of Related Parties

Name of related parties	Relationship with the Company
Qisda Corporation	Ultimate parent company
Alpha Networks Inc.	Parent company
Metaage Corporation	Associate
Unictron Technologies Corporation	Associate
Qisda Vietnam Co.,Ltd	Associate
Concord Medical Co., Ltd.	Associate
BenQ Asia Pacific Corp.	Associate
AUO Education Service Corp.	Associate

## (2) Significant Related Party Transactions

### a. Purchases

	2022	2021
Parent company	\$207,252	\$40,422
Associate	92,135	69,804
Total	\$299,387	\$110,226

Purchase terms with related parties were decided on market condition.

### b. Operation expense

	2022	2021
Ultimate parent company	\$379	\$-
Parent company	19,761	7,533
Associate	598	200
Total	\$20,738	\$7,733

### c. Prepayments

	December 31,2022	December 31,2021
Parent company	\$8,123	\$-

### d. Other non-current assets (Prepayments for equipment)

	December 31,2022	December 31,2021
Parent company	\$-	\$325
Associate	-	21,294
Total	\$-	\$21,619

### e. Accounts payable

	December 31,2022	December 31,2021
Parent company	\$87,896	\$36,881
Associate	25,088	20,600
Total	\$112,984	\$57,481



f. Other payables

	December 31,2022	December 31,2021
Ultimate parent company	\$220	\$-
Parent company	4,809	477
Associate	136	5,564
Total	<u>\$5,165</u>	<u>\$6,041</u>

g. Property transactions

1)Acquisitions of Property, plant and equipment

	Purchase Price	
	2022	2021
Parent company	\$5,477	\$-
Associate	650	-
Total	<u>\$6,127</u>	<u>\$-</u>

2) Acquisitions of Intangible assets

	Purchase Price	
	2022	2021
Associate	\$31,930	\$-

3) Property, plant and equipment assets 、 Intangible assets 、 assets under management

	2022		2021	
	Sale	Gain/Loss	Sale	Gain/Loss
Parent company	\$-	\$-	\$973	\$284
Associate	-	-	1,705	1,225
Total	<u>\$-</u>	<u>\$-</u>	<u>\$2,678</u>	<u>\$1,509</u>

## 7.2 Key management compensation

	2022	2021
Salaries and other short-term employee benefit	\$81,243	\$96,524

## 8 PLEGGED ASSETS

The assets pledged as collateral are as follows:

Assets item	Book Value	
	December 31, 2022	December 31, 2021
Other current assets- restricted time deposits	\$286	\$-
Non-current assets- restricted time deposits	2,382	2,382
Non-current assets- refundable deposits	11,773	11,228
Total	\$ 14,441	\$ 13,610

- (1) The pledged assets are disclosed at net carrying values.
- (2) The Company provided time deposits as collateral mainly for foreign currency forward contracts agreements · lands lease agreements. The refundable deposits was pledged as collateral for security deposit provided to the local government of overseas sales.

## 9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### 9.1. Contingencies

	December 31,2022	December 31,2021
1. Guarantee notes submitted for purchasing projects	\$4,497	\$4,585
2. Guarantees of constructions	\$91,749	\$97,488

HT and eASPNET Taiwan Inc. (“eASPNET”) entered into the “Agreement for Establishment of Kaohsiung City Wireless Common Platform” (the “Agreement”). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, filed a lawsuit against eASPNET and claimed for the contract payment of NT\$86,619 thousand. On February 17, 2011, the company obtained the prevailed judgment made by the Taiwan Shilin District Court, that eASPNET has to pay HT NT\$ 72,916 thousand and interest based on the 5% annual interest rate from April 12, 2008 to the repayment date. eASPNET appealed against the judgment and provided a guarantee of NT\$ 72,916 thousand in April 2011 to avoid provisiona execution. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and appealed to the Supreme Court. On Nov 18, 2013, the Supreme Court ruled that the original judgment should be abandoned, and remanded to the Taiwan High Court for trial update. On March 29, 2016, in the first retrial, Taiwan High Court declared that HT won the court case. eASPNET should pay NT\$ 71,115 thousand to HT. However, both parties filed appeals. The Supreme Court, on January 5, 2017, abandoned the original judgment except provisional execution and remanded the case to the Taiwan High Court. On October 20, 2020, in the second retrial, Taiwan High Court ruled to abandon the judgement of the first retrial. Based on legal experts’ opinion, the case is still subject to appeal and has not yet been determined. The Company filed an appeal on November 17, 2020, and the High Court transferred the case to the Supreme Court on January 25, 2021. The two parties settled in the mediation court of the Supreme Court on September 27, 2021, and agreed that IMS, a shareholder of eASPNET, should remit US\$1,433,000 to the company's bank account and confirmed the receipt of funding on September 27, 2021 in order to reach a settlement of the case on that day.

9.2. Commitments: None

10 **SIGNIFICANT DISASTER LOSS:** None

11 **SIGNIFICANT SUBSEQUENT EVENTS:**

On October 24, 2022, the subsidiary, IDT, passed the resolution of the board of directors to issue the second guaranteed convertible corporate bond with a face value of NT\$600,000(thousand) to enrich working capital, and it was issued at a premium of 106.15% of the face value on January 11, 2023. This case has been approved by the Financial Supervisory Commission on December 19, 2022 and the approval letter is numbered as Jinguanzhengfazi No. 1110365993.

## 12 OTHERS

### 12.1. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measure associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

### 12.2. Financial instruments

#### (1) Fair value information of financial instruments

	<u>December 31, 2022</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets:		
Cash and cash equivalents	\$2,385,676	\$2,385,676
Financial assets at fair value through profit or loss-current	61,084	61,269
Financial assets at fair value through other comprehensive income	31,815	31,815
Notes receivable	36,008	36,008
Accounts receivable (including related parties)	2,489,685	2,489,685
Other receivables	460,618	460,618
Other financial assets	112,550	112,550
Total	<u>\$5,577,436</u>	<u>\$5,577,621</u>

	December 31, 2021	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$2,803,348	\$2,803,348
Financial assets at fair value through profit or loss-current	65,200	65,200
Financial assets at amortized cost-current	371,960	371,960
Financial assets at fair value through other comprehensive income	19,335	19,335
Notes receivable	134,278	134,278
Accounts receivable (including related parties)	1,662,866	1,662,866
Other receivables	8,121	8,121
Other financial assets	109,557	109,557
Total	<u>\$5,174,665</u>	<u>\$5,174,665</u>

	December 31, 2022	
	Book value	Fair value
Financial liabilities :		
Short-term borrowings	\$1,940,870	\$1,940,870
Financial liability at fair value through profit or loss-current contract liability	7,421	7,421
Accounts payable(including related parties)	531,475	531,475
Other payables(including related parties)	2,671,746	2,671,746
Lease liability (including current portion)	596,424	596,424
Other financial liabilities	45,735	45,735
Total	<u>410</u>	<u>410</u>
	<u>\$5,794,081</u>	<u>\$5,794,081</u>

	December 31, 2021	
	Book value	Fair value
Financial liabilities :		
Short-term borrowings	\$2,554,712	\$2,554,712
Financial liability at fair value through profit or loss-current contract liability	1,023	1,023
Accounts payable(including related parties)	622,327	622,327
Other payables(including related parties)	1,095,299	1,095,299
Lease liability (including current portion)	514,154	514,154
Bonds payable (including current portion)	47,905	47,905
Other financial liabilities	461,471	461,471
	240	240
Total	<u>\$5,297,131</u>	<u>\$5,297,131</u>

(2) Financial risk management policies

- a. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Refer to Notes 6.2.
- b. Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(3) Significant financial risks and degrees of financial risks

a. Market risk

- The major market risks undertaken by the Company are foreign currency risk and interest rate risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments; such as currency forward contracts to hedge its currency exposure. The Company's own funds are sufficient to cover its operation. The need of external borrowing is limited and all repayments are made before the maturity of borrowings. Because the net assets under floating rate are all due within one year, and the current market interest rates are still low, it is expected there will be no significant risk of changes in interest rates. Hence, no derivative financial instruments to manage interest rate risk are used.

- The management and measurement methods of the Company regarding the exposure to the market risk of financial instruments are not changed.

I. Foreign currency risk

- Cash inflow and outflow of the Company are based on foreign currency; the hedging effect is subsequently accompanied. The Company's foreign exchange risk management is mainly for the purpose of hedging not for profiting.
- Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities, and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts or borrowing foreign currency liabilities are currently the main tools to avoid the exchange rate risk.
- Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

	December 31, 2022				
	Foreign currency amount (in thousands)	Exchange rate	Book value NTD	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$60,653	30.73	\$1,863,867	5%	±\$93,193
EUR : NTD	\$60	32.82	\$1,969	5%	±\$98
CAD : NTD	\$792	22.687	\$17,968	5%	±\$898
VND : NTD	\$4,962,775	0.0013	\$6,452	5%	±\$323
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$14,402	30.73	\$442,573	5%	±\$22,129
EUR : NTD	\$68	32.82	\$2,232	5%	±\$112
CAD : NTD	\$99	22.687	\$2,246	5%	±\$112
VND : NTD	\$34,675,621	0.0013	\$45,078	5%	±\$2,254

December 31, 2021					
	Foreign currency amount (in thousands)	Exchange rate	Book value NTD	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$27,089	27.68	\$749,824	5%	±\$37,491
CAD : NTD	\$619	21.623	\$13,385	5%	±\$669
RMB : NTD	\$277	4.3454	\$1,204	5%	±\$60
VND : NTD	\$2,452,761	0.0012	\$2,943	5%	±\$147
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$98,262	27.68	\$2,719,892	5%	±\$135,995
CAD : NTD	\$118	21.623	\$2,552	5%	±\$128
VND : NTD	\$13,630,836	0.0012	\$16,357	5%	±\$818

- Key management personnel believe the sensitivity analysis cannot represent inherent risk of foreign exchange rate. Because the disclosure of foreign currency risk at the end of reporting date cannot reflect the level of risk exposure during middle of the year.

## II. Price risk

- The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as financial assets at fair value through comprehensive or financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- The Company and its subsidiaries mostly invested in listed and unlisted securities in Taiwan, and the values of securities fluctuate due to unforeseen circumstances. With all other factors remained the same, had the values fluctuated up and down by 5%, the after-tax profits resulted from measuring financial assets at fair value through profit or loss would have increased/decreased by \$2,788 in 2022 and \$3,189 in 2021. Regarding financial assets measured at fair value through other comprehensive income, the gain or loss would have increased or decreased by \$1,591 in 2022 and \$967 in 2021.



### III. Interest rate risk

- The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.
- Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.
- The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.
- With all other factors remained the same, had the borrowing interest rate increased by 0.25% in 2022 and 2021, the profit after tax would have decreased in an amount of \$3,882 and \$5,109 as of December 31, 2022 and 2021, respectively.

#### b. Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers which taking into account their financial position, past experience and other factors. The Company periodically monitors the use of credit and the payment status, and continually develops diverse business regions and expands overseas markets in order to reduce customer concentration risk. Accounts receivable of the Company is constituted by many customers, scattered in different regions of the world. The Company regularly assesses the financial position of accounts receivable for foreign customers, and makes sure proper insurances are in place for new customers and customer accounts with specific concerns. Accordingly, the Company has no significant credit risk exposed to any counterparty.
- II. No credit limits were exceeded during the reporting periods for 2022 and 2021, and the management does not expect any significant losses from non-performance by these counterparties.
- III. The Company classifies accounts receivables according to the customer types, and refers to the loss rate established by the specific period historical and the current information to estimate the allowance loss of the contract assets and accounts receivables.

c. Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the finance department with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. The finance department invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- III. 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 end of the reporting period 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

	Less than 1 year	Between 1	Between 2	Over 5 years
		and 2 years	and 5 years	
December 31,2022				
Short-term borrowings	\$ 1,940,870	\$-	\$-	\$-
Contract liabilities	531,475	-	-	-
Accounts payable (including relative parties)	2,671,746	-	-	-
Other payables (including relative parties)	596,424	-	-	-
Lease liability (including current portion)	12,347	8,148	10,845	19,231

#### Non-derivative financial liabilities

December 31, 2021	Less than 1 year	Between 1	Between 2	Over 5 years
		and 2 years	and 5 years	
Short-term borrowings	\$ 2,554,712	\$-	\$-	\$-
Contract liabilities	622,327	-	-	-
Accounts payable (including relative parties)	1,095,299	-	-	-
Other payables (including relative parties)	514,154	-	-	-
Lease liability (including current portion)	11,332	7,235	11,262	18,076
Bonds payable (including current portion)	461,471	-	-	-

#### IV. Derivative financial liabilities

As of December 31, 2022 and December 31, 2021 all derivative financial liabilities of the Company are due within one year.

