

Stock Code: 6120

DARWIN PRECISIONS CORPORATION

Annual Report for Fiscal year 2022

URL for the Annual Report

MOPS: <https://mops.twse.com.tw>

Official Website of the Company: <https://www.darwinprecisions.com>

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-----NOTICE TO READERS---

THIS IS A TRANSLATION OF THE 2022 ANNUAL REPORT OF DARWIN PRECISIONS CORPORATION. THE TRANSLATION IS FOR REFERENCE ONLY. IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.

*Passion
Quality
Innovation*

DARWIN

DARWIN PRECISIONS CORPORATION
Annual Report for Fiscal year 2022

Speaker of the Company

Name: Kuo-Tai Ching
Title: Chief Finance Officer
Contact Number: 03-566-8000
Email: ir@darwinprecisions.com

Deputy Speaker of the Company

Name: Sandy Lin
Title: Manager
Contact Number: 03-566-8000
Email: ir@darwinprecisions.com

Headquarter, branches and plants

Headquarter address: No.20-1, Guangfu N. Rd., Hukou Township, Hsinchu County
Branch address: Taichung Branch: No.1, Zhongke Rd., Xitun Dist., Taichung City (Central Taiwan Science Park)
Plant address: Plant Hukou: No.35 and 35-1, Guangfu N. Rd., Hukou Township, Hsinchu County
Plant Da-Ya: No. 41 and No.45, Ln. 313, Sec. 3, Minsheng Rd., Daya Dist., Taichung City
Tel: 03-566-8000

Share Transfer Agency

Name: Stock Affairs Department, Taishin Securities Co., Ltd.
Address: Basement 1, No. 96, Sec. 1, Jianguo N. Rd., Taipei City
Website: <https://www.tssco.com.tw>
Tel: 02-2504-8125

Accounting Firm and CPAs on the Recent fiscal year Financial Statements

Name of CPAs: Shyh-Huar Kuo, CPA; Chun Yuan Wu, CPA
Name of Accounting Firm: KPMG Taiwan
Address: 68F, No. 7, Xinyi Rd., Sec. 5, Taipei City
Website: <https://www.kpmg.com.tw>
Tel: 02-8101-6666

Overseas Listings and Access to the Listing Information: None.

Official Website of the Company: <https://www.darwinprecisions.com>

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Chapter I. Letter to Shareholders

Dear Shareholders,

The entire world was impacted by the COVID-19 pandemic in 2021; however, driven by the stay-at-home economy, the demand of the overall PC industry was very strong, and the overall revenue of DARWIN grew significantly. Entering 2022, because of the negative factors such as the continual impact of the pandemic, inflation and conflict between Ukraine and Russia, weakening of the global economy and channel inventories being too high, the market demand for notebook computers and desktop monitors rapidly declined in the second quarter; the performance and revenue of DARWIN were also affected by this and declined. Speeding up the adjustment of the operating system, strengthening technology development and client relationship have become the focuses of the company operation at this time.

Consolidated revenue for the FY2022 is NT\$14.47 billion, a decrease of 29% from 2021. The net operating loss for the same year is NT\$1.15 billion, with net profit after tax standing at NT\$126 million. The basic earnings per share is NT\$0.19.

Looking back at 2022, important achievements and progresses are as follows:

- Manufacturing:
 1. Non-competitive plants were converged to save operational costs and activate capital utilization.
 2. Improved the smart manufacturing capability of the Wujiang fab and Xiamen fab:
Wujiang fab: NB automation transformation, increased prolificacy by 25%.
Xiamen fab: MNT completed the construction of 2 new automated advanced process production lines, and increased production capacity by 30%.
- Precision Components:
 1. Mass production of NB Fly-cut LGP; shipment in 2022 was over 50K.
 2. Commercialization of MNT Fly-cut LGP; the panel plant was successfully introduced and verification had started. MP is expected to begin in Q3 of 2023.
 3. Car Mini LED BLU successfully introduced the panel plant client; MLP (Mini Lens Plate) related technologies can reduce LED usage effectively and improve the product cost performance. The development of Cavity Mini LED BLU has completed, which can improve the Halo effect; it is being actively promoted to clients.
 4. Fine metal masks (FMM): Continually developing thin (16um~20um) FMM for mobile phones and large width FMM for tablets and notebook computers, while conducting client product verifications.
 5. Crossed into the semiconductor QFN lead frame field by utilizing experiences in chemical etching integrated with electroplating technology. In terms of lead frame etching process, DARWIN has half-etching technology for fine metal masks, and the process can be copied and used for QFN to improve product precision; existing microetching technology can also be used for the roughening needs of client products to improve the adhesion of product packaging processes. Our etching equipment that combines customization and flexible scheduling allows us to develop and grow together with our clients.
 6. Integrated precision mold processing and electrochemical technologies and developed microneedle patch with fine structures. This product is a new transdermal delivery technology that can penetrate the stratum corneum and work directly on the dermis layer; it can be used for medical aesthetics, medical treatment, vaccines and bio-sensing applications in the future.
- System Integration:
 1. Crossed into smart mobile: Cooperative development of smart display station signs and charging piles.
 2. Crossed into field applications: Smart indicators at university campuses, transparent displays at train stations.
 3. Customized manufacturing service: Professional monitors, advertising machines, central consoles and POS machine manufacturing services.

Overall Business Environment and Industry Trends:

The PC industry will continue to maintain a steady growth trend in 2023. According to market research reports, the global income of the PC market is expected to reach US\$290 billion dollars in 2023, growing by approximately 3.5%. Predicted development trends that may impact the PC industry in 2023 include:

1. Artificial intelligence technology and big data technology will further impact and change the PC market.
2. Lightweight and ultra-thin designs; products will become thinner, lighter and easier to carry in the future.
3. The increase in game and entertainment needs will push the demand for higher specification PC hardware products.
4. The increase in awareness on sustainability and environmental protection; PC products will pay more attention to energy efficiency and the use of environmentally friendly materials in the future.

Market research companies also predict that the growth rate of the global in-vehicle display market will maintain at approximately 5~6% in 2023. There are several factors that might push the growth of this market. For example, improving driver experience will require the use of more in-vehicle displays, as well as the increasing demand from consumers for the intellectualization of vehicles, and connecting the Internet to entertainment. In addition, with the development of the self-driving technology and the Internet of Things, the in-vehicle display market may have more potentials. Steady market growth can be expected for the next five years. In-vehicle displays will become another incubation hotbed for the Mini LED backlight application field. In-vehicle displays have higher requirements for brightness, contrast and reliability; under the stimulation of the active pursuit of higher display effect and digital dashboard display trends, Mini LED backlights will also be the first to be widely equipped on new energy vehicles.

Business Strategy and Outlook

Looking into 2023, the operation of DARWIN will still focus on stability and the strengthening of profitability:

1. For client products, complete the market realization of collimated back light (CBL) components and also enter mass production; its application fields include: privacy display applications and brightened energy-saving display applications.
2. Expand the implementation scale of Mini LED backlight modules for in-vehicle displays.
3. In 2023, the performances of NB and MNT are expected to grow each season. DARWIN manufacturing plants will quickly introduce automated production lines to improve manufacturing efficiency and quality capabilities, and to increase the proportion of high-end products in order to strengthen profitability.
4. In the second half of 2023, realize the plan to achieve full production of the seven MNT lines of the Xiamen fab.
5. System integration service business, we continue to optimize the energy of Taiwan's manufacturing service, and continue to promote smart application fields and system integration solutions, and also expand the overseas markets.
6. P-Device fine metal mask (FMM): Expanded into China's OLED FMM market, expanded the PMOLED metal mask business, and developed Quad Flat No Leads Package (QFN) lead frame sample for new application fields.
7. Continued to promote the microneedle technology, developed different base formulas for different application fields, and carried out supporting development for mass production automation.
8. Key technology development:
 - Development for applying privacy light guide plates on in-vehicle display products.
 - The energy efficiency of Fly-cut Gen I has improved by 10-15% and it is now mass produced, and we are now planning for second generation energy-saving high-brightness products, with a target energy efficiency of 40%.

- Develop and promote front light guide plates that can be applied on e-paper readers and new generation reflective LCD or cholesteric liquid crystal displays.
- Continue to optimize the modularization design of POS machines and display signages. Provide more choices for end-users through modular designs.
- Continue to develop smart display solutions for field applications, such as: charging piles with smart display modules and customized smart display solutions.
- Precision component business (FMM metal mask), continued to develop FMM for thin WQHD OLED smartphone applications; realized large AMOLED product applications and mass production.
- Continually improved the microneedle patch technology and entered the mass production stage; the product has first entered the medical aesthetic field, and was used to develop whitening and anti-wrinkle skin care products. In the future, it will develop towards the medical medicine field.
- Continued improving the semiconductor QFN lead frame process, and developed towards high-precision. Also, for the electroplating process, maskless photoresist electroplating production lines will be developed in response to the diverse production processes of QFN, to give high added-value to QFN lead frames. Value-added technical services and professional manufacturing capabilities will be provided to help clients further expand their market share, and we will continue to work hard to strengthen Taiwan's leading edge in semiconductor technology.

Global inflation and geopolitical rivalry are getting worse, and the business environment continues to be filled with challenges and uncertainty. DARWIN will use the stable and focused business philosophies to speed up the improvement of profitability and seek breakthroughs in technology development and layout of new businesses, actively pushing the improvement of business performances, and establish sustainable development business models to give back to the society, shareholders and employees for their support.

Kuo-Hsin (Michael) Tsai,
Chairman and CEO

Sheng-Kai (SK) Huang,
President

Chapter II. Company Profile

I. Foundation Date: October 13, 1989

II. Company History:

Fiscal year	Month	Key Event
1989	October	Foundation of Forhouse Corporation was established, with the capital of NTD5,000,000, to produce electronic dartboards.
1993	September	The electronic dartboard products were awarded with the Taiwan SMEs Innovation Award by Ministry of Economic Affairs.
1994	November	Invested in Fullhouse Plant in Malaysia.
1995	May	The capital was increased to NTD30,000,000 and the Company was restructured as a limited share company.
1997	November	The capital was increased to NTD190,000,000; the plant, machines and equipment were planned for Shengang Plant; and the Company aggressively engaged in the development of backlight module products.
1998	July	The Securities and Future Commission, MOF approved the public listing of the Company's shares.
1998	October	The capital was increased to NTD300,000,000 to expand the operating scale.
1999	October	The capital was increased to NTD409,000,000.
	October	Certified with ISO 9001 International Quality by AJAEQS. The new product of backlight modules began mass production.
2000	September	The capital was increased to NTD485,000,000.
2001	April	Applied to Taipei Exchange for share listing.
2001	July	The construction of new plant in Daya commenced.
2001	October	Invested in Forhouse Electronics (Suzhou) Co., Ltd. in China.
	October	The new consumer electronics product of electric treadmills began mass production.
2001	December	The capital was increased to NTD700,000,000.
2002	January	The shares were officially listed on the Taipei Exchange.
2002	August	The capital was increased to NTD860,000,000.
	August	Invested in Fortech Electronics (Suzhou) Co., Ltd. in China.
2002	December	Daya Plant was officially commissioned.
2003	September	The capital was increased to NTD966,000,000.
2004	August	The capital was increased to NTD1,160,000,000.
2004	November	The capital was increased to NTD1,272,000,000.
2005	January	The capital was increased to NTD1,314,000,000.
2005	February	Invested in Suzhou Forplax Optronics Co., Ltd in China.
2005	March	The capital was increased to NTD1,406,000,000.
2005	May	The capital was increased to NTD1,725,000,000.
2005	June	Invested in Fortress Optronics (Shanghai) Co., Ltd. in China.
2005	December	Invested in Darwin Precisions (Suzhou) Corp., Ltd. in China.
	December	The construction of Forhouse Yuemei Plant commenced.
2006	February	Established the joint venture Evonik Forhouse Optical Polymers Corp. with the Degussa Group from Germany.
2006	March	The capital was increased to NTD2,026,000,000.
2006	April	Invested in Fortech Optronics (Xiamen) Co., Ltd. in China.
2006	June	Invested in Forhouse Electronics (Xiamen) Co., Ltd. in China.
	June	Invested in Darwin Precisions (Xiamen) Corp. in China.
2006	September	The shares are officially listed on the TWSE.
2006	October	The capital was increased to NTD2,315,818,350.
2007	March	The capital was increased to NTD2,322,638,350.
2007	May	The capital was increased to NTD2,615,257,910.
2007	October	The capital was increased to NTD2,778,569,030.