#### 12.3. Fair value estimation

(1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2022 and December 31, 2021. Equity securities, beneficiary's certificates and as such are classified into Level 1. Financial assets/liabilities measured at fair value are the valuation adjustment of embedding derivative and as such are classified into Level 2. Financial assets at fair value through other comprehensive income are classified into Level 3.

December 31,2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$55,764	\$-	\$-	\$55,764
Foreign currency forward contracts	-	5,320	-	5,320
Subtotal	55,764	5,320	-	61,084
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	31,815	31,815
Total	\$55,764	\$5,320	\$31,815	\$92,899
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	\$-	\$7,421	\$-	\$7,421
Total	\$-	\$7,421	\$-	\$7,421
December 31,2021				
Level 1	Level 2	Level 3	Total	
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	\$63,776	\$-	\$-	\$63,776
Foreign currency forward contracts	-	1,424	-	1,424
Subtotal	63,776	1,424	-	65,200
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	19,335	19,335
Total	\$63,776	\$1,424	\$19,335	\$84,535
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	\$-	\$1,023	\$-	\$1,023
Total	\$-	\$1,023	\$-	\$1,023

- (2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets at fair value through profit or loss.
- (3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- (5) Specific valuation techniques used to value financial instruments include:
- (a) Quoted by market prices or dealer quotes for similar instruments.
  - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
  - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- (6) The following table presents the change in level 3 instruments for the years ended December 31, 2022 and 2021.

	Equity securities	
	2022	2021
As at January 1	\$19,335	\$19,335
Recognized in other comprehensive income	12,480	-
As at December 31	\$31,815	\$19,335

### 13 SUPPLEMENTARY DISCLOSURES

#### 13.1. Significant transactions information

##### (1) Loans to others:

No. (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2022 (Note 3)	Balance at December 31, 2022 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	HT	HITRON TECHNOLOGI ES VIET NAM Co. Ltd.	Other receivables - related parties	Yes	\$966,450	\$921,900	\$414,855	1%	2	-	Working capital	-	no	-	\$1,058,758	\$2,117,517	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2022.

Note 4: The column of 'Nature of loan' shall fill in "1" for 'Business transaction' or "2" for 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1) Total amount of loans to others cannot exceed 40% of overall net profit shown on the most recent audited/reviewed financial statement. Limit on loans granted to a borrower is confined according to the reasons of the borrowing:

a. For a borrower having business dealings with the Company, the maximum individual loan amount shall not exceed the estimated business dealing amount between the two parties within the most recent year or future one year, and shall not exceed 20% of the net worth of the Company indicated in the most recent financial statements of the Company. The "total amount of trading" refers to the material purchase or sales amount between the two companies, whichever is higher.

b. Nature of the loan is related to financing necessity, total amount of the loan cannot exceed 20% of overall net profit shown on the most recent audited/reviewed financial report.

c. For loaning of funds between foreign subsidiaries with voting shares 100% directly or indirectly held by the Company, or loans provided by foreign subsidiaries with voting shares 100% directly or indirectly held by the Company, it is not restricted by the financial total amount limit and the financing period; however, each of such subsidiaries shall still self-establish the limit and loan period for loaning funds to others.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

(2) Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/guarantee amount at December 31, 2022 (Note 5)	Actual Amount Drawn down (Note 6)	Amount of endorsement/guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company (Note 7)	Ceiling on total amount of endorsements/guarantees provided (Note 3)	Provision of endorsement/guarantees by parent company to subsidiary (Note 7)	Provision of endorsement/guarantees by subsidiary to parent company (Note 7)	Provision of endorsement/guarantees to the party in Mainland China (Note 7)
		Company name	Relationship with the endorser/guarantor (Note 2)										
0	HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	(2)	5,293,792	2,577,200	2,458,400	522,410	-	46.44%	7,940,688	Y	N	N
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	(2)	5,293,792	644,300	614,600	-	-	11.61%	7,940,688	Y	N	N
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	(2)	5,293,792	688,790	624,067	98,460	-	11.79%	7,940,688	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Business transaction

(2) A company with more than 50% of voting shares directly and indirectly held by the Company.

(3) A company that directly and indirectly holds more than 50% of the voting shares of the Company

(4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares

(5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for joint builders for purposes of undertaking a construction project

(6) Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1) Total amount of provision of endorsements and guarantees to others cannot exceed 150% of total net profit of the most recent financial statement.

(2) Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 20% of the total net profit of the most recent financial statement, however, when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, the limit on provision of endorsements and guarantees to others is not confined by the previous described but still cannot exceed 100% of total net profit of the most recent financial statement.

(3) For the endorsement/guarantee made to others having business dealings with the Company, in addition to the provisions specified in the preceding two paragraphs, the maximum endorsement/guarantee amount provided to one single party shall not exceed the estimated business dealing total amount between the two parties within the most recent year or future one year; and shall not exceed 20% of the net worth of the Company indicated in the most recent financial statements of the Company (the term "business dealing total amount" refers to the higher of the purchase or sales amount between the two parties)

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorser/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

(3) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note2)	Financial statement account	As of December 31, 2022			Footnote (Note 4)	
				Number of shares	Book value (Note 3)	Ownership (%)		Fair value
HT	TRANSCEND	-	Financial assets at fair value through profit or loss - current	441	\$29,106	-	\$29,106	NA
HT	SENAO	-	Financial assets at fair value through profit or loss - current	152	4,667	-	4,667	NA
INTERACTIVE DIGITAL TECHNOLOGIES INC.	TRANSCEND	-	Financial assets at fair value through profit or loss - current	336	21,991	-	22,176	NA
HT	CHAO LONG MOTOR PARTS CORP.	-	Financial assets at fair value through other comprehensive income	668	31,815	1.79%	31,815	NA
HT	IMAGETECH CO., LTD.	-	Financial assets at fair value through other comprehensive income	120	-	1.20%	-	NA
HT	TSUNAMI VISUAL TECHNOLOGIES INC.	-	Financial assets at fair value through other comprehensive income	1,220	-	9.34%	-	NA
HT	PIVOT TECHNOLOGY CORP.	-	Financial assets at fair value through other comprehensive income	198	-	10.94%	-	NA
HT	CARDEK DIGITAL TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive income	1,000	-	6.45%	-	NA
HT	YESMOBILE HOLDINGS COMPANY LTD.	-	Financial assets at fair value through other comprehensive income	294	-	0.75%	-	NA
HT	CODENT NETWORKS (CAYMAN) LTD.	-	Financial assets at fair value through other comprehensive income	1,570	-	-	-	NA

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial instruments.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.



(4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Prior Transaction of Related Counter-party			Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date			
INTERACTIVE DIGITAL TECHNOLOGIE S INC.	No. 212, Section 2, Gong 2, Linkou District, New Taipei City, and No. 1 (No. 19 build number), No. 2, Gongju Road, Linkou District, New Taipei City	2022.01.06	\$238,750	Fully paid	Gee Hoo Fitec Corp.	N/A	-	-	-	Valuation report	Operational requirements	-

(6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital:None

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

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	Sales	\$6,113,266	49.45%	Normal payment terms	Negotiated by two parties	Normal payment terms	2,286,506	89.34%	N/A
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Subsidiary	Sales	1,034,160	8.36%	Normal payment terms	Negotiated by two parties	Normal payment terms	274,828	10.74%	N/A
HITRON TECHNOLOGIES VIET NAM CO. LTD.	HT	Subsidiary	Sales	9,981,530	80.73%	Normal payment terms	Negotiated by two parties	Normal payment terms	3,014,398	117.78%	N/A
HITRON TECHNOLOGIES (SIP) INC.	HT	Subsidiary	Sales	166,852	1.35%	Normal payment terms	Negotiated by two parties	Normal payment terms	23,311	0.91%	N/A
HT	Alpha Networks Inc.	Subsidiary	Purchases	207,252	1.62%	Normal payment terms	Negotiated by two parties	Normal payment terms	87,896	3.29%	N/A

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 ( Note 1 )	Turnover rate	Overdue receivables		Amount collected subsequent to the end of the reporting period	Allowance for doubtful accounts
					Amount	Action taken		
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	\$2,286,506	3.35	-	-	\$743,958	Non
HT	HITRON TECHNOLOGIES EUROPE HOLDING B. V.	Subsidiary	274,828	5.36	-	-	145,866	Non
HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	Subsidiary	556,857	-	-	-	72,708	-
HITRON TECHNOLOGIES VIET NAM Co. Ltd.	HT	Subsidiary	3,014,398	5.47	-	-	1,629,920	Non

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(9) Derivative financial instruments undertaken during the year ended December 31, 2022: Please refer to Notes 6.2, 12.2 and 12.3.

(10) Please refer to Notes 13.1(7) of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

13.2. Information on investees

Name, locations, and related information of investees over which the company exercises significant influence: (not including investees in Mainland China)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2.2)	Investment income (loss) recognized by parent company for the year ended December 31, 2022(Notes 2.3)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
HT	HITRON TECHNOLOGIES (SAMOA) INC.	Samoa	International trade	\$642,697	\$642,697	21,350	100.00%	\$608,650	\$18,943	\$22,169	Subsidiary
HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	Taiwan	Telecommunications and broadband network systems and services	126,091	126,091	16,703	41.49%	548,562	215,007	92,086	Subsidiary
HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	Vietnam	Produce and sell the wireless communication and telecom products	1,511,735	1,511,735	-	100.00%	2,213,908	714,066	710,473	Subsidiary
HT	HITRON TECHNOLOGIES AMERICAS INC.	America	International trade	90,082	90,082	300	100.00%	429,317	165,909	216,581	Subsidiary
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Netherlands	International trade	59,604	59,604	15	100.00%	104,624	86,528	86,684	Subsidiary
HT	INNOAUTO TECHNOLOGIES INC.	Taiwan	Investment and automotive electronics products	20,000	20,000	2,000	100.00%	3,444	(188)	(188)	Subsidiary

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.

(3)The Investment income (loss) recognized by the parent company for the year ended December 31, 2022' column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

13.3. Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2022 (Note 2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
HITRON TECHNOLOGIES (SIP) INC.	Produce and sell the wireless communication and telecom products	\$641,763 (RMB141,547)	2	641,763	-	-	641,763	\$22,698	100.00%	\$18,967(2)	\$614,622	\$-
JIETECH TRADING (SUZHOU) INC.	International trade	\$31,139 (RMB5,425)	2	31,139	-	-	31,139	(28)	100.00%	(25)(2)	3,740	-
HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Technical consulting, researching, maintenance and after service of the electronic communication and telecom products	\$5,814 (USD200)	3	12,048	-	-	12,048	1,264	41.49%	533(2)	5,185	23,037

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)	
			Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	
HT	684,950	684,950	3,176,275	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through invest in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others: Reorganization of Group's investment structure was approved and authorized by the Board of Directors in 2012. Indirect investment to Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2022' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
- C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

13.4. Significant inter-company transactions during the year ended December 31, 2022:

Number (Note 1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Sales revenue	\$6,113,266	Normal payment terms	49.45%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Accounts receivable	2,286,506	Normal payment terms	18.68%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Sales revenue	1,034,160	Normal payment terms	8.36%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Accounts receivable	274,828	Normal payment terms	2.25%
0	HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	1	Other receivables	556,857	Normal payment terms	4.55%
1	HITRON TECHNOLOGIES (SIP) INC.	HT	2	Labor revenue	166,852	Normal payment terms	1.35%
2	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	HT	2	Sales revenue	9,981,530	Normal payment terms	80.73%
2	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	HT	2	Accounts receivable	3,014,398	Normal payment terms	24.63%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

13.5. Information of major shareholders:

Name of major shareholders	Shares held	Number of shares	Ownership (%)
Alpha Networks Inc.		200,000,000	62.24%

Note : (1) The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialized form because of a different calculation basis.

(2) If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

## 14 SEGMENT INFORMATION

### 14.1. General information

The Company is mainly engaged in integrating communications systems, producing and selling electronic and telecom communication products. By assessing the performances of every operating segment, the Board of Directors and the chief of the operating team can decide operating strategies and allocate resources.

### 14.2. Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement. The chief operating decision-maker evaluates the performance of each operating segment based on net operating profit or loss.

### 14.3. Information about segment profit or loss, assets and liabilities

(1) The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	2022			
	System Integration	Manufacturing	Adjustments	Total
Revenue from external customers	\$2,008,659	\$10,309,570	\$-	\$12,318,229
Inter-segment revenue	39,544	17,296,213	(17,335,757)	-
Total segment revenue	<u>\$2,048,203</u>	<u>\$27,605,783</u>	<u>\$(17,335,757)</u>	<u>\$12,318,229</u>
Inter-segment profit (loss)	<u>\$175,361</u>	<u>\$432,575</u>	<u>\$-</u>	<u>\$607,936</u>
Segment assets	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
	2021			
	System Integration	Manufacturing	Adjustments	Total
Revenue from external customers	\$1,833,022	\$7,848,524	\$-	\$9,681,546
Inter-segment revenue	32,312	12,221,022	(12,253,334)	-
Total segment revenue	<u>\$1,865,334</u>	<u>\$20,069,546</u>	<u>\$(12,253,334)</u>	<u>\$9,681,546</u>
Inter-segment profit (loss)	<u>\$232,776</u>	<u>\$(11,392)</u>	<u>\$-</u>	<u>\$221,384</u>
Segment assets	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>



#### 14.4. Reconciliation for segment profit (loss), assets and liabilities

The assessment method of segment profit or loss reported to the chief operating decision-maker is the same as the assessment method used to measure incomes and expenses in Comprehensive Income Statement. The asset amount evaluated is not the key indicator for decision-maker, thus the measured amount for assets should be zero. Besides, report submitted for decision-making regarding to segment operation is same as Comprehensive Income Statement; hence, reconciliation can be waived.

#### 14.5. Geographical information

In presenting information on the basis of geography, revenue is based on the geographical location of customers. Non-current assets include property, plant and equipment, right of use asset, intangible asset and other assets, not including financial instruments and deferred tax assets.

	Revenue from external customers		Non-current assets	
	2022	2021	December 31,2022	December 31,2021
Taiwan	\$2,668,020	\$2,375,974	\$1,098,023	\$806,537
America	8,156,923	6,225,748	14,879	20,679
Europe	1,211,680	876,459	144	1,298
Asia	281,606	203,365	1,253,222	1,244,004
Total	\$12,318,229	\$9,681,546	\$2,366,268	\$2,072,518

#### 14.6. Major customer information

Details of revenue contribution by client which the revenue is accounted for more than 10% of total revenue on Comprehensive Income Statement for the year 2022 and 2021:

Client	2022		2021	
	Amount	% accounted for operation revenue	Amount	% accounted for operation revenue
Client C	\$2,480,025	20.13	\$2,694,099	27.83



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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Hitron Technologies Inc.

### *Opinion*

We have audited the accompanying parent company only balance sheets of Hitron Technologies Inc. as of December 31, 2022 and 2021, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Hitron Technologies Inc. as of December 31, 2022 and 2021, and financial performance and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

### *Basis for Opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standard on Auditing of the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Financial Statements of our report. We are independent of Hitron Technologies Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. Base on our audits and the reports of other auditors, We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

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



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### Revenue recognition

Please refer to Note 4(22) to the financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. There remains a risk of sales being recorded in an inappropriate period before the risks and rewards have been transferred to customers. Therefore, we consider this a key audit matter.

Our key audit procedures performed in respect of the above area included:

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Evaluate and test the design and operating effectiveness of internal controls around revenue recognition.
3. Check customer sales contracts, order status, shipping and collection of the selected transactions, to verify the occurrence of transactions and reasonableness of the timing of revenue recognition.
4. Perform cut-off test and vouching them to supporting evidences.

### Valuation for Inventories

Please refer to Note 4(12) to the financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(6) for the details of the information about allowance for inventory valuation losses.

Due to the rapid change in consumer needs and the technology development of mobile internet, cloud services and integration, price of goods or services influenced by market competition and functional requirements, resulted in a rapid change in inventory value. The assessment of the inventory valuation require significant management judgement. Therefore we consider this a key audit matter.

Our procedures performed in respect of the inventory valuation included:

1. Understand and assess the internal control procedures and accounting estimates for inventory by management.
2. Sampling market information and assess the reasonableness of inventory net realized value.
3. Observing physical inventory counts and check any obsolete and slow-moving.



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#### **Other Matter**

We did not audit the financial statements of certain investments accounted for under the equity method and information on investees disclosed in Note 6. Therefore, our opinion expressed herein, insofar as it related to the amounts included in respect of these associates, is based solely on the reports of the other auditors. These debit balance of investments accounted for under the equity method amounted to NT\$104,624 thousand and NT\$19,110 thousand, constituting 1.03% and 0.23% of total assets as at December 31, 2022 and 2021, respectively, and the share of profit of subsidiaries and joint ventures accounted for under the equity method was NT\$86,684 thousand and NT\$38,227 thousand, constituting 11.76% and 69.34% of the total comprehensive income for the years then ended, respectively.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability of Hitron Technologies Inc. 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 Hitron Technologies Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc..

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standard on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

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

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



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

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

The engagement partners on the audit resulting in this independent auditors' report are Kun-His Hsu and Shu-Chen Chang.

BDO TAIWAN

Feb 23, 2023

**Notice to Readers**

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

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

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**HITRON TECHNOLOGIES INC.**  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2022 and 2021

Assets	Notes	December 31, 2022		December 31, 2021		Notes	December 31, 2022		December 31, 2021	
		\$	%	\$	%		\$	%	\$	%
<b>Current assets</b>										
Cash and cash equivalents	6.1	\$947,255	9.30	\$1,087,012	13.29	6.11	\$1,170,000	11.48	\$2,477,360	30.28
Financial assets at fair value through profit or loss - current	6.2	34,117	0.33	38,738	0.47	6.2	7,329	0.07	52	-
Financial assets at amortized cost - current	6.3	-	-	369,960	4.52	6.18	6,792	0.07	5,067	0.06
Accounts receivable, net	6.5	1,092,888	10.73	681,218	8.33		261,761	2.57	93,535	1.14
Accounts receivable - related parties	7	2,562,098	25.15	1,472,035	17.99	7	3,121,532	30.64	685,219	8.38
Other receivables		460,444	4.52	3,713	0.05	6.12	199,630	1.96	108,344	1.32
Other receivables - related parties	7	562,834	5.52	1,271,205	15.54	7	36,969	0.36	67,406	0.82
Current income tax assets		959	0.01	-	-	6.13	43,651	0.43	15,056	0.18
Inventories	6.6	104,065	1.02	41,512	0.51	6.9	2,151	0.02	1,232	0.02
Prepayments		66,334	0.65	31,470	0.38		3,580	0.03	3,428	0.05
Other current assets		2,105	0.02	1,629	0.02		4,853,395	47.63	3,456,699	42.25
<b>Sub-total</b>		<b>5,833,099</b>	<b>57.25</b>	<b>4,998,492</b>	<b>61.10</b>					
<b>Non-current assets</b>										
Deferred tax liabilities	6.22					6.22	19,261	0.19	5,356	0.07
Lease liabilities - non-current	6.9					6.9	22,241	0.22	22,250	0.27
Other non-current liabilities							278	-	247	0.01
<b>Sub-total</b>							41,780	0.41	27,853	0.35
<b>Total Liabilities</b>							4,895,175	48.04	3,484,552	42.60
<b>Equity</b>										
Share Capital	6.15									
Common stock	6.16						3,213,172	31.54	3,289,862	40.21
Capital surplus	6.17						1,114,994	10.94	1,236,008	15.11
Retained earnings							283,224	2.78	276,066	3.37
Legal reserve							145,512	1.43	129,057	1.58
Special reserve							427,798	4.20	71,582	0.87
Unappropriated earnings (Accumulated deficit)							109,092	1.07	(145,511)	(1.78)
Other equity							-	-	(160,442)	(1.96)
<b>Treasury stock</b>										
<b>Total Equity</b>							5,293,792	51.96	4,696,622	57.40
<b>Total Liabilities and Equity</b>							\$10,188,967	100.00	\$8,181,174	100.00

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue	6.18	\$9,947,772	100.00	\$7,243,067	100.00
Operating costs	6.6	(9,483,709)	(95.34)	(6,688,054)	(92.34)
Gross profit (loss)		464,063	4.66	555,013	7.66
Unrealized (profit) loss from sales		(328,284)	(3.30)	(136,203)	(1.88)
Realized profit (loss) from sales		136,203	1.37	110,852	1.53
Net gross profit (loss)		271,982	2.73	529,662	7.31
Operating expenses					
Selling expenses		(162,870)	(1.64)	(157,714)	(2.18)
General and administrative expenses		(223,672)	(2.25)	(151,383)	(2.09)
Research and development expenses		(490,805)	(4.93)	(311,304)	(4.30)
Expected credit impairment gain (loss)		(15,698)	(0.15)	(15,823)	(0.21)
Total operating expenses		(893,045)	(8.97)	(636,224)	(8.78)
Operating profit (loss)		(621,063)	(6.24)	(106,562)	(1.47)
Non-operating income and expenses					
Interest income		12,491	0.13	8,017	0.11
Other income		12,990	0.13	10,448	0.14
Other gains and losses	6.19	(41,386)	(0.42)	(7,209)	(0.10)
Financial costs		(42,290)	(0.43)	(14,622)	(0.20)
Share of the profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	6.7	1,127,805	11.34	175,229	2.42
Sub-total		1,069,610	10.75	171,863	2.37
Profit (loss) before income tax		448,547	4.51	65,301	0.90
Income tax (expenses) benefit	6.22	33,646	0.34	6,281	0.09
Net profit (loss) from continuing operations		\$482,193	4.85	\$71,582	0.99
Net profit (loss)		\$482,193	4.85	\$71,582	0.99
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		\$681	0.01	\$-	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		12,480	0.13	-	-
Income tax relating to components		(136)	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		242,123	2.42	(16,455)	(0.23)
Other comprehensive income (loss), net of income tax		\$255,148	2.56	\$(16,455)	(0.23)
Total comprehensive income (loss)		\$737,341	7.41	\$55,127	0.76
Earnings per share	6.23				
Basic earnings (loss) per share (in dollars)		\$1.50		\$0.22	
Diluted earnings per share (in dollars)		\$1.49		\$0.22	