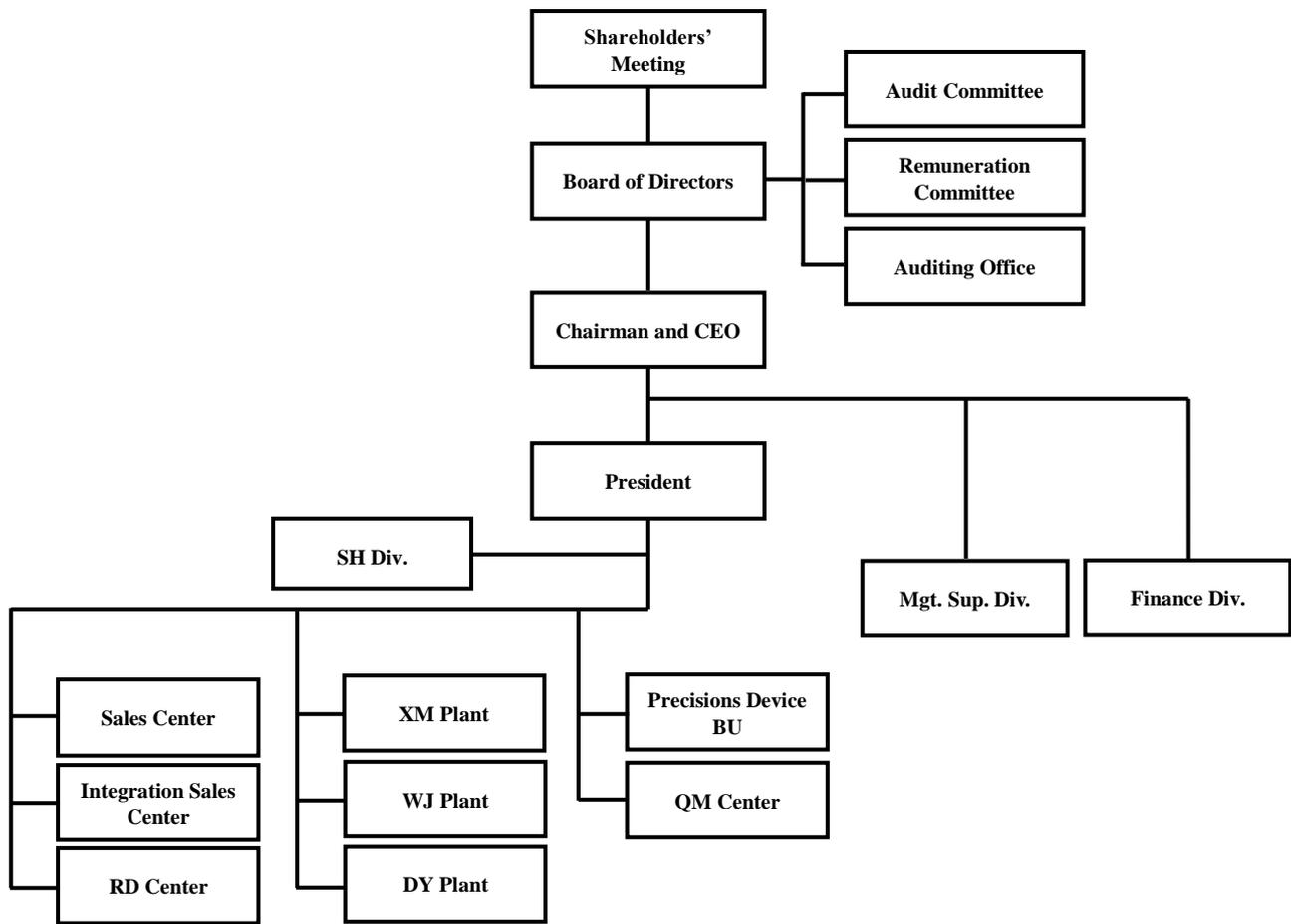
Fiscal year	Month	Key Event
2007	November	The capital was increased to NTD2,782,964,030.
2008	April	The capital was increased to NTD2,788,281,080.
2008	August	50,000 thousands common shares were issued in a private placement; the strategic investor, Darwin Precisions Corporation became the largest institutional shareholder of the Company.
2008	September	The capital was increased to NTD3,391,447,480.
2009	March	Domestic unsecured convertible corporate bonds of NTD550,000 thousands were issued via private placement.
2009	October	The capital was increased to NTD4,008,404,060.
2010	February	The capital was increased to NTD4,205,014,710.
	February	The Board of Directors approved the proposal of merger with Taiwan Nano Electro-Optical Technology Co., Ltd. on February 10, 2010.
2010	March	The capital was increased to NTD4,213,739,630.
2010	September	Merged with Taiwan Nano Electro-Optical Technology Co., Ltd. and the capital was increased to NTD5,447,142,140.
2010	November	Invested in Full luck (Wujiang) Precisions Co., Ltd. in China.
2011	April	The capital was increased to NTD5,465,926,280.
2011	July	The capital was decreased by writing off the treasury shares to NTD4,976,125,600.
2011	September	The capital was increased to NTD4,977,250,600.
2011	November	The capital was decreased by writing off the treasury shares to NTD4,739,195,600.
2012	March	The capital was increased to NTD4,739,323,100.
2012	June	The capital was increased to NTD4,817,156,330.
2012	August	The capital was increased to NTD4,817,476,330.
2013	April	The capital was increased to NTD4,818,076,330.
	April	The capital was decreased by writing off the treasury shares to NTD4,563,306,330.
2013	May	The capital was increased to NTD4,563,538,830.
2014	March	The Board of Directors approved the proposal of merger with BriView Corporation on March 11, 2014.
2014	October	The merger with BriView Corporation was completed on October 1, 2014 and the capital was increased to NTD7,812,451,140.
2014	November	On November 20, 2014, the extraordinary shareholders' meeting approved renaming the Company as "DARWIN PRECISIONS CORPORATION".
2015	March	The capital was decreased by writing off the treasury shares to NTD7,499,671,140.
2015	November	The capital was decreased by writing off the treasury shares to NTD7,358,061,140.
2016	June	The capital was decreased by writing off the treasury shares to NTD7,005,161,140.
2016	November	The capital was decreased by writing off the treasury shares to NTD6,655,551,140.
2017	March	The Board of Directors approved the proposal to buy a new plant in Hukou on March 2, 2017.

Chapter III. Corporate Governance Report

I. Organization

(I) Organizational Structure

April 16, 2023



(II) Responsibilities and functions of major departments

Department	Major business
Auditing Office	Audit and assess all internal controls and recommend improvements, promote the efficiency and effective implementation of internal controls.
Safety & Health Division	Establish the regulations in terms of risk management, environment, safety and health, while planning and promoting the related objects.
Sales Center Integration Sales Center	Establish the annual plans based on the market and client demands; in charge of sales of parts and components, channel management and customer services; coordinate the related internal functions and external clients, in order to meet the operating targets by accommodating the Company's policies.
RD Center	In charge of development of new products and core technology applications, R&D project management, assessment of introducing new products and R&D Intellectual Property Management.
XM/WJ/DY Plant	In charge of control over the production progress and materials status; maintain production equipment, environmental and occupational safety; motivate employees to pursue quality; develop or assess new testing equipment and technologies, in order to enhance efficiency and reduce manufacturing costs continuously.
Precisions Device BU	In charge of product development, production and sales with regards to FMM, new materials and next-generation FMM, while actively expanding clients, meeting the demands of clients and achieving the operational targets.
QM Center	Plan the quality management system company-wide; control the procurement, process and shipment quality, as well as the planning of the external and internal audits.
Management Support Division	<p>Overall plan and coordinate the resources of human resource management, supply chain management, information management and sustainable management:</p> <ul style="list-style-type: none"> ◆ Human resource management: formulate, publish, implement and communicate the regulations and systems related to human resources. ◆ Supply chain management: in charge of procuring raw materials, production equipment, machines and parts required for production; in charge of establishing partnership with suppliers and constructing/completing the supplier system; management of production scheduling, annual inventory management, etc. ◆ Information management: establish, improve, implement and maintain the information management system. ◆ ESG sustainable management: plan, promote and implement sustainability related business.
Finance Division	Finance, accounting, taxation and cost management; prepare financial statements, analysis, control and provide forecast report.

II. Information on the company's directors, president, vice presidents, associate vice presidents and the supervisors of each the company's departments and divisions:

(I) Directors

1. Director information

April 16, 2023; Shares Unit: thousand shares; shareholding percentage: %

Title	Nationality or place of Registration	Name	Gender Age	Date on election or inauguration	Term (year)	Date First elected	Shareholdings when elected		Current shareholdings		Shareholdings of spouses and minor children		Shareholdings by nominee arrangement		Major industrial/ educational background	Positions concurrently serving in the Company and other companies
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage		
Director	Republic of China	AUO Corporation	-	June 12, 2020	3	November 20, 2014	190,108	28.56	190,108	28.56	0	0.00	0	0.00	Note 1	Note 1
Representative of the Director, Chairman and CEO	Republic of China	Kuo-Hsin (Michael) Tsai	Male Age 51~60	June 12, 2020	3	September 9, 2019	0	0.00	275	0.04	0	0.00	0	0.00	Note 1	Note 1
Representative of the Director, President	Republic of China	Sheng-Kai (SK) Huang	Male Age 51~60	June 12, 2020	3	June 12, 2020	67	0.01	296	0.04	0	0.00	0	0.00	Note 1	Note 1
Representative of the Director	Republic of China	Frank Ko	Male Age 41~50	June 12, 2020	3	June 12, 2020	0	0.00	0	0.00	0	0.00	0	0.00	Note 1	Note 1
Director	Republic of China	Hsuan-Bin Chen	Male Age 71~80	June 12, 2020	3	June 8, 2017	563	0.08	563	0.08	454	0.07	0	0.00	Note 1	Note 1
Independent Director	Republic of China	I-Shih Chen	Male Age 71~80	June 12, 2020	3	November 20, 2014	0	0.00	0	0.00	7	0.00	0	0.00	Note 1	Note 1
Independent Director	Republic of China	Cheng-Chung Li	Male Age 51~60	June 12, 2020	3	June 12, 2020	0	0.00	0	0.00	0	0.00	0	0.00	Note 1	Note 1
Independent Director	Republic of China	Huei-Shih Lung	Female Age 61~70	August 18, 2021	3	August 18, 2021	0	0.00	0	0.00	0	0.00	0	0.00	Note 1	Note 1

Other officers, directors or supervisors who are spouses or relatives within the second degree of kinship: None

Where the chairman of the board of directors and president or person of an equivalent post (the highest level managerial officer) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given as the reason for, reasonableness, necessity thereof and the measures adopted in response thereto:

The functions of the Company's CEO are, based on the industry development and market trends, to formulate, plan and implement the strategies of sustainable operations and long-term development, effectively coordinate and manage the operating team to accelerate the decision-making capacity, while enhancing the operating performance. The Company's CEO is served concurrently by the Chairman, to plan the corporate sustainable operation and strategic development, while leading the management team to report to the Board of Directors. Meanwhile, to enhance the independence and supervisory functions of the Board of Directors, three seats of independent directors are integrated in the Board of Directors, while that more than half of the directors do not serve as the Company's employees or managerial officers, to promote the functions of the Board of Directors and strengthen the efficiency of corporate governance.

The Company has issued a total of 665,555 thousand common shares.