The accompanying notes are an integral part of financial statements



**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Summary	Retained Earnings			Other Equity Interests			Total		
	Common Stock	Capital Surplus	Special Reserve	Legal Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations		Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
Balance on January 1, 2021	\$3,289,862	\$1,326,737	\$89,973	\$248,065	\$280,010	\$(132,543)	\$3,487	\$(160,442)	\$4,945,149
Appropriation of earnings 2020	-	-	-	28,001	(28,001)	-	-	-	-
Legal reserve	-	-	-	-	(39,083)	-	-	-	-
Special reserve	-	-	39,083	-	(212,926)	-	-	-	(212,926)
Cash dividends	-	-	-	-	-	-	-	-	(9,185)
Effects of changes in ownership interest from investee	-	(9,185)	-	-	-	-	-	-	26,848
Changes in capital surplus of investees	-	26,848	-	-	-	-	-	-	(108,392)
Cash dividends distributed from capital surplus	-	(108,392)	-	-	-	-	-	-	71,582
Net profit (loss)	-	-	-	-	71,582	(16,455)	-	-	(16,455)
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	1
Rounding	-	-	1	-	-	-	-	-	-
Balance on January 1, 2022	\$3,289,862	\$1,236,008	\$129,057	\$276,066	\$71,582	\$(148,998)	\$3,487	\$(160,442)	\$4,696,622
Appropriation of earnings 2021	-	-	-	7,158	(7,158)	-	-	-	-
Legal reserve	-	-	-	-	(16,455)	-	-	-	-
Special reserve	-	-	16,455	-	(47,970)	-	-	-	(47,970)
Cash dividends	-	-	-	-	-	-	-	-	(13,496)
Effects of changes in ownership interest from investee	-	(13,496)	-	-	-	-	-	-	33,985
Changes in capital surplus of investees	-	33,985	-	-	-	-	-	-	(112,691)
Cash dividends distributed from capital surplus	-	(112,691)	-	-	-	-	-	-	482,193
Net profit (loss)	-	-	-	-	482,193	-	-	-	545
Other comprehensive income (loss)	-	-	-	-	(54,940)	242,123	12,480	-	160,442
Cancellation of treasury stock	(76,690)	(28,812)	-	-	-	-	-	-	-
Rounding	-	-	-	-	1	-	-	-	-
Balance on December 31, 2022	\$3,213,172	\$1,114,994	\$145,512	\$283,224	\$427,798	\$93,125	\$15,967	\$0	\$5,293,792

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Items	2022	2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	\$448,547	\$65,301
Profit (loss) before tax	448,547	65,301
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	50,191	50,488
Amortization	24,959	24,035
Expected credit impairment loss (gain)	15,698	15,823
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	11,898	(12,253)
Interest expense	42,290	14,622
Interest income	(12,491)	(8,017)
Dividend income	(4,219)	(2,575)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	(1,021,474)	(75,013)
Loss (gain) on disposal and scrap of property, plant and equipment	-	(1)
Loss (gain) on disposal of investments	-	3,764
Unrealized (profit) loss from sales	328,284	136,203
Realized profit (loss) from sales	(136,203)	(110,852)
Loss (gain) on a lease modification	-	(18)
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in accounts receivable	(427,368)	(317,755)
(Increase) decrease in accounts receivable - related parties	(1,090,063)	663,628
(Increase) decrease in other receivables	(456,993)	65,089
(Increase) decrease in other receivables - related parties	708,371	25,099
(Increase) decrease in inventories	(62,554)	147,002
(Increase) decrease in prepaid expenses	(4,184)	(411)
(Increase) decrease in prepayments	(30,680)	(5,308)
(Increase) decrease in other current assets	(475)	511
Increase (decrease) in contract liabilities	1,725	(17,851)
Increase (decrease) in accounts payable	168,226	(188,809)
Increase (decrease) in accounts payable - related parties	2,436,313	(855,228)
Increase (decrease) in other payables	92,986	(73,882)
Increase (decrease) in other payables - related parties	(30,437)	59,381
Increase (decrease) in provisions	28,595	3,532
Increase (decrease) in other current liabilities	151	429
Increase (decrease) in net defined benefit liabilities	545	-
Interest received	12,753	8,551
Dividends received	4,219	2,575
Interest paid	(43,553)	(13,014)
Income taxes refund (paid)	(2,511)	(25,850)
Net cash flows generated from (used in) operating activities	<u>1,052,546</u>	<u>(420,804)</u>
Cash flows from investing activities		
Acquisition of financial assets at amortized cost	-	(369,960)
Repayments of financial assets at amortized cost	369,960	-
Proceeds from disposal of financial assets at fair value through profit or loss	-	11,851
Acquisition of investments accounted for under equity method	-	(960,046)
Acquisition of property, plant and equipment	(33,715)	(41,391)
Proceeds from disposal of property, plant and equipment	1,566	13
Increase in guarantee deposits	(64)	-
Decrease in guarantee deposits	-	24,128
Acquisition of intangible assets	(82,650)	(15,035)
Increase in other non-current assets	(569)	-
Decrease in other non-current assets	-	6
Increase in prepayments for equipment	-	(25,422)
Decrease in prepayments for equipment	23,902	-
Net cash flows generated from (used in) investing activities	<u>278,430</u>	<u>(1,375,856)</u>
Cash flows from financing activities		
Increase in short-term borrowings	-	790,535
Decrease in short-term borrowings	(1,307,360)	-
Increase in guarantee deposits received	30	-
Repayment of lease principle	(2,746)	(3,196)
Cash dividends paid	(160,657)	(321,318)
Net cash generated from (used in) financing activities	<u>(1,470,733)</u>	<u>466,021</u>
Net increase (decrease) in cash and cash equivalents	(139,757)	(1,330,639)
Cash and cash equivalents at beginning of period	1,087,012	2,417,651
Cash and cash equivalents at end of period	<u>\$947,255</u>	<u>\$1,087,012</u>

The accompanying notes are an integral part of financial statements

**HITRON TECHNOLOGIES INC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

**1. GENERAL**

Hitron Technologies Inc. (HT) was incorporated in the Republic of China (R.O.C.) on March 24, 1986 under Company Act. The Company is mainly engaged in integrating communication systems, producing and selling electronic and telecom communication products. Qisda Corporation is the ultimate parent company of HT.

**2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements were approved and authorized for issuance by the Board of Directors on Feb 23, 2023.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**3.1 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 as endorsed by 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.

3.2 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 as endorsed by the FSC effective from 2023 are as follows:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB</b>
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

Based on the Company’s assessment, the above standards and interpretations have no significant impact to the Company’s financial position and operating results.

3.3 Effect 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB</b>
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 IASB
Amendments to IFRS 16 ‘Leases 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 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Based on the Company’s assessment, the above standards and interpretations have no significant impact to the Company’s financial condition and operating results.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 4.1. Statement of Compliance

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

##### 4.2. Basis of Preparation

4.2.1. The financial statements have been prepared on the historical cost basis except for the followings:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets and financial liabilities at fair value through other comprehensive income.
- (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements, please refer to Note 5 for more information.

##### 4.3. Foreign currency transaction

In preparing the separate financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting separate financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity.(attributed to non-controlling interests as appropriate.)

#### 4.4. Classification of current and non-current items

4.4.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-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 end of the reporting period;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

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

- (1) Liabilities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be paid off within twelve months from the end of the reporting period;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. 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.

#### 4.5. 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 can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

#### 4.6. Financial assets or financial liabilities 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 measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.
- (4) Dividend income is recognized 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.

#### 4.7. Financial assets at amortized cost

4.7.1. 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.

4.7.2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

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

#### 4.8. Accounts receivable and Notes Receivable

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

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

#### 4.9. Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income; or the debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met:

- (1) The financial asset is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
- (1) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings, and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
  - (2) The changes in fair value of debt instruments that were recognized in other comprehensive income. Before derecognition, impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss. When the debt instruments are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

#### 4.10. 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 or contract assets), at each end of the financial reporting period, the Company recognize 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 recognize the impairment provision for lifetime ECLs.

#### 4.11. Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage the market risk exposure to foreign exchange rate, including forward exchange contracts and cross currency swap contracts.



Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which situation the timing of the recognition in profit or loss depends on the nature of the hedge.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

#### 4.12. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Fixed manufacturing cost is amortized to finished goods and work in progress based on normal operating capacity. Variable manufacturing cost is amortized according to actual production. However, when the difference between normal operating capacity and actual production is insignificant, amortization based on actual production should be adopted. When actual production exceeds normal operating capacity, manufacturing cost should be amortized by the actual operating capacity.

#### 4.13. Investments Accounted for under Equity Method

4.13.1 Subsidiaries are all entities over which the company has the power to govern the financial and operating policies. 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.

4.13.2 Unrealized gains or losses on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

4.13.3 The Company's share of its subsidiaries' post-acquisition profits or losses is recognised 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.

4.13.4 Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjustment and the fair value of the consideration paid or received is recognised directly in equity.

4.13.5 According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the separate financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the separate financial statements.

#### 4.14. Property, Plant and Equipment

4.14.1 Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.14.2 Subsequent costs are included in the asset's carrying amount or recognized as a separate asset 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 expensed to profit or loss during the financial period in which they are incurred.

4.14.3 Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If 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.

4.14.4 The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each 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 useful lives for buildings are 1-50 years, useful lives for other PP&E are 1-5 years.

#### 4.15. Leasing

4.15.1 Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

4.15.2 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 are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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.

4.15.3 At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) 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 recognised as an adjustment to the right-of-use asset.

#### 4.16. Intangible Asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives of 3 to 5 years.

Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

#### 4.17. Impairment of non-financial Assets

The Company assesses at the end of the reporting period 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. Any resulting increase in the carrying amount is recognized in profit or loss not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined had no impairment loss been recognized in the previous years.

#### 4.18. Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

#### 4.19. Employee benefits

##### 4.19.1. Pensions

###### (1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Effective July 1, 2005, HT adopted the "Labor Pension Act" (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the "Labor Standards Act" HT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee's monthly wages. The contributions are accounted for as current pension expense.

## (2) Defined benefit plans

A defined benefit pension plan uses projected unit credit method to calculate actuarial valuation at the end of the fiscal year. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise. In accordance with the “Labor Standards Act”, HT makes contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.

### 4.19.2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 4.19.3. Bonuses to Employees and Remuneration to Directors and Supervisors

Employee bonuses and directors and supervisors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated. Any difference between the actual distributed amounts is accounted for as changes in estimates.

## 4.20. Treasury Stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus - treasury share transactions. Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

## 4.21. Income Tax

4.21.1. The tax expense for the period comprises both 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.

4.21.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, where the Company is able to control the reversal of the temporary difference in the foreseeable future.

4.21.3. Deferred income 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 the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

#### 4.22. Revenue recognition

4.22.1. The Company mainly engaged in producing and selling electronic and telecom communication products. Sales revenues are recognized when the performance obligation has been satisfied by transferring a promised good or service to a customer. Additionally, sales revenues are recognized based on the contract price net of sales return and discounts of a contract and only recognized to the extent that it is highly probable that a significant reversal will not occur.

4.22.2. For certain contracts that do not provide the Company unconditional rights to the consideration, and the transfer of controls of the goods or services has been satisfied, the Company recognizes contract assets and revenue. Consideration received from customer prior to the Company having satisfied its performance obligations are accounted for as contract liabilities which are transferred to revenue after performance obligations are satisfied.

#### 4.23. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonuses paid to employee. However, the adverse dilutive share is not computed.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of financial statements requires management to make critical judgments in applying the 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 in the subsequent financial year.

### 5.1 Revenue recognition

Sales revenues are recognized when the goods or services have transferred to customers and the performance obligation has been satisfied. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

### 5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### 6.1 Cash and cash equivalents

	<u>December 31,2022</u>	<u>December 31,2021</u>
Cash on hand	\$344	\$377
Deposits in bank	896,911	586,635
Time deposit	50,000	-
cash equivalents	-	500,000
Total	<u>\$947,255</u>	<u>\$1,087,012</u>

6.1.1 The Company associates with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

## 6.2 Financial assets at fair value through profit or loss

### 6.2.1 Current items:

#### (1) Financial assets

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss		
Listed Stocks	\$33,773	\$37,314
Foreign currency forward contracts	344	1,424
Total	<u>\$34,117</u>	<u>\$38,738</u>

#### (2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss		
Foreign currency forward contracts	\$7,329	\$52
Total	<u>\$7,329</u>	<u>\$52</u>

6.2.2 The Company entered into forward exchange contracts to manage exposure to due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

6.2.3 Outstanding forward exchange contracts as financial assets of the following:

items	December 31, 2022	
	Contract Amount (Thousands)	Contract Period
Buy USD /Sell EUR	USD 2,420/ EUR 2,256	2022.12.27~2023.03.24
Buy NTD /Sell USD	NTD 168,210/ USD 5,500	2022.12.29~2023.03.10

items	December 31, 2021	
	Contract Amount (Thousands)	Contract Period
Buy NTD /Sell EUR	NTD 110,248/ EUR 3,479	2021.10.12~2022.03.28
Buy USD /Sell EUR	USD 1,505/ EUR 1,329	2021.12.27~2022.01.20
Buy USD /Sell NTD	USD 1,000/ NTD 27,652	2021.12.29~2022.01.20



6.2.4 Outstanding forward exchange contracts as financial liabilities of the following:

items	December 31,2022	
	Contract Amount (Thousands)	Contract Period
Buy NTD /Sell EUR	NTD 149,452/ EUR 4,770	2022.09.27~2023.02.10
Buy USD/ Sell EUR	USD 1,376/ EUR 1,319	2022.11.29~2023.03.10

items	December 31,2021	
	Contract Amount (Thousands)	Contract Period
Buy EUR /Sell USD	EUR 1,279/ USD 1,447	2021.12.29~2022.01.19

6.2.5 The Company has no financial assets at fair value through profit or loss pledged to others.

**6.3 Financial assets at amortized cost-current**

	December 31,2022	December 31,2021
Time deposit	\$-	\$369,960

**6.4 Financial assets at fair value through other comprehensive income, non-current**

Items	December 31,2022	December 31,2021
Common Stocks		
Chao Long Motor Parts Corp.	\$31,815	\$19,335
Total	\$31,815	\$19,335

These investments in equity instruments are held for medium or long-term strategic purposes.

**6.5 Notes receivable and Accounts receivable**

	December 31,2022	December 31,2021
Accounts receivable	\$1,117,599	\$690,231
Less: allowance for doubtful account	(24,711)	(9,013)
Total	\$1,092,888	\$681,218

6.5.1 The company measure expected credit losses (ECLs) by applying the simplified model, in which ECLs are measured at an amount equal to lifetime ECLs. The model is not only based on historical data, but it is also adjusted to reflect reasonable and foreseeable future economic conditions. Based on historical loss experience, there is no significant difference between customer segments. Therefore, the company do not apply segmentation, but merely determine the credit loss rates based on aging buckets.

6.5.2 Aging analysis of accounts receivable is as follows:

	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due over 180 days	Total
December 31,2022						
Expected credit loss rate	0.00%	3.00%	10.00%	20.22%	0.00%	
Booking value	\$743,416	\$181,655	\$192,439	\$89	\$-	\$1,117,599
Loss allowance	-	(5,449)	(19,244)	(18)	-	(24,711)
Amortized cost	<u>\$743,416</u>	<u>\$176,206</u>	<u>\$173,195</u>	<u>\$71</u>	<u>\$-</u>	<u>\$1,092,888</u>

	Not past due	Past due within 30 days	Past due 31 to 90 days	Past due 91 to 180 days	Past due over 180 days	Total
December 31,2021						
Expected credit loss rate	0.00%	3.00%	10.00%	0.00%	0.00%	
Booking value	\$555,588	\$63,590	\$71,053	\$-	\$-	\$690,231
Loss allowance	-	(1,908)	(7,105)	-	-	(9,013)
Amortized cost	<u>\$555,588</u>	<u>\$61,682</u>	<u>\$63,948</u>	<u>\$-</u>	<u>\$-</u>	<u>\$681,218</u>

6.5.3 Movements of the allowance for expected credit loss :

	2022	2021
Balance, beginning of year	\$9,013	\$31,197
Reversal of impairment loss	15,698	(22,184)
Balance, end of year	<u>\$24,711</u>	<u>\$9,013</u>

6.5.4 The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

## 6.6 Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$39,568	\$3,946
Semi products	490	444
Finished goods	47,328	2,219
Merchandise inventories	371	26,467
Merchandise in transit	23,836	9,093
Subtotal	111,593	42,169
Allowance for inventory valuation losses	(7,528)	(657)
Total	\$104,065	\$41,512

### Inventory related cost and expense

	2022	2021
Cost of goods sold	\$9,422,584	\$6,627,390
Loss on inventory disposal	-	10,756
Loss on (gain on reversal of) decline in market value	6,872	290
Total cost of goods sold	9,429,456	6,638,436
Costs of service revenue	54,253	49,618
Total	\$9,483,709	\$6,688,054

## 6.7 Investments Accounted for Under Equity Method

### 6.7.1 Long-Term Investments Debit balance

	December 31, 2022	December 31, 2021
HITRON TECHNOLOGIES (SAMOA) INC.	\$608,650	\$578,035
INTERACTIVE DIGITAL TECHNOLOGIES INC.	548,562	542,285
HITRON TECHNOLOGIES VIET NAM Co. Ltd.	2,213,908	1,471,906
HITRON TECHNOLOGIES AMERICAS INC.	429,317	201,533
HITRON TECHNOLOGIES EUROPE HOLDING B.V.	104,624	19,110
INNOAUTO TECHNOLOGIES INC.	3,444	3,631
Total	<u>\$3,908,505</u>	<u>\$2,816,500</u>

6.7.2 The Company's share of the profit or loss of the subsidiaries under the equity method is as follows:

	2022	2021
HITRON TECHNOLOGIES (SAMOA) INC.	\$22,169	\$(149,659)
INTERACTIVE DIGITAL TECHNOLOGIES INC.	92,086	114,270
HITRON TECHNOLOGIES VIET NAM Co. Ltd.	710,473	131,885
HITRON TECHNOLOGIES AMERICAS INC.	216,581	53,957
HITRON TECHNOLOGIES EUROPE HOLDING B.V.	86,684	38,227
INNOAUTO TECHNOLOGIES INC.	(188)	(13,451)
Total	<u>\$1,127,805</u>	<u>\$175,229</u>

6.7.3 IDT's Convertible Bond converted to ordinary shares, the Company shareholding ratio dropped from 43.1% to 41.49%.

6.7.4 The Company established Hitron Technologies Viet Nam Co. Ltd. in June 2019, as of December 2022, it has invested a total of 1,511,735 ,the shareholding percentage is 100%.

6.7.5 Information about the Company's subsidiaries is provided in the 2022 consolidated financial statements.

## 6.8 Property, plant and equipment

	Buildings	Machinery and equipment	Others	Total
<u>2022.1.1</u>				
Cost	\$295,425	\$31,396	\$143,774	\$470,595
Accumulated depreciation and impairment	(155,701)	(12,725)	(82,727)	(251,153)
Total	<u>\$139,724</u>	<u>\$18,671</u>	<u>\$61,047</u>	<u>\$219,442</u>
<u>2022</u>				
As at 1.1	\$139,724	\$18,671	\$61,047	\$219,442
Additions	-	1,574	32,141	33,715
Disposals	-	-	(1,566)	(1,566)
Depreciation charge	(7,605)	(6,361)	(33,723)	(47,689)
As at 12.31	<u>\$132,119</u>	<u>\$13,884</u>	<u>\$57,899</u>	<u>\$203,902</u>
<u>2022.12.31</u>				
Cost	\$295,425	\$32,672	\$158,234	\$486,331
Accumulated depreciation and impairment	(163,306)	(18,788)	(100,335)	(282,429)
Total	<u>\$132,119</u>	<u>\$13,884</u>	<u>\$57,899</u>	<u>\$203,902</u>
	Buildings	Machinery and equipment	Others	Total
<u>2021.1.1</u>				
Cost	\$295,190	\$30,187	\$133,827	\$459,204
Accumulated depreciation and impairment	(149,293)	(9,066)	(75,384)	(233,743)
Total	<u>\$145,897</u>	<u>\$21,121</u>	<u>\$58,443</u>	<u>\$225,461</u>
<u>2021</u>				
As at 1.1	\$145,897	\$21,121	\$58,443	\$225,461
Additions	235	3,640	37,516	41,391
Disposals	-	-	(11)	(11)
Depreciation charge	(6,408)	(6,090)	(34,901)	(47,399)
As at 12.31	<u>\$139,724</u>	<u>\$18,671</u>	<u>\$61,047</u>	<u>\$219,442</u>
<u>2021.12.31</u>				
Cost	\$295,425	\$31,396	\$143,774	\$470,595
Accumulated depreciation and impairment	(155,701)	(12,725)	(82,727)	(251,153)
Total	<u>\$139,724</u>	<u>\$18,671</u>	<u>\$61,047</u>	<u>\$219,442</u>

## 6.9 Lease Arrangements

6.9.1 The Company leases various assets including land, and transportation equipment. Rental contracts are typically made for periods 2 to 20 years. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

### 6.9.2 (1) The carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Land	\$21,943	\$23,098
Buildings	895	-
Transportation equipment	1,355	377
Total	<u>\$24,193</u>	<u>\$23,475</u>

### (2) Depreciation charge of right-of-use assets

	2022	2021
Land	\$1,155	\$1,445
Buildings	789	967
Transportation equipment	558	677
Total	<u>\$2,502</u>	<u>\$3,089</u>

6.9.3 For the twelve-months periods ended December 31, 2022 and 2021, The additions to right of-use assets was \$3,220 and \$25,495.

### 6.9.4 Lease liability

	December 31, 2022		
	Future minimum lease payments	Interest	Minimum rent pay present value
Current	\$2,567	\$416	\$2,151
Non-current	25,834	3,593	22,241
Total	<u>\$28,401</u>	<u>\$4,009</u>	<u>\$24,392</u>
	December 31, 2021		
	Future minimum lease payments	Interest	Minimum rent pay present value
Current	\$1,642	\$410	\$1,232
Non-current	26,221	3,971	22,250
Total	<u>\$27,863</u>	<u>\$4,381</u>	<u>\$23,482</u>

6.9.5 Information on profit or loss in relation to lease contracts is as follows :

	December 31,2022	December 31,2021
Interest expense on lease liabilities	\$436	\$85
Expense on short-term lease contracts	\$11,055	\$11,402

6.9.6 For the twelve-months periods ended December 31, 2022 and 2021, total cash outflow for lease was \$2,746 and \$3,196.

#### 6.10 Other non-current assets

	December 31,2022	December 31,2021
Prepayments for equipment	\$15,515	\$39,418
Refundable deposits	2,451	2,387
Other non-current assests-other	3,845	3,139
Total	\$21,811	\$44,944

#### 6.11 Short-term borrowings

	December 31,2022	December 31,2021
Working capital loan	\$1,170,000	\$2,477,360
Interest rate range	1.87%~2.01%	0.55%-0.96%

According to the loan agreement, during the loan term, the Company shall maintain its current ratio, leverage ratio, interest coverage ratio, and tangible net worth semiannually and annually.

#### 6.12 Other payables

	December 31,2022	December 31,2021
Accrued Salaries	\$143,271	\$66,460
Payables on equipment	15,755	4,607
Other payables	40,604	37,277
Total	\$199,630	\$108,344

## 6.13 Provisions

	Warranties	Onerous Contract	Total
January 1, 2022	\$15,056	\$-	\$15,056
New provision for the current period	21,378	23,225	44,603
Provision used in the current period	(16,008)	-	(16,008)
December 31, 2022	<u>\$20,426</u>	<u>\$23,225</u>	<u>\$43,651</u>

	Warranties	Onerous Contract	Total
January 1, 2021	\$11,525	\$-	\$11,525
New provision for the current period	22,177	-	22,177
Provision used in the current period	(18,646)	-	(18,646)
December 31, 2021	<u>\$15,056</u>	<u>\$-</u>	<u>\$15,056</u>

	December 31, 2022	December 31, 2021
Warranties - current	\$20,426	\$15,056
Warranties - non-current	23,225	-
Total	<u>\$43,651</u>	<u>\$15,056</u>

## 6.14 Pensions

### 6.14.1 Defined Contribution plans

- (1) HT have defined contribution pension plans set up according to the ROC Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance.
- (2) Pension cost of \$13,462 thousand and \$13,644 thousand are recognized for the year 2022 and 2021, respectively.

### 6.14.2 Defined benefit plans

- (1) The Company has defined benefit pension plans 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. As that Act, employee's pension is based on an employee's length of service and average monthly salary. HT contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. The balance of pension fund in Bank of Taiwan were \$3,733 thousand and \$3,437 thousand as of December 31, 2022 and 2021 respectively.