Note 1: Major industrial/educational background and positions concurrently serving in the Company and other companies by each director:

Title	Name	Major industrial/educational background	Positions concurrently serving in the Company and other companies
Director	AUO Corporation	-	Director, Qisda Corporation Director, AUO Crystal Corporation Director, Konly Venture Corp. Director, Rongly Venture Corp. Director, Star River Energy Corp. Director, Star Shining Energy Corporation Director, Space Money Inc. Director, AUO Envirotech Inc. Director, AUO Display Plus Corporation Director, Da Ping Green Energy Corporation Director, AUO Health Inc. Director, AUO Care Inc. Director, ADLINK TECHNOLOGY INC. Director, ENNOSTAR Inc. Director, SINTRONES Technology Corp.
Representative of the Director, Chairman and CEO	Kuo-Hsin (Michael) Tsai	Executive MBA, National Chiao Tung University President and COO, AUO Corporation	CEO, DARWIN PRECISIONS CORPORATION Chairman, Darwin Precisions (L) Corp. Chairman, Darwin Precisions (Hong Kong) Limited Chairman, FORHOUSE INTERNATIONAL HOLDING LTD. Chairman, FORTECH INTERNATIONAL CORP. Chairman, FORWARD OPTRONICS INTERNATIONAL CORPORATION Chairman, FOREFRONT CORPORATION Chairman, BriView (L) Corp. Director, WiBASE Industrial Solutions Inc.
Representative of the Director, President	Sheng-Kai (SK) Huang	Master of Business Administration EMBA, National Taiwan University Master of Physics, National Cheng Kung University Vice President of Manufacturing Business, AUO Corporation Chairman and President, AUO Envirotech Inc.	President, DARWIN PRECISIONS CORPORATION Director, Darwin Precisions (L) Corp. Director, FORHOUSE INTERNATIONAL HOLDING LTD. Director, FORTECH INTERNATIONAL CORP. Director, FORWARD OPTRONICS INTERNATIONAL CORPORATION Director, FOREFRONT CORPORATION Director, BriView (L) Corp. Chairman, Darwin Precisions (Xiamen) Corp. Chairman, Fortech Electronics (Suzhou) Co., Ltd. Chairman, Darwin Precisions (Suzhou) Corp. Chairman, Suzhou Forplax Optronics Co., Ltd. Chairman, Forhouse Electronics (Suzhou) Co., Ltd.
Representative of the Director,	Frank Ko	Ph.D., Photonics, National Chiao Tung University CEO and President, AUO Corporation Chairman and CEO, E INK HOLDINGS INC.	Director, AUO Corporation CEO and President, AUO Corporation Director, ADLINK TECHNOLOGY INC. Director, AUO Display Plus Corporation Director, AUO Health Inc. Director, AUO Display Plus America Corp. Director, AUO Display Plus Netherlands B.V. Director, Rise Vision Incorporated Director, AUO Foundation Director, Heilongjiang Talenda Smart Display Technology Co., Ltd.
Director	Hsuan-Bin Chen	Bachelor, Institute of Communications Engineering, National Chiao Tung University Vice Chairman, AUO Corporation Chairman, Lextar Electronics Corp. Chairman, ProLight Opto Technology Corporation	Chairman, ProLight Opto Technology Corporation Chairman, Allxon Inc. Director, D8AI Inc. Director, Aco Healthcare Co., Ltd. Consultant, Wellybond Corporation
Independent Director	I-Shih Chen	Master of Management Science, National Chiao Tung University Chairman, Apacer Technology Inc. Vice President, Acer Inc.	Chairman and CSO, Apacer Technology Inc. Director, Apacer Technology (BVI) Inc. Director, JOIUP TECHNOLOGY INC. Director, OTO PHOTONICS INC.
Independent Director	Cheng-Chung Li	Ph.D., Materials Engineering, National Chiao Tung University Master of Business EMBA, Stanford University Deputy General Director of Electronic and Optoelectronic System Research Laboratories, Industrial Technology Research Institute Deputy Director of Display Center Director Room, Industrial Technology Research Institute	Deputy General Director of Electronic and Optoelectronic System Research Laboratories, Industrial Technology Research Institute
Independent Director	Huei-Shih Lung	Bachelor, Department of Business Administration, National ChengChi University Chairman, HsiangLung Investment Co. Ltd. Chairman, Aserve Technology Corp.	Chairman, HsiangLung Investment Co. Ltd. Chairman, Aserve Technology Corp. Independent Director and member of Remuneration Committee, AOPEN Incorporated

Title	Name	Major industrial/educational background	Positions concurrently serving in the Company and other companies
		Chief Accounting Officer, Acer Incorporated	Independent Director and member of Remuneration Committee, ProLight Opto Technology Corporation Independent Director and member of Remuneration Committee, Acer Cyber Security Inc.

2. Major shareholders of institutional shareholders

Name of institutional shareholder	Major shareholders of the institutional shareholder	
	Name	Shareholding percentage (%)
AUO Corporation (Note)	Qisda Corporation	6.90
	Yuanta Taiwan Dividend Plus ETF	4.71
	Trust Holding for Employees for AUO	4.62
	Quanta Computer Inc.	4.61
	ADR of AUO	2.52
	Nan Shan Life Insurance Company, Ltd.	1.50
	New Labor Pension Fund	1.27
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	0.91
	FTSE TWSE Taiwan 50 Index	0.88
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.86

Note:Source: The company's annual report of 2022 and entries recorded on the shareholders' register disclosed on the date of book closure, October 7, 2022.

3. Major Shareholders of institutional shareholder who are the major shareholders of the Company's institutional shareholders

Name of institution	Major shareholder of the institution	
	Name	Shareholding percentage (%)
Qisda Corporation (Note 1)	AUO Corporation	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
Quanta Computer Inc. (Note 2)	Chien Yu Investment Co., Ltd.	14.82
	Barry Lam	10.76
	Government of Singapore	2.85
	C.C. Leung	2.14
	He Sa Trust	2.07
	Cathay Life Insurance Co., Ltd.	2.04
	Nan Shan Life Insurance Co., Ltd.	1.99
	Yi Chia Xin Investment Company Ltd.	1.64
	Xin Ming Investment Company Limited	1.57
New Labor Pension Fund	1.47	
Nan Shan Life Insurance Co., Ltd. (Note 3)	Ruen Chen Investment Holding Co., Ltd.	89.55
	RUEN HUA DYEING & WEAVING Co., Ltd.	1.34
	Y. T. Du	1.16
	RUEN TAI SHING Co., Ltd.	0.97
	RUENTEX DEVELOPMENT Co., Ltd.	0.23
	RUENTEX INDUSTRIES Ltd.	0.21
	Yen Sin Corporation	0.16
	Ruentex Leasing Co., Ltd.	0.12
	Chi-Pin Investment Company	0.11
Pan City Co., LTD	0.09	

Note 1: Source: The company's annual report of 2021 and entries recorded on the shareholders' register disclosed on the date of book closure, April 1, 2022.

Note 2: Source: The company's annual report of 2021 and entries recorded on the shareholders' register disclosed on the date of book closure, April 19, 2022.

Note 3: Source: The company's website disclosed on the date, March 31, 2022.

4. Professional qualifications of directors and independence of independent directors

Name	Criteria	Professional Qualifications and Experience	Independent Directors' Independence Status	Number of other public companies where the Director concurrently serves as an Independent Director
Representative of the Director, Kuo-Hsin (Michael) Tsai	<ul style="list-style-type: none"> ◆Please refer to page 8~10 of the annual report for the individual Director's professional qualifications and experience. ◆All directors have extensive practical work experience related to the Company's industry, and are familiar with the overall business environment and development trend of the industry. ◆All directors have the practical management experience of the chairman or general manager of listed companies, and have the ability to identify the company's operational risks and be familiar with organizational operation. ◆None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) 	Not Applicable	0	
Representative of the Director, Sheng-Kai (SK) Huang			0	
Representative of the Director, Frank Ko			0	
Director, Hsuan-Bin Chen			0	
Independent Director, I-Shih Chen	<ul style="list-style-type: none"> ◆Please refer to page 8~10 of the annual report for the individual Director's professional qualifications and experience. ◆Possessed the practical management experience of the chairman of a listed company, and have the management ability to identify the company's operational risks and be familiar with the organization's operation. ◆The Director has not been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) 	<p>1. All of the following situations apply to each and every of the Independent Directors :</p> <ul style="list-style-type: none"> ◆Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau. 	0	
Independent Director, Cheng-Chung Li	<ul style="list-style-type: none"> ◆Please refer to page 8~10 of the annual report for the individual Director's professional qualifications and experience. ◆Possessed advanced technology development and management capabilities related to the Company's industry, and have extensive practical work experience in high-level technology research institute. ◆The Director has not been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) 	<ul style="list-style-type: none"> ◆Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service". <p>2. Please refer to page 7 of the annual report for the number and proportion of the Company's shares held by independent director (or nominee arrangement) as well as his/her spouse and minor children, all of whom are qualified for independence.</p>	0	
Independent Director, Hwei-Shih Lung	<ul style="list-style-type: none"> ◆Please refer to page 8~10 of the annual report for the individual Director's professional qualifications and experience. ◆Possessed professional knowledge of finance and accounting and extensive practical work experience . ◆The Director has not been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1) 		3	

Note 1: A person shall not act as a managerial officer for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving

the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.

2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon.
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges.
5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet.
6. If she/he does not have any or limited legal capacity.
7. If she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Not serving concurrently as an independent director on more than three other public companies in total.

3. During the two years before being elected and during the term of office, meet any of the following situations:

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
- (7) Not a director, supervisor, or employee of a company of which the chairman or president (or equivalent) themselves or their spouse also serve as the company's chairman or president (or equivalent).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

5. Diversifications and Independence of Board of Directors

(1) Diversifications of Board of Directors:

According to the Company's "Corporate Governance Principles", the composition of the board of directors should consider diversity, and which stipulates that members of Board of Directors should possess the knowledge, skills and qualities of their duties. To achieve the desired goal of corporate governance, the Board of Directors should possess the following skills: operational judgement skill, operational management skill, crisis handling and risk management skills, industry technology knowledge and global market view, leadership and decision-making skills, financial management and information security skill, e.g.

The Board of Directors of the Company consists of seven directors (including three independent directors) and the specific objectives and the achievement of diversity are as follows:

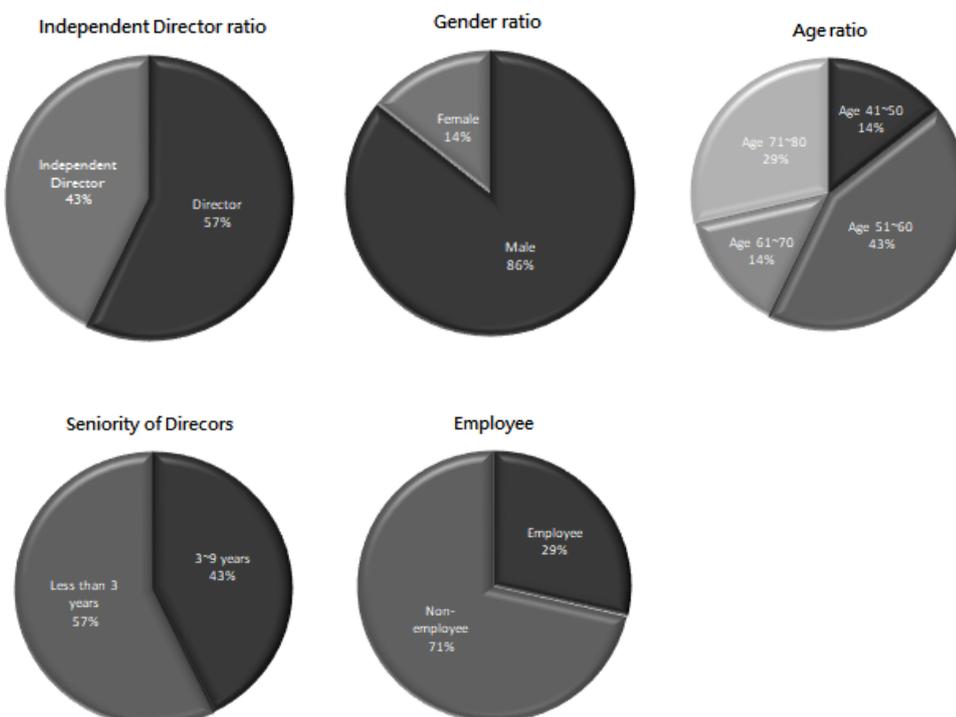
Management target	Achievement
Independent Directors are more than one third	Achieved
Directors concurrently serving as the Company's managerial officers are fewer than one third of the board members	Achieved
At least one seat of female director	Achieved
The term of more than half of Independent Directors no more than third term	Achieved

Diversifications of Board of Directors, please see as following table:

Title	Core Items of Diversifications Name	Gender	Employee	Age				Seniority of Directors		Operations and Management	Leadership and Decision-Making	Industry Technology	Law, Finance or Accounting
				41~50	51~60	61~70	71~80	Less than 3 years	3~9 years				
Chairman	Kuo-Hsin (Michael) Tsai	Male	V		V				V	V	V	V	
Director	Sheng-Kai (SK) Huang	Male	V		V			V		V	V	V	
Director	Frank Ko	Male		V				V		V	V	V	
Director	Hsuan-Bin Chen	Male					V		V	V	V	V	
Independent Director	I-Shih Chen	Male					V		V	V	V	V	
Independent Director	Cheng-Chung Li	Male			V			V			V	V	
Independent Director	Huei-Shih Lung	Female				V		V		V			V

The percentage of female directors of the Company is 14% and the average age of all directors is 61 years.