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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$(1,424)	\$(1,987)
Fair value of plan assets	3,733	3,437
Net defined benefit liability	<u>\$2,309</u>	<u>\$1,450</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<b>2022</b>			
Balance at January 1	\$(1,987)	\$3,437	\$1,450
Interest (expense) income	(18)	31	13
	<u>(2,005)</u>	<u>3,468</u>	<u>1,463</u>
Remeasurements:			
Return on plan assets	-	265	265
Change in financial assumptions	(76)	-	(76)
Experience adjustments	657	-	657
Balance at December 31	<u>\$ (1,424)</u>	<u>\$3,733</u>	<u>\$2,309</u>
<b>2021</b>			
Balance at January 1	\$(1,915)	\$3,376	\$1,461
Interest (expense) income	(8)	14	6
	<u>(1,923)</u>	<u>3,390</u>	<u>1,467</u>
Remeasurements:			
Return on plan assets	-	47	47
Change in financial assumptions	(177)	-	(177)
Change in demographic assumptions	(1)	-	(1)
Experience adjustments	114	-	114
Balance at December 31	<u>\$ (1,987)</u>	<u>\$3,437</u>	<u>\$1,450</u>

(4) The Bank of Taiwan is commissioned to manage the fund assets of HT pension plans in accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”.

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

	<u>December 31,2022</u>	<u>December 31,2021</u>
Discount rate	1.5%	0.90%
Future salary increases rate	3%	2.00%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	\$(58)	\$60	\$56	\$(54)
December 31, 2021				
Effect on present value of defined benefit obligation	\$(102)	\$108	\$101	\$(96)

(6) Expected contributions to the defined benefit pension plan of HT is \$0 thousand for the year ending December 31, 2023.

(7) As of December 31, 2022, the weighted average duration of the retirement plan is 16.4 years.

## 6.15 Share capital

	<u>December 31,2022</u>	<u>December 31,2021</u>
Authorized Common Stock	\$4,000,000	\$4,000,000
Common Stock issued	\$3,213,172	\$3,289,862
Total	\$3,213,172	\$3,289,862

6.15.1 As of December 31 2022, HT's authorized numbers of shares were 400,000 thousand shares with 30,000 thousand shares reserved for employee stock option plan and convertible bond convergent. Par value of common stock is \$10 (in dollars) per share and each share has one voting power.

6.15.2 On December 19, 2018, according to the resolution of the interim shareholder meeting, a capital increase plan of private issuance was approved. The board of directors approved to carry out the plan through the issuance of 100,000 thousand common shares at an issuance price of 16.11, with total value amounting 1,611,000 thousand. According to the Securities and Exchange Act, the transfer of such privately placed common shares within three years from the delivery date is forbidden.

### 6.15.3 Treasury stock

(1) The changes in treasury stocks in 2022 is as follows :

Reason to buy back	2022			December 31
	January 01	Increase	Decrease	
Transfer to employees	7,669	-	(7,669)	-
Total	7,669	-	(7,669)	-

(2) In December 2018, the Company's Board of Directors resolved to repurchase 7,669,000 treasury shares for the purpose of transferring them to employees. However, the Board of Directors resolved to cancel it in February 2022, and the updated registration procedures were completed in March 2022.

(3) In compliance with Securities and Exchange Law of the R.O.C., treasury stock held by the parent company should not be pledged, nor should it be entitled to voting rights or receiving dividends.

### 6.16 Capital surplus

6.16.1 Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

6.16.2 Capital surplus for the years of 2022 and 2021 are as follows:

	December 31,2022	December 31,2021
Additional paid-in capital	\$742,718	\$742,718
From convertible bonds	279,668	421,170
From share of changes in equities of subsidiaries	90,020	69,532
From employee stock options	2,461	2,461
Others	127	127
Total	\$1,114,994	\$1,236,008

## 6.17 Retained earnings

### (1) Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

### (2) Special reserve

A. In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

B. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC regulations shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

### (3) Retained earnings and dividend policies

A. According to Paragraph 29-1 of HT's Articles of Incorporation, the order of and restrictions on annual earnings allocation are as follows:

- a. Paying income tax ;
- b. Offsetting previous deficit ;
- c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.
- d. Setting aside or reversing a special reserve according to relevant regulations when necessary.
- e. Such remaining amount along with the accumulated undistributed surplus earnings from the previous years are then submitted to the Board of Directors for the establishment of an earnings distribution proposal, followed by submitting to the shareholders' meeting for resolution on the distribution of earnings. When the earnings distribution proposal described in the preceding paragraph is made in the form of cash dividends .The Board of Directors is authorized to reach resolution and to report to the shareholders' meeting.

- f. The Company adopts an excessive dividend policy and its issuance terms, timing and amount are handled according to Article 29-1 of the Articles of Incorporation. The Company establishes plans according to the future capital demands. When there is a surplus earning at the final account of a fiscal year and when the distributable earnings of the current year reaches 2% of the capital, the dividend distribution shall not be less than 10% of the distributable earnings of the current year, and the cash dividend shall not be less than 10% of the total amount of the cash and share dividends issued in the current year.
- B. The information about the earning appropriations by the Company as proposed by the Board of Directors and resolved by the stockholders of HT for the year 2022 and 2021 are available at the Market Observation Post System website.
- C. For the information relating to employees bonuses and directors and supervisors remuneration, please refer to Note 6(21).

## 6.18 Operating revenue

### (1) Revenue from contracts with customers

	2022	2021
Sales revenue	\$9,756,783	\$7,233,486
Service revenue	190,989	9,581
Total	<u>\$9,947,772</u>	<u>\$7,243,067</u>

### (2) Detail information about revenue from contracts with customers are as follows:

#### A. Disaggregation of revenue from contracts with customers:

	2022	2021
At a point in time	<u>\$9,947,772</u>	<u>\$7,243,067</u>

#### B. Contract assets and liabilities

	December 31, 2022	December 31, 2021
Contract liabilities	<u>\$6,792</u>	<u>\$5,067</u>

### 6.19 Other gains and losses

	2022	2021
Net currency exchange gain (loss)	\$(29,350)	\$(15,495)
Gain (loss) on valuation of financial assets or liabilities elected as at fair value through profit or loss	(11,898)	12,253
Gain (loss) on disposal of investments	-	(3,764)
Others	(138)	(203)
Total	\$(41,386)	\$(7,209)

### 6.20 Expenses by nature

	2022	2021
Change in merchandise	\$139,486	\$15,343
Change in finished goods, work in process, raw materials and supplies	9,289,970	6,623,093
Service costs and other expenses	54,253	49,618
Employee benefit	463,479	350,911
Depreciation and amortization	75,150	74,523
Other expenses	354,416	210,790
Total operating costs and expense	\$10,376,754	\$7,324,278

### 6.21 Employee benefit expense

	2022	2021
Post-employment benefits	\$13,437	13,650
Other employee benefits	450,042	337,261
Total	\$463,479	\$350,911

1. According to HT'S Articles of Incorporation, HT shall allocate 5%-20% of annual profit as bonuses to employees and no more than 1% of annual profit as remuneration to directors and supervisors, respectively, pursuant to the resolution of the boards of directors. Employees of subsidiaries are entitled to receive employees' bonuses.

2. For the year ended December 31, 2022 and 2021 employees' bonuses and directors' remuneration were accrued \$54,370 thousand and \$7,865 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

For the year ended December 31, 2022, the employees' bonuses and directors' remuneration were estimated and accrued based on profit of current year distributable as prescribed by the Company's Articles of Incorporation. The employees' bonuses and directors' remuneration of \$54,064 thousand for 2022 were resolved by the Board of Directors on February 23, 2023.

Employees' bonuses and directors' remuneration for 2021 had been approved by the shareholders meeting with no difference to the accrued amount in the consolidated financial statements ended December 31, 2021.

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

## 6.22 Income tax

### (1) Income tax expense

#### A. Components of income tax (expense) benefit:

	2022	2021
	<u>          </u>	<u>          </u>
Current tax:		
Over (Under) provisions for prior year	\$(1,550)	\$(92)
Total current tax (expense)	(1,550)	(92)
Deferred income tax:		
Origination and reversal of temporary differences	35,196	\$6,373
Income tax (expense) benefit	<u>\$33,646</u>	<u>\$6,281</u>

#### B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2022	2021
	<u>          </u>	<u>          </u>
Actuarial gains/losses on defined benefit obligations	<u>\$(136)</u>	<u>\$-</u>

(2) Reconciliation between income tax (expense) benefit and accounting profit

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$(89,709)	\$-
Effects from items disallowed by tax regulations	89,709	-
Over (Under) provisions for prior year	(1,550)	(92)
Origination and reversal of temporary differences	35,196	6,373
Income tax (expense) benefit	<u>\$33,646</u>	<u>\$6,281</u>

(3) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$4,201	\$4,047	\$-	\$-	\$8,248
Unrealized gross profit from affiliates	27,241	38,416	-	-	65,657
Warranty provision	3,012	5,719	-	-	8,731
Other loss	3,200	(3,200)	-	-	-
Others	436	3,983	-	-	4,419
Subtotal	<u>\$38,090</u>	<u>\$48,965</u>	<u>\$-</u>	<u>\$-</u>	<u>\$87,055</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	\$(3,756)	\$(13,769)	\$-	\$-	\$(17,525)
Defined benefit plans	(1,600)	-	(136)	-	(1,736)
Subtotal	<u>\$(5,356)</u>	<u>\$(13,769)</u>	<u>\$(136)</u>	<u>\$-</u>	<u>\$(19,261)</u>
Total	<u>\$32,734</u>	<u>\$35,196</u>	<u>\$(136)</u>	<u>\$-</u>	<u>\$67,794</u>



	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$12,904	\$(8,703)	\$-	\$-	\$4,201
Unrealized gross profit from affiliates	22,171	5,070	-	-	27,241
Warranty provision	2,305	707	-	-	3,012
Other loss	-	3,200	-	-	3,200
Others	383	53	-	-	436
Subtotal	<u>\$37,763</u>	<u>\$327</u>	<u>-</u>	<u>-</u>	<u>\$38,090</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	\$(9,807)	\$6,051	\$-	\$-	\$(3,756)
Defined benefit plans	(1,595)	(5)	-	-	(1,600)
Subtotal	<u>\$(11,402)</u>	<u>\$6,046</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(5,356)</u>
Total	<u>\$26,361</u>	<u>\$6,373</u>	<u>\$-</u>	<u>\$-</u>	<u>\$32,734</u>

(4) Income tax returns of the Company through 2020 have been assessed and approved by the Tax Authority.

#### 6.23 Earnings per share

	For the year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Profit for the year	<u>\$482,193</u>		
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	\$482,193	321,317	<u>\$1.50</u>
Assumed conversion of all dilutive potential common shares			
Employees bonuses	-	<u>2,167</u>	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	<u>\$482,193</u>	<u>323,484</u>	<u>\$1.49</u>

	For the year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Profit for the year	<u>\$71,582</u>		
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	71,582	321,317	<u>\$0.22</u>
Assumed conversion of all dilutive potential common shares			
Employees bonuses	<u>-</u>	<u>607</u>	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	<u>71,582</u>	<u>321,924</u>	<u>\$0.22</u>

- (1) Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonuses to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the shareholders' meeting in the following year, and thus the shares of employee bonuses resolved will be included in the basic EPS.
- (2) Movements in common shares outstanding of HT are as follows (unit: in thousands):

	2022	2021
At January 1	328,986	328,986
Buy back treasury shares	-	(7,669)
Cancellation of treasury shares	<u>(7,669)</u>	<u>-</u>
At December 31	<u>321,317</u>	<u>321,317</u>

- (3) Please refer to Note 6.15 "Share capital" for more information of capital increasing and common shares conversion.

## 7 RELATED-PARTY TRANSACTIONS

### 7.1 Name and Relationship of Related Parties

Name of related parties	Relationship with the Company
Qisda Corporation	Ultimate parent company (Note1)
Alpha Networks Inc.	Parent company
Interactive Digital Technologies Inc.	Subsidiary
Innoauto Technologies Inc.	Subsidiary
Hitron Technologies (Americas) Inc.	Subsidiary
Hitron Technologies Europe Holding B.V.	Subsidiary
Hitron Technologies (Vietnam) Inc.	Subsidiary
Hitron Technologies (Suzhou Industrial Park) Inc.	Second-tier subsidiary
Jietech Trading (Suzhou) Inc.	Second-tier subsidiary
Hwa Chi Technologies (Shanghai), Inc	Second-tier subsidiary
Metaage Corporation	Associate
Unictron Technologies Corporation	Associate
Qisda Vietnam Co.,Ltd	Associate
Concord Medical Co., Ltd.	Associate
BenQ Asia Pacific Corp.	Associate
AUO Education Service Corp.	Associate

### 7.2 Significant Related Party Transactions

#### a. Sales revenue

	2022	2021
Parent company	\$788	\$40
Subsidiaries	7,147,425	5,175,159
	<u>\$7,148,213</u>	<u>\$5,175,199</u>

Sales terms with related parties were decided on market condition.

b. Purchases

	2022	2021
Parent company	\$207,252	\$40,422
Subsidiaries	10,039,849	6,716,120
Associate	52,638	44,278
Total	<u>\$10,299,739</u>	<u>\$6,800,820</u>

Purchases terms with related parties were decided on market condition.

c. Other operating costs

	2022	2021
Ultimate parent company	\$20	\$-
Parent company	2	131
Subsidiaries	67	851
Total	<u>\$89</u>	<u>\$982</u>

d. Operating expense

	2022	2021
Ultimate parent company	\$379	\$-
Parent company	19,629	12,572
Subsidiaries	206,697	81,499
Associate	463	200
Total	<u>\$227,168</u>	<u>\$94,271</u>

e. Interest income

	2022	2021
Subsidiaries	<u>\$5,357</u>	<u>\$3,488</u>

f. Accounts receivable

	December 31, 2022	December 31, 2021
Parent company	\$764	\$21
Subsidiaries	2,561,334	1,472,014
Total	<u>\$2,562,098</u>	<u>\$1,472,035</u>

g. Others receivable		
	December 31, 2022	December 31, 2021
Subsidiaries	\$562,834	\$1,271,205
h. Prepayments		
	December 31, 2022	December 31, 2021
Subsidiaries	\$8,123	\$-
i. Other non-current assets (Prepayments for equipment)		
	December 31, 2022	December 31, 2021
Parent company	\$-	\$325
Associate	-	21,293
Total	\$-	\$21,618
j. Accounts payable		
	December 31, 2022	December 31, 2021
Parent company	\$87,896	\$36,881
Subsidiaries	3,012,879	634,285
Associate	20,757	14,053
Total	\$3,121,532	\$685,219
k. Others payable		
	December 31, 2022	December 31, 2021
Ultimate parent company	\$220	\$-
Parent company	4,805	477
Subsidiaries	31,808	61,365
Associate	136	5,564
Total	\$36,969	\$67,406
l. Property transactions		
1) Acquisitions of Property, plant and equipment		
	Purchase Price	
	2022	2021
Parent company	\$5,447	\$-
Subsidiaries	5,276	11,326
Total	\$10,723	\$11,326

2) Acquisitions of Intangible assets

	Purchase Price	
	2022	2021
Associate	\$31,930	\$-

3) Property, plant and equipment assets 、 Intangible assets 、 assets under management

	2022		2021	
	Sale	Gain/Loss	Sale	Gain/Loss
Associate	\$1,565	\$-	\$-	\$-

m. Financing

	December 31, 2022	December 31, 2021
Subsidiaries	\$414,855	\$608,960

Please refer to note 13 for detail information.

n. Bills endorsement and guarantee

	December 31, 2022	December 31, 2021
Subsidiaries	\$3,697,067	\$2,926,216

Please refer to note 13 for detail information.

7.3 Key management compensation

	2022	2021
Salaries and other short-term employee benefit	\$28,005	\$48,912

**8 PLEDGED ASSETS**

The assets pledged as collateral are as follows:

Assets item	Book Value	
	December 31, 2022	December 31, 2021
Non-current assets- restricted time deposits	\$2,382	\$2,382

(1) The pledged assets are disclosed at net carrying values.

(2) The Company provided time deposits as collateral mainly for lands lease agreements.

## **9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

### **9.1. Contingencies**

HT and eASPNET Taiwan Inc. (“eASPNET”) entered into the “Agreement for Establishment of Kaohsiung City Wireless Common Platform” (the “Agreement”). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, filed a lawsuit against eASPNET and claimed for the contract payment of NT\$86,619 thousand. On February 17, 2011, the company obtained the prevailed judgment made by the Taiwan Shilin District Court, that eASPNET has to pay HT NT\$ 72,916 thousand and interest based on the 5% annual interest rate from April 12, 2008 to the repayment date. eASPNET appealed against the judgment and provided a guarantee of NT\$ 72,916 thousand in April 2011 to avoid provisiona execution. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and appealed to the Supreme Court. On Nov 18, 2013, the Supreme Court ruled that the original judgment should be abandoned, and remanded to the Taiwan High Court for trial update. On March 29, 2016, in the first retrial, Taiwan High Court declared that HT won the court case. eASPNET should pay NT\$ 71,115 thousand to HT. However, both parties filed appeals. The Supreme Court, on January 5, 2017, abandoned the original judgment except provisional execution and remanded the case to the Taiwan High Court. On October 20, 2020, in the second retrial, Taiwan High Court ruled to abandon the judgement of the first retrial. Based on legal experts’ opinion, the case is still subject to appeal and has not yet been determined. The Company filed an appeal on November 17, 2020, and the High Court transferred the case to the Supreme Court on January 25, 2021. The two parties settled in the mediation court of the Supreme Court on September 27, 2021, and agreed that IMS, a shareholder of eASPNET, should remit US\$1,433,000 to the company’s bank account and confirmed the receipt of funding on September 27, 2021 in order to reach a settlement of the case on that day.

### **9.2. Commitments: None**

## **10 SIGNIFICANT DISASTER LOSS: None**

## **11 SIGNIFICANT SUBSEQUENT EVENTS: None**

## **12 OTHERS**

### **12.1. Capital management**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measure associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

## 12.2. Financial instruments

### (1) Fair value information of financial instruments

	December 31, 2022	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$947,255	\$947,255
Financial assets at fair value through profit or loss	34,117	34,117
Financial assets at fair value through other comprehensive income	31,815	31,815
Accounts receivable (including related parties)	3,654,986	3,654,986
Other receivables (including related parties)	1,023,278	1,023,278
Other financial assets	4,834	4,834
Total	<u>\$5,696,285</u>	<u>\$5,696,285</u>

	December 31, 2021	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	\$1,087,012	\$1,087,012
Financial assets at fair value through profit or loss	38,738	38,738
Financial assets at Amortised cost-current	369,960	369,960
Financial assets at fair value through other comprehensive income	19,335	19,335
Accounts receivable (including related parties)	2,153,253	2,153,253
Other receivables (including related parties)	1,274,918	1,274,918
Other financial assets	4,769	4,769
Total	<u>\$4,947,985</u>	<u>\$4,947,985</u>



	<u>December 31, 2022</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial liabilities :		
Short-term borrowings	\$1,170,000	\$1,170,000
Financial liabilities at fair value through profit or loss	7,329	7,329
Contract liability	6,792	6,792
Accounts payable (including related parties)	3,383,293	3,383,293
Other payables (including related parties)	236,599	236,599
Lease liability (including current portion)	24,392	24,392
Other financial liabilities	278	278
Total	<u>\$4,828,683</u>	<u>\$4,828,683</u>

	<u>December 31, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial liabilities :		
Short-term borrowings	\$2,477,360	\$2,477,360
Financial liabilities at fair value through profit or loss	52	52
Contract liability	5,067	5,067
Accounts payable (including related parties)	778,754	778,754
Other payables (including related parties)	175,750	175,750
Lease liability (including current portion)	23,482	23,482
Other financial liabilities	247	247
Total	<u>\$3,460,712</u>	<u>\$3,460,712</u>

(2) Financial risk management policies

- a. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Refer to Notes 6.2.

b. Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(3) Significant financial risks and degrees of financial risks

a. Market risk

- The major market risks undertaken by the Company are foreign currency risk and interest rate risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments; such as currency forward contracts to hedge its currency exposure. The Company's own funds are sufficient to cover its operation. The need of external borrowing is limited and all repayments are made before the maturity of borrowings. Because the net assets under floating rate are all due within one year, and the current market interest rates are still low, it is expected there will be no significant risk of changes in interest rates. Hence, no derivative financial instruments to manage interest rate risk are used.
- The management and measurement methods of the Company regarding the exposure to the market risk of financial instruments are not changed.

l. Foreign currency risk

- Cash inflow and outflow of the Company are based on foreign currency; the hedging effect is subsequently accompanied. The Company's foreign exchange risk management is mainly for the purpose of hedging not for profiting.
- Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities, and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts or borrowing foreign currency liabilities are currently the main tools to avoid the exchange rate risk.

- Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

December 31, 2022					
	Foreign currency amount (in thousands)	Exchange rate	Book value NTD	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$146,256	30.73	\$4,494,447	5%	±\$224,722
EUR : NTD	\$8,394	32.82	\$275,491	5%	±\$13,775
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$111,422	30.73	\$3,423,998	5%	±\$171,200
December 31, 2021					
	Foreign currency amount (in thousands)	Exchange rate	Book value NTD	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$118,839	27.68	\$3,289,464	5%	±\$164,473
EUR : NTD	\$3,543	31.444	\$111,406	5%	±\$5,570
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$123,268	27.68	\$3,412,058	5%	±\$170,603

- Key management personnel believe the sensitivity analysis cannot represent inherent risk of foreign exchange rate. Because the disclosure of foreign currency risk at the end of reporting date cannot reflect the level of risk exposure during middle of the year.

## II. Price risk

- The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as financial assets at fair value through comprehensive or financial assets at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- The Company mostly invested in listed and unlisted securities in Taiwan, and the values of securities fluctuate due to unforeseen circumstances. With all other factors remained the same, had the values fluctuated up and down by 5%, the after-tax profits resulted from measuring financial assets at fair value through profit or loss would have increased/decreased by \$1,689 in 2022 and \$1,866 in 2021. Regarding financial assets measured at fair value through other comprehensive income, the gain or loss would have increased or decreased by \$1,591 in 2022 and \$967 in 2021.

## III. Interest rate risk

- The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.
- Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.
- The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.
- With all other factors remained the same, had the borrowing interest rate increased by 0.25% in 2022 and 2021, the profit after tax would have decreased in an amount of \$2,340 and \$4,955 as of December 31, 2022 and 2021, respectively.

b. Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers which taking into account their financial position, past experience and other factors. The Company periodically monitors the use of credit and the payment status, and continually develops diverse business regions and expands overseas markets in order to reduce customer concentration risk. Accounts receivable of the Company is constituted by many customers, scattered in different regions of the world. The Company regularly assesses the financial position of accounts receivable for foreign customers, and makes sure proper insurances are in place for new customers and customer accounts with specific concerns. Accordingly, the Company has no significant credit risk exposed to any counterparty.
- II. No credit limits were exceeded during the reporting periods for 2022 and 2021, and the management does not expect any significant losses from non-performance by these counterparties.
- III. The Company classifies accounts receivables according to the customer types, and refers to the loss rate established by the specific period historical and the current information to estimate the allowance loss of the contract assets and accounts receivables.

c. Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the finance department with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

- II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. The finance department invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- III. 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 end of the reporting period 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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31,2022				
Short-term borrowings	\$ 1,170,000	\$-	\$-	\$-
Contract liabilities	6,792	-	-	-
Accounts payable(including related parties)	3,383,293	-	-	-
Other payables(including related parties)	236,599	-	-	-
Lease liability(including current portion)	2,567	2,263	4,340	19,231

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31,2021				
Short-term borrowings	\$2,477,360	\$-	\$-	\$-
Contract liabilities	5,067	-	-	-
Accounts payable(including related parties)	778,754	-	-	-
Other payables(including related parties)	175,750	-	-	-
Lease liability(including current portion)	1,232	1,107	3,067	18,076

#### IV. Derivative financial liabilities

As of December 31, 2022 and December 31, 2021 all derivative financial liabilities of the Company are due within one year.