(2) Independence of Board of Directors: The Board of Directors of the Company consists of seven members, of which 29% of them have employee status. Four natural-person directors account for 57% of all directors, three independent directors account for 43% of all directors. The term of office of two independent directors is less than 3 years and the term of office of one independent directors is 3~9 years. Independent directors are all in compliance with the regulations on independent directors of Financial Supervisory Commission. And the directors are all in compliance with Article 26-3, paragraph 3 and 4 of the Securities and Exchange Act when elected and during the term of office. There are no spouse, relative within the second degree of kinship between directors.



(II) Information of president, vice presidents, associate vice presidents and the supervisors of each the company's departments and divisions

April 16, 2023; Unit: thousand shares; %

Title	Nationality	Name (Note 1)	Gender	Inauguration sate (Note 2)	Shares held		Shareholding of spouses and minor children		Shareholdings by nominee arrangement		Major industrial/educational background	Positions concurred in the Company and other companies	Managers as spouses or relative within the second degree of kinship		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Chairman and CEO	Republic of China	Kuo-Hsin (Michael) Tsai	Male	September 10, 2019	275	0.04	0	0.00	0	0.00	Executive M.B.A., National Chiao Tung University President and COO, AUO Corporation	Note 3	None	None	None
President	Republic of China	Sheng-Kai (SK) Huang	Male	November 18, 2019	296	0.04	0	0.00	0	0.00	Master of Business Administration EMBA, National Taiwan University Master of Physics, National Cheng Kung University Vice President of Manufacturing Business, AUO Corporation Chairman and President, AUO Envirotech Inc.	Note 3	None	None	None
Vice President	Republic of China	KC Feng	Male	October 1, 2014	740	0.11	0	0.00	0	0.00	EMBA, National Central University Associate Vice President, Resources and Material, AUO Corporation	None	None	None	None
Vice President & Chief Finance Officer (Note 4)	Republic of China	Kuo-Tai Ching	Male	January 1, 2008	139	0.02	0	0.00	0	0.00	Master's, Risk Management and Insurance, National Cheng Chi University Department Head, Chien Hua Bank	Note 5	None	None	None
Associate Vice President	Republic of China	Martin Tsai	Male	February 25, 2019	329	0.05	0	0.00	0	0.00	MBA, Friends University Head of Resources and Material Department, AUO Corporation	None	None	None	None
Associate Vice President	Republic of China	Danny Huang	Male	February 25, 2019	256	0.04	0	0.00	0	0.00	Master's, Institute of Mechanical Engineering, National Cheng Kung University President, TV Mechanism Department, AUO Corporation	None	None	None	None
Associate Vice President	Republic of China	Limbo FJ	Male	February 25, 2019	213	0.03	0	0.00	0	0.00	Bachelor, Department of Industrial Engineering, National Tsing Hua University Vice Chief of Suzhou Plant, AUO (Suzhou) Co., Ltd.	Note 6	None	None	None
Associate Vice President	Republic of China	Allen Lan	Male	April 1, 2020	81	0.01	0	0.00	0	0.00	Master's, Institute of Agricultural Machinery Engineering, National Chung Hsing University Plant Chief, AUO Corporation	None	None	None	None
Associate Vice President	Republic of China	Wenbin Wu	Male	October 1, 2020	100	0.02	0	0.00	0	0.00	PhD, Institute of Chemical Engineering, National Taiwan University Department Head, AUO Corporation	None	None	None	None
Associate Vice President	Republic of China	CC Lee	Male	October 1, 2020	102	0.02	0	0.00	0	0.00	EMBA, Xiamen University Master's, Institute of Chemical Engineering, National Tsing Hua University Department Head, AUO Corporation	Note 7	None	None	None
Associate Vice President	Republic of China	Hermann Yen	Male	April 1, 2021	51	0.01	0	0.00	0	0.00	Master's, Institute of Mechanical Engineering, Chung Yuan Christian University Department Head, AUO Corporation Department Head, Lucent Technologies, Inc.	None	None	None	None

Where the president or person of an equivalent post (the highest level manager) and the chairman of the board of directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed:

The functions of the Company's CEO are, based on the industry development and market trends, to formulate, plan and implement the strategies of sustainable operations and long-term development, effectively coordinate and manage the operating team to accelerate the decision-making capacity, while enhancing the operating performance effectively. The Company's Chairman also serves as the CEO is to plan the corporate sustainable operation and strategic development, while leading the management team to report to the Board of Directors. Meanwhile, to enhance the independence and supervisory functions of the Board of Directors, three seats of independent directors are integrated in the Board of Directors, while majority of the

Title	Nationality	Name (Note 1)	Gender	Inauguration sate (Note 2)	Shares held		Shareholding of spouses and minor children		Shareholdings by nominee arrangement		Major industrial/educational background	Positions concurred in the Company and other companies	Managers as spouses or relative within the second degree of kinship		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
directors do not serve as the Company's employees or managerial officers, to promote the functions of the Board of Directors and strengthen the efficiency of corporate governance.															

Note 1: Holding the position as of the publication date of the annual report.

Note 2: The date when the said person took the position for the first time.

Note 3: Please refer page 9 of the annual report for the details of the positions concurrently served.

Note 4: The Board of Directors of the Company approved the appointment of the Chief Finance Officer, Kuo-Tai Ching as Vice President on February 6, 2023.

Note 5: Director, Darwin Precisions (Xiamen) Corp.; Director, Fortech Electronics (Suzhou) Co., Ltd.; Director, Darwin Precisions (Suzhou) Corp.; Director, Suzhou Forplax Optronics Co., Ltd.; Director, Forhouse Electronics (Suzhou) Co., Ltd.

Note 6: Director and President, Darwin Precisions (Xiamen) Corp..

Note 7: Director and President, Fortech Electronics (Suzhou) Co., Ltd.; Director and President, Darwin Precisions (Suzhou) Corp.; Director and President, Suzhou Forplax Optronics Co., Ltd.; Director and President, Forhouse Electronics (Suzhou) Co., Ltd.

III. Remunerations to Directors, Supervisors, President and Vice Presidents in the Recent Year

(I) Remunerations to directors and independent directors

Unit: NT\$ thousands; thousand shares

Title	Name	Remunerations to Directors						Sum of A, B, C, and D total amounts and as percentage of net income after tax (%) (Note 8)		Remuneration from concurrently servings as employees						Sum of A, B, C, D, E, F, and G total amounts and as percentage of net income after tax (Note 7)		Remuneration from investees other than subsidiaries or from the parent company (H) (Note 9)	
		Wages (A) (Note 1)		Pension upon retirement (B)		Compensation for Directors (C) (Note 2)				Service Expense (D) (Note 3)		Wages, bonuses and special allowances, etc. (E) (Note 4)		Pension upon retirement (F) (Note 5)					Employee Compensation (G) (Note 6)
		The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)	The Company	All companies in the consolidated financial statements (Note 8)		Cash amount
Director	AUO Corporation	6,000		0	988	160	7,148 5.69%	20,000	108	945	0	945	0	28,201 22.44%	88,270				
Representative of the Director, Chairman and CEO	Kuo-Hsin (Michael) Tsai																		
Representative of the Director, President	Sheng-Kai (SK) Huang																		
Representative of the Director	Frank Ko																		
Director	Hsuan-Bin Chen	4,100		0	593	120	4,813 3.83%	0	0	0	0	0	0	4,813 3.83%	0				
Independent Director	I-Shih Chen																		
Independent Director	Cheng-Chung Li																		
Independent Director	Huei-Shih Lung																		

- Please describe the policies, systems, standards and structure of remuneration to independent directors and the connection between duties, risk, and time input with the amount of remuneration: Pursuant to the Company's Articles of Incorporation, the Board of Directors is authorized to determine the standards for all directors' remunerations by referring their engagement and contributions to the Company and the common level in the industry. For the directors' compensations, where the Company has a profit before tax for each fiscal year, the Company shall set aside no more than 1% of the remaining profit for distribution to directors as compensations. And submit the amount of remuneration to the Board of Directors for approval after being reviewed by Remuneration Committee. The independent directors are natural members of the Audit Committee. Other than the remunerations to directors, they also receive reasonable remunerations based on their duties, risks borne and time engaged. Any independent director serving as a member of the Remuneration Committee also receives reasonable remunerations based on his/her duties.
- Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the consolidated financial statement, e.g., as parent company's, all companies in the consolidated financial statements', investees' advisor other than employee in the most recent year: None.

Table of remuneration ranges

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G+H)	
	The Company	All companies in the consolidated financial statements	The Company	Parent Company, the Company, its subsidiaries and investees (Note 10)
Less than NT\$ 1,000,000	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang, Frank Ko	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang, Frank Ko	Frank Ko	
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Hsuan-Bin Chen, I-Shih Chen, Cheng-Chung Li, Huei-Shih Lung	Hsuan-Bin Chen, I-Shih Chen, Cheng-Chung Li, Huei-Shih Lung	Hsuan-Bin Chen, I-Shih Chen, Cheng-Chung Li, Huei-Shih Lung	Hsuan-Bin Chen, I-Shih Chen, Cheng-Chung Li, Huei-Shih Lung
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	AUO Corporation	AUO Corporation	AUO Corporation, Sheng-Kai (SK) Huang	AUO Corporation
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)			Kuo-Hsin (Michael) Tsai	Sheng-Kai (SK) Huang
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)				Kuo-Hsin (Michael) Tsai
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)				Frank Ko
Over NT\$100,000,000 (inclusive)				
Total	1 Corporate Director, 3 representatives of Corporate Director, 4 Directors (included Independent Directors)	1 Corporate Director, 3 representatives of Corporate Director, 4 Directors (included Independent Directors)	1 Corporate Director, 3 representatives of Corporate Director, 4 Directors (included Independent Directors)	1 Corporate Director, 3 representatives of Corporate Director, 4 Directors (included Independent Directors)

Note 1: Refers to the remunerations of directors for 2022 (including wages, allowance, severance payment, various bonuses and incentives).

Note 2: Refers to the compensation for Directors in 2022 approved by the Board of Directors on February 6, 2023.

Note 3: Refers to the related service expenses of directors for 2022 (including transportation subsidies, special expenses, various subsidies, accommodations and other non-monetary provisions including vehicles).

Note 4: Refers to the remunerations received by the directors via concurrently serving as the Company's employees (including positions of President, Vice Presidents, other managerial officers and employees) for 2022, including wages, allowance, severance payment, various bonuses, incentives, transportation subsidies, special expenses, various subsidies, accommodations and other non-monetary provisions including vehicles.

Note 5: Refers to the pension amounts contributed or paid pursuant to laws in 2022.

Note 6: Refers to Employee Compensation in 2022, the proposed amount was approved by the Board of Directors on February 6, 2023.

Note 7: The net income (loss) after tax refers to the net income (loss) after tax in the parent company only financial statements of 2022.

Note 8: The total amount of all remunerations paid to the Company's directors by all the companies in the consolidated financial statements (including the Company).

Note 9: Remuneration refers to the wages and compensations (including employees', directors' and supervisors' compensations) received by the Company's directors via services as a director, supervisor, or managerial officer in investees other than subsidiaries or the parent company and the compensations related to service expenses.

Note 10: The total amount of all remunerations paid to the Company's directors by all the companies in the consolidated financial statements (including the Company) and from investees other than subsidiaries or from parent company (the latter is not paid by the Company and is not related to the Company's affairs).

Note 11: Supervisors' remunerations: the Company has the Audit Committee in place, so this is not applicable.

(II) Remunerations to President and Vice Presidents

Unit: NT\$ thousands; thousand shares

Title	Name	Wages (A) (Note 1)		Pension upon retirement (B) (Note 2)		Bonuses and special allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Sum of A, B, C, and D total amounts and as a percentage of net income after tax (%) (Note 5)		Remuneration from investees other than subsidiaries or from the parent company (E) (Note 7)
		The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company		All companies in the consolidated financial statements (Note 6)		The Company	All companies in the consolidated financial statements (Note 6)	
								Cash amount	Share amount	Cash amount	Share amount			
Chairman and CEO	Kuo-Hsin (Michael) Tsai	12,469	12,469	243	243	15,655	15,655	1,283	0	1,283	0	29,650 23.59%	29,650 23.59%	18,568
President	Sheng-Kai (SK) Huang													
Vice President	KC Feng													
Vice President	Wen-Yi Lin (Note 8)													

Presidents and Vice Presidents' Range of Remunerations

Range of Remunerations Paid to Each President and Vice President	Name of Presidents and Vice Presidents	
	The Company	The parent company and all investees (A+B+C+D+E)(Note 9)
Below NTD1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Wen-Yi Lin	Wen-Yi Lin
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Sheng-Kai (SK) Huang, KC Feng	KC Feng
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Kuo-Hsin (Michael) Tsai	Sheng-Kai (SK) Huang
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		Kuo-Hsin (Michael) Tsai
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over 100,000,000 (inclusive)		
Total	Four	Four

Note 1: Refers to the wages, allowances and severance payment of the Managerial Officers of Vice President or above for 2022.

Note 2: Refers to the pension amounts contributed or paid pursuant to the laws in 2022.

Note 3: Refers to amount of the various bonuses, incentives, transportation subsidies, special expenses, various subsidies, accommodations and other non-monetary provisions including vehicles to the Managerial Officers of Vice President or above for 2022.

Note 4: Refers to Employee Compensation in 2022, the proposed amount was approved by the Board of Directors on February 6, 2023.

Note 5: The net income (loss) after tax refers to the net income (loss) after tax in the parent company only financial statements of 2022.

Note 6: The total amount of all remunerations paid to the Company's Managerial Officers of Vice President or above by all the companies in the consolidated financial statements (including the Company).

Note 7: Remuneration refers to the wages and compensations (including employees', directors' and supervisors' compensations) received by the Company's Managerial Officers of Vice President or above via services as a director, supervisor or managerial officer in investees other than subsidiaries or the parent company and the compensations related to service expenses.

Note 8: Wen-Yi Lin, Vice President discharged the position on April 21, 2022.

Note 9: The total amount of all remunerations paid to the Company's Managerial Officers of Vice President or above by all the companies in the consolidated financial statements (including the Company) and from investees other than subsidiaries or from parent company (the latter is not paid by the Company).

(III) Managerial officers receiving employee compensation and state of distribution

Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock	Employee Compensation - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	Chairman and CEO	Kuo-Hsin (Michael) Tsai	0	3,647	3,647	2.90%
	President	Sheng-Kai (SK) Huang				
	Vice President	KC Feng				
	Vice President & Chief Finance Officer (Note 4)	Kuo-Tai Ching				
	Associate Vice President	Martin Tsai				
	Associate Vice President	Danny Huang				
	Associate Vice President	Limbo FJ				
	Associate Vice President	Allen Lan				
	Associate Vice President	Wenbin Wu				
	Associate Vice President	CC Lee				
	Associate Vice President	Hermann Yen				

Note 1: Employees at the Associate Vice President level or above who were in office on December 31, 2022.

Note 2: The Board of Directors approved the proposed allocation of employee compensation to the Managerial Officers for 2022 on February 6, 2023.

Note 3: The net income after tax refers to the net income after tax in the parent company only financial statements of 2022.

Note 4: The Board of Directors of the Company approved the appointment of the Chief Finance Officer, Kuo-Tai Ching as Vice President on February 6, 2023.

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial statements or individual financial statements, as paid by this Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents and vice presidents and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration and its linkage to operating performance and future risk exposure.

1. The ratio of 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, supervisors, president and vice presidents of the Company, to the net income after tax stated in the parent company only financial statements.

Unit: NT\$ thousands

Item	Percentage of total remuneration amount to the parent company only net income after tax (%) for 2021	Percentage of total remuneration amount to the parent company only net income after tax (%) for 2022
The parent company only net income after tax	(649,231)	125,664
Percentage of the remunerations to directors paid by the Company	(1.47)	9.52
Percentage of the remunerations to directors paid by all companies in the consolidated financial statements (%)	(1.47)	9.52
Percentage of the remunerations to managerial officers of vice president level or above paid by the Company (%)	(4.21)	23.59

Item	Percentage of total remuneration amount to the parent company only net income after tax (%) for 2021	Percentage of total remuneration amount to the parent company only net income after tax (%) for 2022
Percentage of the remunerations to managerial officers of vice president level or above paid by all companies in the consolidate financial statements (%)	(4.21)	23.59

2. The policies, standards and packages for payment of remuneration, as well as the procedures followed for determining remuneration, and its connection with business performance and future risk exposure.

(1) Directors

Pursuant to Article 15 of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the standards for all directors' remunerations by referring their engagement and contributions to the Company and the common level in the industry. As the industry where the Company operates has an intensified competition environment and the responsibility of corporate transformation and re-organization increased significantly, the directors are paid with fixed compensations based on the duties they assumed. Among them, directors are given a bonus for serving as a chairman or as a convener or a member of the functional committee in order to reflect their service contributions and responsibilities.

Pursuant to Article 18 of the Company's Articles of Incorporation: where the Company has a profit before tax for each fiscal year, the Company shall set aside no more than 1% of the remaining profit for distribution to directors as compensations. According to the appropriation ratio of directors' compensation reviewed by the remuneration committee, where the Company has a profit before tax for each fiscal year, the Board of Directors will decide the amount of directors' compensation. And thus the correlations between the operating performance and remuneration variation is reasonable. The Board of Directors resolved to appropriate NT\$1,581,435 as directors' compensation base on the profit before tax for 2022 on February 6, 2023.

(2) President and Vice Presidents

The remunerations of the president and vice presidents include wages, bonus, employees' remunerations and retirement benefits. Such remunerations are determined based on the position taken, duties assumed, contributions to the Company (the assessment of contributions includes the practices of the Company's core values and operational management ability, financial and business performance indicators, and general management indicators, etc.) and by comparing with other companies in the same industry. When distributing the remuneration, the future operating risks that the Company is exposed to are taken into account and such remunerations are positively correlated to the operating performance. The remunerations of managerial officers are reviewed by the Remuneration Committee and approved by the Board of Directors.

Pursuant to Article 18 of the Company's Articles of Incorporation: where the Company has a profit before tax for each fiscal year, the Company shall set aside no less than 1% of the remaining profit for distribution to employees as remuneration. And submit the amount of remuneration to the Board of Directors for approval after being reviewed by Remuneration Committee. And thus the correlations between the operating performance and remuneration variation is reasonable.

The principle for distribution of remuneration of the Company's managers is linked to their job duties and performance. In addition, the Company has a incentive program for managers, which is carried out by the Remuneration Committee who will determine the targets for rewards. Doing so loyally reflects the Company's present and future operating risks and the functions of corporate governance, and avoids using short-term profits as the sole indicator for remuneration and performance evaluation, therefore considering the contribution to the overall business operation.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

The Board held five meetings during 2022; the attendance of directors is summarized as follows:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%) (Note 1)	Remarks
Chairman	AUO Corporation Representative: Kuo-Hsin (Michael) Tsai	5	0	100	-
Director	AUO Corporation Representative: Sheng-Kai (SK) Huang	5	0	100	-
Director	AUO Corporation Representative: Frank Ko	5	0	100	-
Director	Hsuan-Bin Chen	5	0	100	-
Independent Director	I-Shih Chen	5	0	100	-
Independent Director	Cheng-Chung Li	5	0	100	-
Independent Director	Huei-Shih Lung	5	0	100	-

Note 1: [Actual number of attendance/ Number of meetings during the term of office].

Other items to be stated:

- I. Where the operations of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:
- (I) Matters listed in Article 14-3 of the Securities and Exchange Act: the Company has already established an the Audit Committee and thus the requirements of Article 14-3 are not applicable; for the explanation related to Article 14-5 of the Securities and Exchange Act, please refer to the Operation of the Audit Committee later.
 - (II) Other than the abovementioned matters, any resolution of the Board of Directors to which an independent director has a dissenting or qualified opinion which has been recorded or prepared as a written declaration: None.
- II. Implementation of directors' avoidance of certain proposals in conflict of personal interests; the name of the director, contents of motion, reason of recusal, and voting participation shall be specified:
1. February 8, 2022, Board of Directors
 - (1) Discussion of the 2021 managerial officers performance bonus and annual compensation. As the Chairman Kuo-Hsin (Michael) Tsai concurrently served as the CEO, and Director, Sheng-Kai (SK) Huang concurrently served as the President, they recused themselves pursuant to the Rules and Procedures of Board of Directors Meetings. Via inquiry to other attending directors by the acting chair, Independent Director, I-Shih Chen, the proposal was approved as it was without dissent.
 - (2) Discussion of the amendment to 2022 Managerial Officers Compensation Policy, Institution, Standard and Structure. As the Chairman Kuo-Hsin (Michael) Tsai concurrently served as the CEO, and Director, Sheng-Kai (SK) Huang concurrently served as the President, they recused themselves pursuant to the Rules and Procedures of Board of Directors Meetings. Via inquiry to other attending directors by the acting chair, Independent Director, I-Shih Chen, the proposal was approved as it was without dissent.
 - (3) Discussion of the 2022 incentive plan for retain talents. As the Chairman Kuo-Hsin (Michael) Tsai concurrently served as the CEO and Director, Sheng-Kai (SK) Huang concurrently served as the President, they recused themselves pursuant to the Rules and Procedures of Board of Directors Meetings. Via inquiry to other attending directors by the acting chair, Independent Director, I-Shih Chen, the proposal was approved as it was without dissent.
 2. April 21, 2022, Board of Directors
 - (1) Discussion of the 2022 mangerial officer compensation. As the Chairman Kuo-Hsin (Michael) Tsai concurrently served as the CEO, and Director, Sheng-Kai (SK) Huang concurrently served as the President, they recused themselves pursuant to the Rules and Procedures of Board of Directors Meetings. Via inquiry to other attending directors by the acting chair, Independent Director, I-Shih Chen, the proposal was approved as it was without dissent.
- III. The cycles and periods, scopes, methods, and descriptions of the self- (or peer) assessment of the Board of Directors; and the implementation of the Board of Directors' assessment:

Assessment Cycle	Assessment Period	Assessment Scope	Assessment Method	Assessment Description
Annually	January 1, 2022 to December 31, 2022.	The Board of Directors, individual directors, the functional committees (Audit	Internal self-assessment made by Board of Directors, individual directors, the functional	The performance assessment of the Board of Directors include five major aspects: the degree of participation in the operation of the Company, enhancement of the Board's decision-making quality, composition and structure of Board of Directors, election of directors and continuing education, and the internal control. The performance assessment of the Audit Committee and Remuneration Committee also include five major aspects: the degree of participation in the operation of the company,

		Committee and Remuneration Committee included) and their individual members	committees (Audit Committee and Remuneration Committee included) and their individual members	awareness of the duties of functional committees, improvement of decision quality of functional committees, composition and member election of functional committees and internal control. The indicators for the performance assessment of the Board of Directors, directors and functional committees, are established based on the Company's operation and demands and consistent and suitable for the Company to implement the performance assessment.
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The Company conducts the internal performance assessment in the regards of "Board of Directors," "Directors," "Functional Committees (Audit Committee and Remuneration Committee included) and their individual members", respectively. The outcomes may be categorized as "outstanding," "fair" and "to be improved."

The internal performance assessment with regards to the Board of Directors, Directors, Functional Committees (Audit Committee and Remuneration Committee included) and their individual members for 2022 have been completed. The outcomes of self-assessment are all "outstanding," without any material defects to be improved on. The assessment outcomes are to be reported in the next Board meeting after completion to the Board of Directors, and intended to serve as the reference for the performance compensations to members of the Board of Directors and the functional committees.

IV. Objective of enhancing the Board of Directors' functions in the current and recent years (e.g., establishing the Audit Committee or enhancing information transparency) and the assessment to the implementation:

1. The Board of Directors is in charge of instructing the Company's strategy, supervising the management, various operations and arrangements for the corporate governance system, taking accountability for the Company and the shareholders' meetings and exercising its functions pursuant to the laws and regulations and the Articles of Incorporation or resolutions of the shareholders' meetings.
2. The Audit Committee was established in 2010, to exercise the functions required in the Securities and Exchange Act, the Company Act and other laws and regulations. Please refer to the operations of the Audit Committee described later.
3. The Remuneration Committee was established in 2011, regularly evaluates and set the wages and remunerations of directors and managerial officers, while regularly reviewing policies, systems, standards and structures of directors and managerial officers' performance appraisals, wages and remuneration. Please refer to the operations of the Remuneration Committee described later.
4. The Company re-elected the all the seven seats of Director of the twelfth term (three independent directors included) in the annual general meeting on June 12, 2020. The by-election of independent director was elected in the annual general meeting on August 18, 2021. The seats of independent directors are over one third of total board members and thus the functions of the Board of Directors and the corporate governance are strengthened effectively. Please refer to page 12~14, page 31 of the annual report for the details of the diversification in the Board of Directors.
5. For each the Board of Directors, at least two independent directors have been attend and during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, the attendance of all independent directors in person to the board meetings is 100%. All matters referred to in Article 14-5 of the Securities and Exchange Act have been approved as the proposals were without dissent.
6. To enhance the functions of the Board of Directors, the Company encourages directors to actively attend various director continuing educational courses. There are seven directors (including independent directors) of the Company and all directors finished continuing education in 2022; with six or more hours of training each. The total training hours of all directors was 48 hours.
7. The Board approved the establishment of the "Corporate Governance Principles" on November 10, 2016, to which the amendments have been made from time to time for accommodating the laws and regulations or the operating needs of the Company. Recently, the latest amendments were approved in the board meeting on February 6, 2023 to continuously enhance the functions of the Board of Directors. Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in the shareholders' meetings or in the Articles of Incorporation, they shall ensure that all matters are handled according to the resolutions of the board of directors.