#### 12.3. Fair value estimation

- (1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2022 and December 31, 2021. Equity securities, beneficiary's certificates and as such are classified into Level 1. Financial assets/liabilities measured at fair value are the valuation adjustment of embedding derivative and as such are classified into Level 2. Financial assets at fair value through other comprehensive income are classified into Level 3.

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Listed stocks	\$33,773	\$-	\$-	\$33,773
Foreign currency forward contracts	-	344	-	344
Subtotal	<u>\$33,773</u>	<u>\$344</u>	<u>\$-</u>	<u>\$34,117</u>
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	31,815	31,815
Total	<u>\$33,773</u>	<u>\$344</u>	<u>\$31,815</u>	<u>\$65,932</u>
Financial liabilities :				
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	\$-	\$7,329	\$-	\$7,329
Total	<u>\$-</u>	<u>\$7,329</u>	<u>\$-</u>	<u>\$7,329</u>

December 31,2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Listed stocks	\$37,314	\$-	\$-	\$37,314
Foreign currency forward contracts	-	1,424	-	1,424
Subtotal	<u>\$37,314</u>	<u>\$1,424</u>	<u>\$-</u>	<u>\$38,738</u>
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	19,335	19,335
Total	<u>\$37,314</u>	<u>\$1,424</u>	<u>\$19,335</u>	<u>\$58,073</u>

Financial liabilities :

Financial liabilities at fair value through profit or loss

Foreign currency forward contracts	<u>\$-</u>	<u>\$52</u>	<u>-</u>	<u>\$52</u>
Total	<u>\$-</u>	<u>\$52</u>	<u>\$-</u>	<u>\$52</u>

- (2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets at fair value through profit or loss.
- (3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.



- (5) Specific valuation techniques used to value financial instruments include:
- (a) Quoted by market prices or dealer quotes for similar instruments.
  - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.
  - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- (6) The following table presents the change in level 3 instruments for the years ended December 31, 2022 and 2021.

	Equity securities	
	2022	2021
As at January 1	\$19,335	\$19,335
Recognized in other comprehensive income	12,480	-
As at December 31	\$31,815	\$19,335

### 13 SUPPLEMENTARY DISCLOSURES

#### 13.1. Significant transactions information

##### (1) Loans to others:

No. (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2022 (Note 3)	Balance at December 31, 2022 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Ceiling on total loans granted (Note 7)	Footnote
													Item	Value		
0	HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	Other receivables - related parties	Yes	\$966,450	\$921,900	\$414,855	1%	2	-	Working capital	-	no	-	\$2,117,517	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2022.

Note 4: The column of 'Nature of loan' shall fill in "1" for 'Business transaction' or "2" for 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1) Total amount of loans to others cannot exceed 40% of overall net profit shown on the most recent audited/reviewed financial statement. Limit on loans granted to a borrower is confined according to the reasons of the borrowing:

a. For a borrower having business dealings with the Company, the maximum individual loan amount shall not exceed the estimated business dealing amount between the two parties within the most recent year or future one year, and shall not exceed 20% of the net worth of the Company indicated in the most recent financial statements of the Company. The "total amount of trading" refers to the material purchase or sales amount between the two companies, whichever is higher.

b. Nature of the loan is related to financing necessity, total amount of the loan cannot exceed 20% of overall net profit shown on the most recent audited/reviewed financial report.

c. For loaning of funds between foreign subsidiaries with voting shares 100% directly or indirectly held by the Company, or loans provided by foreign subsidiaries with voting shares 100% directly or indirectly held by the Company to the Company, it is not restricted by the financial total amount limit and the financing period; however, each of such subsidiaries shall still self-establish the limit and loan period for loaning funds to others.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

(2) Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/guarantee amount at December 31, 2022 (Note 5)	Actual Amount Drawn down (Note 6)	Amount of endorsement/guarantees secured with collateral	Ratio of accumulate endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/guarantees provided (Note 3)	Provision of endorsement/guarantees by parent company to subsidiary (Note 7)	Provision of endorsement/guarantees by subsidiary to parent company (Note 7)	Provision of endorsement/guarantees to the party in Mainland China (Note 7)
		Company name	Relationship with the endorser/guarantor (Note 2)										
0	HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	(2)	5,293,792	2,577,200	2,458,400	522,410	-	46.44%	7,940,688	Y	N	N
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	(2)	5,293,792	644,300	614,600	-	-	11.61%	7,940,688	Y	N	N
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B. V.	(2)	5,293,792	688,790	624,067	98,460	-	11.79%	7,940,688	Y	N	N

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1)Business transaction

(2)A company with more than 50% of voting shares directly and indirectly held by the Company.

(3)A company that directly and indirectly holds more than 50% of the voting shares of the Company

(4)Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares

(5)Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for joint builders for purposes of undertaking a construction project

(6)Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages

(7)Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1)Total amount of provision of endorsements and guarantees to others cannot exceed 150% of total net profit of the most recent financial statement.

(2)Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 20% of the total net profit of the most recent financial statement, however, when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, the limit on provision of endorsements and guarantees to others is not confined by the previous described but still cannot exceed 100% of total net profit of the most recent financial statement.

(3)For the endorsement/guarantee made to others having business dealings with the Company, in addition to the provisions specified in the preceding two paragraphs, the maximum endorsement/guarantee amount provided to one single party shall not exceed the estimated business dealing total amount between the two parties within the most recent year or future one year, and shall not exceed 20% of the net worth of the Company indicated in the most recent financial statements of the Company (the term "business dealing total amount" refers to the higher of the purchase or sales amount between the two parties)

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorser/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

(3) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note2)	Financial statement account	As of December 31, 2022			Footnote (Note 4)	
				Number of shares	Book value (Note 3)	Ownership (%)		Fair value
HT	TRANSCEND	-	Financial assets at fair value through profit or loss - current	441	\$29,106	-	\$29,106	NA
HT	SENAO	-	Financial assets at fair value through profit or loss - current	152	4,667	-	4,667	NA
INTERACTIVE DIGITAL TECHNOLOGIES INC.	TRANSCEND	-	Financial assets at fair value through profit or loss - current	336	21,991	-	22,176	NA
HT	CHAO LONG MOTOR PARTS CORP.	-	Financial assets at fair value through other comprehensive income	668	31,815	1.79%	31,815	NA
HT	IMAGETECH CO., LTD.	-	Financial assets at fair value through other comprehensive income	120	-	1.20%	-	NA
HT	TSUNAMI VISUAL TECHNOLOGIES INC.	-	Financial assets at fair value through other comprehensive income	1,220	-	9.34%	-	NA
HT	PIVOT TECHNOLOGY CORP.	-	Financial assets at fair value through other comprehensive income	198	-	10.94%	-	NA
HT	CARDEK DIGITAL TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive income	1,000	-	6.45%	-	NA
HT	YESMOBILE HOLDINGS COMPANY LTD.	-	Financial assets at fair value through other comprehensive income	294	-	0.75%	-	NA
HT	CODENT NETWORKS (CAYMAN) LTD.	-	Financial assets at fair value through other comprehensive income	1,570	-	-	-	NA

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial instruments.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

(4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Prior Transaction of Related Counter-party			Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date			
INTERACTIVE DIGITAL TECHNOLOGIE S INC.	No. 212, Section 2, Gong 2, Linkou District, New Taipei City, and No. 1 (No. 19 build number), No. 2, Gongju Road, Linkou District, New Taipei City	2022.01.06	\$238,750	Fully paid	Gee Hoo Fitec Corp.	N/A	-	-	-	Valuation report	Operational requirements	-

(6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None

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

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)			
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Purchases (sales)	Amount
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	Sales	\$6,113,266	49.45%	Normal payment terms	Negotiated by two parties	Normal payment terms	2,286,506	89.34%	N/A
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Subsidiary	Sales	1,034,160	8.36%	Normal payment terms	Negotiated by two parties	Normal payment terms	274,828	10.74%	N/A
HITRON TECHNOLOGIES VIET NAM CO. LTD.	HT	Subsidiary	Sales	9,981,530	80.73%	Normal payment terms	Negotiated by two parties	Normal payment terms	3,014,398	117.78%	N/A
HITRON TECHNOLOGIES (SIP) INC.	HT	Subsidiary	Sales	166,852	1.35%	Normal payment terms	Negotiated by two parties	Normal payment terms	23,311	0.91%	N/A
HT	Alpha Networks Inc.	Subsidiary	Purchases	207,252	1.62%	Normal payment terms	Negotiated by two parties	Normal payment terms	87,896	3.29%	N/A

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 ( Note 1 )	Turnover rate	Overdue receivables		Amount collected subsequent to the end of the reporting period	Allowance for doubtful accounts
					Amount	Action taken		
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	\$2,286,506	3.35	-	-	\$743,958	Non
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Subsidiary	274,828	5.36	-	-	145,866	Non
HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	Subsidiary	556,857	-	-	-	72,708	-
HITRON TECHNOLOGIES VIET NAM Co. Ltd.	HT	Subsidiary	3,014,398	5.47	-	-	1,629,920	Non

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(9) Derivative financial instruments undertaken during the year ended December 31, 2022: Please refer to Notes 6.2, 12.2 and 12.3.

(10) Please refer to Notes 13.1(7) of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

### 13.2. Information on investees

Name, locations, and related information of investees over which the company exercises significant influence: (not including investees in Mainland China)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 2.2)	Investment income (loss) recognized by parent company for the year ended December 31, 2022 (Notes 2.3)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
HT	HITRON TECHNOLOGIES (SAMOA) INC.	Samoa	International trade	\$642,697	\$642,697	21,350	100.00%	\$608,650	\$18,943	\$22,169	Subsidiary
HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	Taiwan	Telecommunications and broadband network systems and services	126,091	126,091	16,703	41.49%	548,562	215,007	92,086	Subsidiary
HT	HITRON TECHNOLOGIES VIET NAM Co. Ltd.	Vietnam	Produce and sell the wireless communication and telecom products	1,511,735	1,511,735	-	100.00%	2,213,908	714,066	710,473	Subsidiary
HT	HITRON TECHNOLOGIES AMERICAS INC.	America	International trade	90,082	90,082	300	100.00%	429,317	165,909	216,581	Subsidiary
HT	HITRON TECHNOLOGIES EUROPE HOLDING B. V.	Netherlands	International trade	59,604	59,604	15	100.00%	104,624	86,528	86,684	Subsidiary
HT	INNOAUTO TECHNOLOGIES INC.	Taiwan	Investment and automotive electronics products	20,000	20,000	2,000	100.00%	3,444	(188)	(188)	Subsidiary

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2022' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2022' column should fill in amount of net profit (loss) of the investee for this period.

(3) The investment income (loss) recognized by the parent company for the year ended December 31, 2022' column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filing in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.



13.3. Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2022 (Note 2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
HITRON TECHNOLOGIES (SIP) INC.	Produce and sell the wireless communication and telecom products	\$641,763 (RMB141,547)	2	641,763	-	-	641,763	\$22,698	100.00%	\$18,967(2)	\$614,622	\$-
JIETECH TRADING (SUZHOU) INC.	International trade	\$31,139 (RMB5,425)	2	31,139	-	-	31,139	(28)	100.00%	(25)(2)	3,740	-
HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Technical consulting, researching, maintenance and after service of the electronic communication and telecom products	\$5,814 (USD200)	3	12,048	-	-	12,048	1,264	41.49%	533(2)	5,185	23,037

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
HT	684,950	684,950	3,176,275

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others: Reorganization of Group's investment structure was approved and authorized by the Board of Directors in 2012. Indirect investment to Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2022' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements that are audited and attested by R.O.C. parent company's auditors.

C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollar

13.4. Information of major shareholders:

Name of major shareholders	Shares held	Number of shares	Ownership(%)
Alpha Networks Inc.		200,000,000	62.24%

Note : (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

(2) If the aforementioned data contains shares which were held in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholders who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.

# **Hitron Technologies Inc.**

**Chairman: April Huang**

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