The composition of Board of Directors members shall take diversification into account. Not only the directors concurrently serving as the Company's managerial officers shall not exceed one third of all directors, the proper diversification guidelines are also set in terms of operations, business model and development needs.

8. The Company was ranked in the range of 21% to 35% of TWSE listed companies and in the range of 11% to 20% of TWSE/TPEX listed companies that had market capitalization between \$5 billion and \$10 billion by industry in the 9th "Corporate Governance Evaluation of TWSE/TPEX Listed Companies (2022)" sponsored by TWSE.

(II) Operations of the Audit Committee

The Audit Committee held five meetings during 2022; the attendance of directors is summarized as follows:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%) (Note)	Remarks
Independent Director	I-Shih Chen	5	0	100	-
Independent Director	Cheng-Chung Li	5	0	100	-
Independent Director	Huei-Shih Lung	5	0	100	-

Note: [Actual number of attendance/ Number of meetings during the term of office]

Other items to be stated:

I. Where the operations of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the Audit Committee meeting date, term, contents of motion, objections, reservations or major suggestion of Independent Directors, Audit Committee's resolution and the Company's resolution of Audit Committee's opinions:

(I) The matters referred to in Article 14-5 of the Securities and Exchange Act:

Meetings of the Audit Committee (Date)	Contents of motion	Objections, reservations or major suggestion of Independent Directors	Resolutions adopted by the Audit Committee	The Company's actions in response to the opinions of the Audit Committee
5th Term 9th Meeting, (February 8, 2022)	<ul style="list-style-type: none"> ◆ Accepted the Internal Control Systems Declaration for 2021. ◆ Accepted the 2021 Parent Company Only and Consolidated Financial Statements. ◆ Approved the banking facilities guarantee between subsidiaries ◆ Approved to cancel the endorsement and guarantee of the subsidiary for the Company ◆ Approved the 2022 service items, fees and independence assessment of the Certified Public Accountant 	None	Via inquiry to all attending Audit Committee members by chair, the proposal was approved as it was without dissent.	Submitted to the Board of Directors and all attending directors approved as it was without dissent.
5th Term 10th Meeting (April 21, 2022)	<ul style="list-style-type: none"> ◆ Accepted the Consolidated Financial Statements for the period ended March 31, 2022 ◆ Accepted the proposal for 2021 deficit compensation ◆ Approved the amendment of "Handling Procedures for Acquisition or Disposition of Assets" 			
5th Term 11th Meeting (June 22, 2022)	<ul style="list-style-type: none"> ◆ Approved the disposition of the Company's real estate 			
5th Term 12th Meeting (July 25, 2022)	<ul style="list-style-type: none"> ◆ Approved the part control procedures amendment of "Internal Control Systems" Approved the 2022 annual audit plan. ◆ Accepted the Consolidated Financial Statements for the period ended June 30, 2022 			
5th Term 13th Meeting (October 21, 2022)	<ul style="list-style-type: none"> ◆ Accepted the Consolidated Financial Statements for the period ended September 30, 2022 ◆ Approved the 2023 annual audit plan 			

(II) Aside from said matters, resolution(s) not approved by the audit committee but receiving the consent of two-thirds or more of all directors: None.

II. Implementation of independent directors' recusals to proposals with personal interests; the name of independent director, contents of motion, reason for recusal and voting participation shall be specified: There is no independent directors' recusals to proposals with personal interests in 2022.

III. Communication between independent directors and internal auditing officers as well as CPAs on company finances and business situation (such as items discussed, means of communication, method and results, etc.):

1. When an Audit Committee meeting is convened, CPAs, audit officer and relevant officers are invited to attend, respectively, and report and communicate with regards to various affairs with independent directors.

2. The Audit Committee at least discuss and communicate quarterly with CPAs with regards to outcomes of quarterly financial statements review or audit and relevant laws and regulations and their applicability; the Committee also independently reviews the selection of CPAs and the audit and non-audit services provided by them annually.
3. The internal audit officer performs auditing operations and regularly submits aggregated audit reports to the Audit Committee based on the annual audit plans and communicates the audit results and tracking status with members at quarterly Audit Committee meetings. The issues raised by independent directors may be replied to and communicated timely. If there is any extraordinary situation, the members of the Audit Committee shall be immediately reported to, for 2022, there was no such extraordinary situation.

(1) The communications between the Audit Committee and internal auditing officers are good. The major communications in 2022 are summarized as follows:

Date	Key points of the communications	Recommendations and outcomes
February 8, 2022	2021 Q4 aggregated audit report. “Statement of Internal Control Systems” for 2021.	No dissent
April 21, 2022	2022 Q1 aggregated audit report.	No dissent
July 25, 2022	2022 Q2 aggregated audit report.	No dissent
October 21, 2022	2022 Q3 aggregated audit report. The 2023 annual audit plan	No dissent

In addition to the above-mentioned communication through meetings, if there are any matters that require enhanced communication regarding the implementation of internal control systems, audit results or tracking operations, the independent Directors are able to communicate with the head of internal audit through telephone, e-mail or video conference at any time to strengthen the efficiency of supervision and governance. Furthermore, matters that require enhanced communication have been effectively implemented or preventive mechanisms are in place.

(2) The communications between the Audit Committee and CPAs are good. The major communications in 2022 are summarized as follows:

Date	Key points of the communications	Recommendations and outcomes
February 8, 2022	Audited report of 2021 consolidated and parent company only financial statements. Assessing the CPA service items, professional service fees and their independence for 2022. Explanation of the independence, scopes and methodology of key audit or review, and financial information, among other things. Key accounting standards, explanatory letters and updates of laws and regulations related to securities management or taxation.	No dissent
April 21, 2022	Reviewd report of 2022 Q1 consolidated financial statements audit. Explanation of the independence, scopes and methodology of key audit or review, and financial information, among other things. Key accounting standards, explanatory letters and updates of laws and regulations related to securities management or taxation.	No dissent
July 25, 2022	Reviewd report of 2022 Q2 consolidated financial statements audit. Explanation of the independence, scopes and methodology of key audit or review, and financial information, among other things. Key accounting standards, explanatory letters and updates of laws and regulations related to securities management or taxation. Disclosure of Corporate Governance 3.0 Audit Quality Indicator (AQI)	No dissent
October 21, 2022	Reviewd report of 2022 Q3 consolidated financial statements audit. 2022 audit plans. Explanation of the independence, scopes and methodology of key audit or review, and financial information, among other things. Key accounting standards, explanatory letters and updates of laws and regulations related to securities management or taxation.	No dissent

IV. Annual Key Tasks and Operations:

(I) Key tasks of 2022

1. Communicate the results of the audit report with the internal audit officers regularly according to the annual audit plan.
2. Communicate with CPA regularly over financial statement review or audit results in each quarter.
3. Review and audit financial reports.
4. Assessment of effectiveness of internal control system.
5. The hiring of CPA, or their compensation.

6. Evaluate the independence of CPA who provide audit and non-audit services.

7. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.

8. Legal compliance.

(II) Operation in 2022: five meetings were convened in 2022 by the Audit Committee; all proposals were approved as they were by the Audit Committee and no dissent from any independent directors.

(III) Supervisors' engagements in the Board of Directors: Not applicable; the Company has established the Audit Committee in 2010.

(IV) The operations of the corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for any such deviations

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
I. Does the Company establish and disclose the Corporate Governance Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		✓		The Company has the “Corporate Governance Principles” in place and has been revised from time to time in accordance with laws and regulations or the operating needs of the Company. The company has formulated relevant principles to protect the rights and interests of shareholders, strengthen the functions of the Board of Directors, respect the rights and interests of stakeholders, and improve information transparency, which have been disclosed on the Company’s website and MOPS.	No material deviation.
II. Shareholding Structure and Shareholders’ Rights	(I) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		The Company has established the “Rules and Procedures for Internal Material Information,” as well as the spokesperson, deputy spokesperson, staff in charge of stock affairs. Is the Company able to handle the shareholders’ advice and/or disputes effectively. The following channels are in place to handle the shareholders’ advice and/or disputes: 1. Dedicated personnel 2. Investor’s mailbox: ir@darwinprecisions.com 3. Consultancy hotline for shareholder’s services: Stock Affairs Department, Taishin Securities Co., Ltd. (02)2504-8125 4. Investor Relations on the Company’s website https://www.darwinprecisions.com	No material deviation.
	(II) Does the Company possess the list of its major shareholders who control the Company substantially as well as the ultimate controller of those major shareholders?	✓		1. The Company, as required by law, reports the changes to the shareholding, pledge and mortgage of insiders (directors, managerial officers and major shareholders with 10% or more stake) to “MOPS” designated by the competent authorities monthly. 2. The Company complies with the internal regulations of the Company (Transaction operating procedures for group enterprises, certain companies and related parties), to report the shareholdings of insiders to the internal dedicated unit monthly for control.	No material deviation.
	(III) Does the Company establish and execute the risk management and firewall system within its affiliates?	✓		1. The Company regularly conducts comprehensive risk assessments on affiliates, major banks with business relationships, clients and suppliers, to reduce credit risks. 2. The Company has established the “Regulations Governing Party and Conglomerate Transactions” and “Regulations Governing Party and Conglomerate Transactions,” to establish and implement firewalls from the affiliates and risk control mechanisms.	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
	(IV) Does the Company establish internal rules against insiders trading	✓		<ol style="list-style-type: none"> 1. Article 6 of the “Rules and Procedures for Internal Material Information,” established by the Company specifies that no director, managerial officer and employee of the Company may inquire about or collect any non-public materials inside information of the Company not related to their individual duties from a person with knowledge of such information nor may they disclose to others any non-public materials inside information of the Company of which they become aware for reasons other than the performance of their duties. Also, the Company's internal control system has established the managerial operation procedures to prevent insider trading, while forbidding insiders such as directors or employees from using information that is not available in the market for their benefits. 2. The Company applies the above-mentioned operating procedures and internal control system as the basis for the material information handling and disclosure mechanism. The Company will also review these measures from time to time to meet the requirements of existing laws and regulations, and management in practice. The related operational procedures are disclosed on the Company’s website. 3. The Company promotes the related laws and regulations to insiders like directors, managerial officers, among others and remind them the cases of common violations at least monthly in average. For newly-elected directors and managerial officers, the relevant promotional materials are provided two days prior to or when they take office. The content includes the confidentiality of material information, the restrictions of trading and penalties for insider and short-swing trading, and reminders for cases of common violation. 4. The Company has provided promotional materials for newly-appointed insiders pursuant to the aforementioned operating procedures; for the existing insiders, reminders of precautions are provided monthly. If required, or the laws are regulations are amended, related promotional information is provided from time to time. 5. The Company also has “Ethics and Integrity Handbook” and “Codes of Ethical Management Policy” in place, to regulate all employees to observe the ethical standards and integrity when conducting business and undertaking tasks. The antitrust courses are also offered to ensure all employees to comply with the regulations and prevent possible violations. 	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
III. Composition and Responsibilities of the Board of Directors	(I) Does the Board of Directors established a diversified policy, set goals, and implemented them accordingly?	✓		<p>Pursuant to the “Corporate Governance Principles,” the composition of Board of Directors’ member shall take diversification into account. Not only the directors concurrently serving as the Company’s managerial officers shall not exceed one third of all directors, the proper diversification guidelines are also set in terms of operations, business model and development needs, the standards in the two major aspects are appropriate to be included, but not limited to:</p> <ol style="list-style-type: none"> 1. Basic requirements and values: Gender, age, nationality, and culture, among other things. The proportion of female directors should reach one-third of the number of directors. 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills and industry experience. <p>On June 12, 2020, the annual general shareholders’ meeting elected seven seats of the directors of the 12th Term (three independent directors included). When elected and after the by-election of independent director was elected in the annual general meeting on August 18, 2021, independent directors account for 43% of all directors; directors also serving as employees account for 29%, natural person directors account for 57% and the female director account for 14% of the total number of directors. The average age of directors and independent directors is 61 years old. Please refer to page 12~14 of the annual report for the professional qualifications, diversification of Directors, independence of Independent Directors and management target, achievement.</p>	No material deviation.
	(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee established according to law?	✓		<p>Other than the Remuneration Committee and the Audit Committee established as required by law, other operations of related corporate governance and risk management are undertaken by each department based on their functions and duties. For instance, the Information Security Committee and the Occupational Safety and Health Committees have been established. The Company has established the CSR Committee in March 2016, and changed its name to ESG Committee in January 2022 to promote the corporate social responsibilities, corporate governance and ethical corporate management, etc., and to promote sustainable economic, environmental and social development. Every year, the performance is disclosed in the ESG report (formerly CSR report) and the implementation is reported to the Board of Directors</p>	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
				at least twice annually.	
	(III) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		<p>On October 28, 2019 the “Regulations Governing the Board Performance Evaluation!” were established and has been revised from time to time in accordance with laws and regulations or the operating needs of the Company.</p> <p>The annual performance assessment of the Board of Directors, Directors, and functional committees shall be completed before the end of the first quarter of next year. The assessment period is from January 1 to December 31. Members of the Board of Directors and functional committees and the administrative or execution unit of the Board of Directors, shall conduct the internal performance assessment in the regards of “Board of Directors,” “Directors,” “Audit Committee,” and “Remuneration Committee,” respectively. The methods include internal self-assessment and member’s self-assessment; the outcomes may be categorized as “outstanding,” “fair” and “to be improved.” The assessment outcomes are to be reported in the next Board meeting after completion to the Board of Directors; the outcomes serve as reference for the performance compensations to members of the Board of Directors and the functional committees and the nomination for re-election.</p> <p>The performance appraisals of the Board of Directors include five major aspects: participation in the operation of the Company, enhancement of the Board’s decision-making quality, composition and structure of Board of Directors, election of directors and continuing education, and the internal control. The performance appraisals of the Audit Committee and Remuneration Committee also include five major aspects: participation in the operation of the company, awareness of the duties of functional committees, improvement of decision quality of functional committees, composition and member election of functional committees and internal control.</p> <p>The internal performance appraisals in the regards of Board of Directors, Directors, Functional Committees (Audit Committee and Remuneration Committee included) and their individual members for 2022 have been completed. The outcomes of self-assessment are all “outstanding” without any material defects to be improved.</p> <p>Please refer to page 24~25 of the annual report for the content of the Board of Directors’ performance assessment.</p>	No material deviation.
	(IV) Does the Company regularly evaluate the independence of CPAs?	✓		The Audit Committee regularly assesses the independence and suitability of CPAs at least once a year to ensure the reliability of the Company’s financial reports. The CPAs are invited to attend the	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
				<p>annual discussion of the appointment of the CPAs to report on the control mechanism and implementation supervision of the CPAs and their firm to achieve independence, as well as the status of their implementation of the various components of the Audit Quality Indicators (AQI). The CPAs are required to provide the “Independence Statement” and independent self-assessment questionnaire every year, and include Audit Quality Indicators in the evaluation of audit service appointments. After the approval of Audit Committee, the outcomes of discussions are provided to the Board of Directors. The assessment regime includes:</p> <ol style="list-style-type: none"> 1. CPAs are not related to the Company nor the directors. 2. The Company rotates CPAs as required by the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. 3. The prior approvals of the Audit Committee are required for certifications and other key matters. 4. The independent statements of CPAs are obtained regularly. 5. The CPAs are not spouses or relatives within the first degree of kinship with managerial officers or that the staff have key influence to audit tasks or cases. 6. Whether the CPAs and their audit team members currently or in the last two years are the Company’s directors, managers or in positions of significant influence on the audit work in the Company. <p>The Company regularly reviews the independence of CPAs every year and checks whether or not they are directors, shareholders or paid by the Company against the assessment items in the “Accountant Independence and Competency Assessment Form” or whether or not they have other financial benefits and business conducts other than the fees for certifications and taxation-related cases.</p> <p>The CPAs confer with the Audit Committee on a quarterly basis for issues that may be deemed as compromising their independence, among other things. If the CPAs are directly involved or have a stake in the designated tasks, recusal is required. The rotation of CPAs shall be handled pursuant to the related regulations.</p> <p>It has been confirmed by the Company that the CPAs and the Company have no financial interests or business relationship other than certification and taxation fees. The accounting firm has issued a non-breaching independent statement (including the CPAs and the audit team members). The Company has not commissioned the same CPAs for certification for five consecutive years.</p> <p>Based on the outcomes of assessment for prior to the</p>	

Evaluation Item	Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Description	
			appointment of the recent year, no breach to the independence by CPAs is found.	
IV. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>On February 1, 2021, the Company approved the assignment of Kuo-Tai Ching, the CFO, as the corporate governance officer. His qualifications meet the requirements set out in Article 3-1, Paragraph 1, the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. He will be in charge of supervising and planning the following corporate governance matters, to secure shareholders' interests and enhance the functions of the Board of Directors. And the personnel of the Finance Department in charge of share affairs are assigned as the corporate governance personnel as well, to implement matters related to the corporate governance.</p> <p>Functions of the corporate governance officers are:</p> <ol style="list-style-type: none"> 1. Handling matters relating to Board of Directors' meetings and shareholders' meetings according to laws. 2. Producing minutes of Board of Directors' meetings and shareholders' meetings. 3. Assisting in on-boarding and continuing education of directors. 4. Furnishing information required for business execution by directors. 5. Reporting to the Board of Directors on the results of its review of the compliance of the qualifications of Independent Directors with the relevant laws and regulations at the time of their nomination, election and during their term of office. 6. Handling matter relating to the change of Directors. 7. Regularly review and amend the Company's Corporate Governance Best Practice Principles and the related operating procedures. 8. Reporting the implementation of corporate governance affairs to the Board of Directors annually. <p>Key implementations of corporate governance related affairs: please refer to the operations of the Board of Directors and the Audit Committee.</p> <p>Continuing education of the corporate governance officer:</p> <p>The corporate governance officer has completed 18-hours initial education courses within a year from the date of assignment according to the law regulation. The education courses information please refer to page 40~41 of the annual report, Table 1 "Directors' and Corporate Governance Officer's Continuing Education, 2022."</p>	No material deviation.
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not	✓		1. The Company regularly announces its financial and business information on MOPS and as required by the laws and regulations, it timely	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?				<p>publishes material information that may influence shareholders or stakeholders to investors.</p> <p>2. The Company has set up the Stakeholders' section at the website, to establish good communications and contact with stakeholders. The Company assigns dedicated personnel to handle and respond to the questions and demands of all stakeholders. Spokesperson: Kuo-Tai Ching, CFO (03-566-8000 Ext.9) Investor related issues: ir@darwinprecisions.com Other: csr@darwinprecisions.com</p> <p>The company provides the latest company information through multiple methods and channels, and responds to the effectiveness of the implementation of corporate social responsibility issues that stakeholders are concerned about through annual surveys on major issues of stakeholders.</p>	
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		✓		The Company has commissioned the Stock Affairs Agency Department, Taishin Securities Co., Ltd. as the stock affairs agency and to handle the shareholders' meetings.	No material deviation.
VII. Information Disclosure	(I) Does the Company establish a corporate website to disclose both financial standings and the status of corporate governance?	✓		<p>1. Financial information: The Investor section is set up at the Company's website. The monthly and quarterly financial information is updated regularly; information on investor conferences is released from time to time.</p> <p>2. Business information: The product information, manufacturing process, technology and services are provided on the Company's website, as provision of the information related to the Company's business.</p> <p>3. Corporate governance: The Investor Relations section is set up at the Company's website, to disclose the part of the corporate governance as the followings: structure and organization, operations, functions and educational and industrial backgrounds of the members of the Board of Directors and functional committees, major resolutions of the Board of Directors, elections of directors and Board's performance appraisals, major internal regulations, internal audit, risk management, list of major shareholders, communications with independent directors and outcomes of corporate governance.</p>	No material deviation.
	(II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to	✓		<p>1. Dedicated staff are assigned to disclose information on the "MOPS".</p> <p>2. The Investor section is set up at the website, with a contact window and diversified contact channels to answer questions from investors.</p> <p>3. A Spokesperson and Deputy Spokesperson are assigned for external communications.</p> <p>4. The Company holds at least one investor</p>	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
	handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			conference every year. The presentation of the investor conference is available to the public at the Investor section of the official website and MOPS.	
	(III) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓		The consolidated and parent-only financial statements for 2022 were announced and reported on February 17, 2023; the 2022 Q1, Q2 and Q3 financial reports and the monthly revenues were also announced and reported on MOPS before the deadline, while being uploaded to the Company's website simultaneously.	No material deviation.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the	(I) Employee rights and cares to employees	✓		<ol style="list-style-type: none"> The Company has always taken respect for humanity and caring for employees as one of its business philosophy. In order to assist employees in their future career planning and development, various internal and external employee trainings are provided from time to time. Meanwhile, the Company takes care of each employee's physical and mental health and also provides or sponsors various benefit programs. The Welfare Committee is formed by the employees, takes charge of planning and implementing welfare affairs. The Company holds labor-management meetings regularly every quarter, allowing labor representatives to understand the operation status of the Company and propose suggestions that they have for various issues of the Company. The full communication between the labor and employment allows their relationship to become much tighter. For employee interests and care benefits for its employees, please refer to the Chapter V. Operating Highlights - Labor Relations. 	No material deviation.
	(II) Investor relations	✓		<ol style="list-style-type: none"> In terms of investor relations services, the Company has an investors' mailbox to maintain good relationships with its investors. Meanwhile, it also implements a spokesperson and deputy spokesperson system, to help investors better understand the Company's operations and financial status. The Company assigns dedicated staff to 	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
implementation of customer relations policies and purchasing insurance for directors and supervisors)?				announce information about financial, business and changes to insider shareholding timely at “MOPS” as required, for open and transparent information disclosure.	
	(III) Supplier relations	✓		<ol style="list-style-type: none"> The Company convenes regular and extraordinary meetings to review businesses with suppliers and conduct audit visits and questionnaire surveys on suppliers. The Company has established the procedures to review and assess suppliers, to ensure that the supplier’s delivery date, quality and price meet the Company’s demands. In addition, the supplier’s green products, environmental, safety and health risks and other items are reviewed and communicated. Only those who pass the review can become partners. Pursuant to the “Supplier Management Procedure” and “Supplier/Subcontractor ESH Audit Procedure,” the Company works with suppliers to make the best efforts to enhance the corporate social responsibility. The major content includes law compliance, environmental management system, plan implementation, supervision and measurement of performance objects and corrective measures/procedures. 	No material deviation.
	(IV) Rights of the stakeholders	✓		<p>The Stakeholder section is set up in the ESG Section of the Company’s website.</p> <ol style="list-style-type: none"> Disclose the means to identify stakeholders and communications regarding the concerned issues. Establish the communication channels with stakeholders, while assigning dedicated staff to handle and reply the inquiries and demands from various stakeholders. <p>On the Company’s website, the ESG Section is set to disclose the ESG reports and provides downloads to stakeholders for them to understand how the Company implement its ESG.</p>	No material deviation.
	(V) Directors’ continuing education	✓		<p>The Company has handled this pursuant to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” of TWSE. Please refer to page 40 of the annual report, Table 1 “Directors’ and Corporate Governance Officer’s Continuing Education, 2022.” The related information is disclosed on MOPS.</p>	No material deviation.
	(VI) Implementation of risk management policies and risk evaluation standard	✓		<p>Risk management is an important part of maintaining business operations. The Company acknowledges the existence of risks and is committed to implementing various policies and measures to reduce risks in order to create sustainable value for stakeholders and business opportunities for the Company. The Company, for effectively strengthening risk management, has constantly paid attention to the industry trends and market changes, grasped the trend of risk changes,</p>	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
				and formulated management and control strategies and practices for major potential risk scenarios; also, regularly confirm and track the effectiveness of inspections in order to pursue optimized management cost-effectiveness within the acceptable risk. The Company and its subsidiaries, while engaging in operating activities, should carefully review potential internal and external risks from the perspective of sustainable corporate operations; also, formulate relevant operating standards in accordance with the Company's "risk management policies and procedures" to identify, measure, control, and monitor the potential business risks, to implement the operation of the risk management mechanism, and to enhance the risk management effect. Please refer to the annual report of Chapter VII. Review of Financial Conditions, Operating Results, and Risk Managementt (page 108-119).	
	(VII) Implementation of customer relations policies	✓		<ol style="list-style-type: none"> 1. The Company regularly assesses client relationships and has the credit management regulations in place, to implement regular reviews of clients' financial and operating conditions, while controlling credit risks. 2. The Company maintains unblocked communication channels with clients, for communicating regarding products or services any time, while ensuring that the products or services meet the expected quality level, and providing timely answers to clients' questions. 3. The Company provides green products to clients through a systematic management process and sets up a green product management system and a hazardous substance management process (HSPM) internally, to identify, eliminate and control hazardous substances to comply with the Company's green product policy, clients' requirements and laws and regulations (such as EU RoHS/REACH... etc.). 	No material deviation.
	(VIII) Status of purchasing liability insurance for directors	✓		The Company has purchased liability insurances for directors and managerial officers. The coverages are reviewed annually and the coverages are reported to the Board of Directors and competent authorities.	No material deviation.
	(IX) Succession plans and operations of the Board of Directors' members and key managerial officers	✓		The Company prepares the succession plan and candidates of directors based on the future strategic development and transformation planning, as well as the professional knowledge, skills and experience required by the directors, as well as the diversification policy and independence standards for directors. The candidates of directors are sought, reviewed and nominated accordingly. For the key management, the Company formulates individual development plans for senior managers based on their personal specialties and job requirements. Through the talent cultivation and	No material deviation.

Evaluation Item		Operating Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
		Yes	No	Description	
				implementation of Darwin College, the executive management enhanced their capabilities of management, leadership and operations. The senior managers are cultivated and arranged to become directors, for them to be familiar with the operations of the Board of Directors, while increasing their engagement in each operating function within the Group.	
<p>IX. The improvement status for the result of Corporate Governance Evaluation announced by the TWSE Corporate Governance Center in the recent years, as well as the prioritized enhancements for the matters and measures not yet improved.</p> <p>(I) In response to the international trend of carbon reduction and in line with the "Sustainable Development Pathway for TWSE/TPEX Listed Companies" promoted by the competent authorities, the Company introduced the ISO14064-1:2018 greenhouse gas management system in 2022, obtained the Y2021 greenhouse gas inspection statement (including overseas subsidiaries) on November 21, 2022, and will continue to check and verify every year in the future to gradually achieve the goal of carbon reduction.</p> <p>(II) The company will continue to promote and improve corporate governance affairs such as enhancing the structure and operations of the Board of Directors, as well as information transparency.</p> <p>(III) The Company was ranked in the range of 21% to 35% of TWSE listed companies and in the range of 11% to 20% of TWSE/TPEX listed companies that had market capitalization between \$5 billion and \$10 billion by industry in the 9th "Corporate Governance Evaluation of TWSE/TPEX Listed Companies (2022)" sponsored by TWSE.</p> <p>The Company continues to develop sustainably in the regards of economic, environment and society and will continue to uphold the core corporate values of ethic and integrity, while sustainably managing the relationship with all stakeholders and society.</p> <p>Environment Management:</p> <p>In addition to the investment in technical capabilities, the Company also seek the product quality and environmental protection. It has been certified with ISO 9001 international quality management in 1999 and has successively obtained other certifications including IATF 16949, QC 080000 quality system, ISO 14001 environment System and ISO45001 occupational safety and health management system. Meanwhile, the number of employees in the Taiwan Plant has been more than 200 and it has also obtained the TOSHMS certificate as required by law.</p>					

Table 1: Directors' and Corporate Governance Officer's Continuing Education, 2022:

Title	Name	Date	Sponsor	Name of Course	Course Hours
Director	Kuo-Hsin (Michael) Tsai	May 12, 2022	Taiwan Stock Exchange Corporation	International Twin Summit	2 hours
		July 20, 2022	Taiwan Stock Exchange Corporation	Sustainable Development Roadmap	2 hours
		October 11, 2022	Taiwan Stock Exchange Corporation	2022 Release of Reference Guidelines for Independent Directors and Audit Committee to Exercise Powers and Directors' and Supervisors Publicity Meeting	3 hours
		October 26, 2022	Securities and Futures Institute	Promotion and Explanatory Seminar for Legal Compliance of Insider's Equity Trading, 2022	3 hours
Director	Sheng-Kai (SK) Huang	June 10, 2022	Securities and Futures Institute	Promotion and Explanatory Seminar for Prevention of Insider Trading, 2022	3 hours
		October 12, 2022	Securities and Futures Institute	Promotion and Explanatory Seminar for Legal Compliance of Insider's Equity Trading, 2022	3 hours
Director	Frank Ko	April 20, 2022	Taiwan Corporate Governance Association	On the Legal Responsibility of Corporate Directors from the Perspective of Intellectual Property Management	3 hours
		October 26, 2022	Taiwan Corporate Governance Association	Group Corporate Governance	3 hours
Director	Hsuan-Bin Chen	July 20, 2022	Taiwan Stock Exchange Corporation	Sustainable Development Roadmap	2 hours
		October 11, 2022	Securities and Futures Institute	2022 Release of Reference Guidelines for Independent Directors and Audit Committee to Exercise Powers and Directors' and Supervisors Publicity Meeting	3 hours
		October 14, 2022	Taiwan Institute for Sustainable Energy	How ESG improves corporate resilience, transformation and opportunities	3 hours
Independent Director	I-Shih Chen	June 30, 2022	Taiwan Corporate Governance Association	ESG Reporting Trends and Commercial Meeting of the information Disclosure Thereof	3 hours
		August 30, 2022	Taiwan Corporate Governance Association	Discussion on the Assessment and Implementation of Investment in Mergers and Acquisitions from the Perspective of Law	3 hours
Independent Director	Cheng-Chung Li	April 20, 2022	Taiwan Corporate Governance Association	On the Legal Responsibility of Corporate Directors from the Perspective of Intellectual Property Management	3 hours
		October 26, 2022	Taiwan Corporate Governance Association	Group Corporate Governance	3 hours
Independent Director	Huei-Shih Lung	June 30, 2022	Taiwan Corporate Governance Association	On the Legal Responsibility of Corporate Directors from the Perspective of Intellectual Property Management	3 hours
		August 18, 2022	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3 hours
Corporate Governance Officer	Kuo-Tai Ching	March 25, 2021	Securities and Futures Institute	Analysis of corporate financial information and its use for decision making	3 hours
		April 16, 2021	Securities and Futures Institute	Economic outlook and industry trends for 2021	3 hours
		April 27, 2021	Securities and Futures Institute	Employee compensation strategies and tools	3 hours
		September 1, 2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum	6 hours

Title	Name	Date	Sponsor	Name of Course	Course Hours
		January 14, 2022	Accounting Research and Development Foundation	Financial misrepresentation cases and how to see the key information in financial reports	3 hours

(V) The composition, duties and operation of the Remuneration Committee

1. Information about the Company's Remuneration Committee Member

April 16, 2023

Title	Name	Criteria	Number of Other Public Companies Concurrently Serving as a member of Remuneration Committee
		Professional Qualification and Experience	
Convener	I-Shih Chen	◆Please refer to page12~14 of the annual report, Professional qualifications of Directors and independence of independent directors ◆All of them comply with Article 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" issued by the Financial Supervisory Commission . ◆There was no remuneration paid by the Company or its affiliates to any independent directors for business, legal, financial or accounting services in the last two years.	0
Independent Director	Cheng-Chung Li		0
Independent Director	Huei-Shih Lung		3

2. Duties of the Remuneration Committee

Pursuant to the laws of Republic of China, the members of the Remuneration Committee are assigned by the Board of Directors. The aim of the Remuneration Committee is to assist the Board of Directors to implement and assess the overall remuneration and benefit policy of the Company and the compensations to the directors and managerial officers. Based on the charter, the Remuneration Committee performs its duties. Please refer to the Company's website for the Remuneration Committee Organization Procedure.

The members of the Remuneration Committee shall perform the duty of care of a good administrator, to establish and review the remuneration system linking to the performance in an independent and unbiased manner, while faithfully perform the following functions commissioned by the Board of Directors, and submit the recommendations to the Board of Directors for discussion:

- (1) Determine and periodically review the performance appraisal on the Company's directors and managerial officers and remuneration policy, system, standard and structure.
- (2) Periodically evaluate and determine the Company's remuneration to directors and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

- (1) With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
- (2) It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
- (3) It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

3. Operations of the Remuneration Committee.

(1) There are a total of three members in the Company's Remuneration Committee

(2) Current term: from June 12, 2020 to June 11, 2023.

In 2022, the Remuneration Committee has held two meetings. The attendance of the Committee members is summarized as follows:

Title	Name	Number of actual attendance	Number of proxy attendance	Actual Attendance (%)	Remarks
Convener	I-Shih Chen	2	0	100	-
Member	Cheng-Chung Li	2	0	100	-
Member	Huei-Shih Lung	2	0	100	-

Note: [Actual number of attendance/ Number of meetings during the term of office]

Other items to be stated:

I. If the Board of Directors declined to adopt or will modify, a recommendation of the Remuneration Committee, state the meeting date, term, contents of motions, resolution of the Board meeting and the Company's treatment to the opinions of the Remuneration Committee (*e.g.*, the remuneration passed by the Board exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.

II. For the resolutions adopted by the Remuneration Committee, to which a member has a dissenting or qualified opinion which has been recorded or prepared as a written declaration, state the meeting date, term, contents of motions, opinion of each member and the treatment to such opinions: None.

(3) Discussion and resolutions of the Remuneration Committee meetings and the Company's treatments of the members' opinions:

Date of meetings	Discussion	Outcomes of reviews
January 17, 2022 (1st 2022)	Approved the 2021 managerial officers performance bonus and annual compensation.	The chair inquired the opinions of all attending members and the proposal was approved as it was; submitted to the Board of Directors for resolution.
	Approved the amendment to 2022 Managerial Officers Compensation Policy, Institution, Standard and Structure.	
	Approved the 2022 incentive plan for retain talents	
April 21, 2022 (2nd 2022)	Approved the 2022 managerial officers remuneration	

(VI) Corporate governance implementation status and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reason for any such deviations.

Evaluation Item	Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
	Yes	No	Description	
I. Does the Company establish a governance structure for sustainable development and set up a exclusively (or concurrently) dedicated unit to promote sustainable development and with the Board of Directors authorization for senior management to handle and is supervised by the Board of Directors?	✓		<p>The Company established the CSR Committee in March 2016 and renamed the ESG Committee in January 2022 as the highest corporate-level sustainable development promotion organization within the Company, coordinating the formulation of corporate social responsibility and sustainable development direction and goals. The chair and members review the performance and goal achieved regularly. The CEO serves as the chair of the Committee, with a secretarial panel and four functional groups under the chair, namely operation sustainability, supply chain sustainability, society citizenship and business risk management. The seminars related to sustainable development are conducted quarterly or from time to time and reports on the progress of implementation of the long-term goals and action plans and reviews improvement measures; annual reports are made to the Board of Directors on the effectiveness of the promotion, work plan and review the Company’s sustainable development blueprint at least twice a year and the Board of Directors supervises the promotion of sustainable development.</p> <p>The ESG report of 2021 has been disclosed on MOPS and submitted to the Board of Directors. The ESG report of 2022 will be submitted to the Board of Directors upon completion.</p>	No material deviation.
II. Does the Company follow the materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operations and establish elated risk management policy or strategy?	✓		<p>To optimize the system and advance to a well-rounded sustainable operation, the Company has established the ESG committee and the “ESG Best Practice Principles,” to establish and implement managerial policies with regards to economy, environment, society and corporate governance, while collecting feedbacks from stakeholders for continuous improvement.</p> <p>The Company performs risk identification operation of the Company and its subsidiaries in accordance with the ESG materiality principles and the “Policy and Procedures for Risk Management” established by the Company, and conducts risk assessment of important issues based on risk categories and operational concerns of the Company, and then formulates response strategies and strengthens risk control. And the Board of Directors supervises the implementation of risk management.</p> <p>Please refer to Chapter VII. Review of Financial Conditions, Operating Results, and Risk Management in the annual report (page 108-119).</p>	No material deviation.

Evaluation Item		Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
		Yes	No	Description	
III. Environmental issues	(I) Does the Company establish suitable environmental management systems based on the characteristics of its industries?	✓		<p>1. The Company has established an environmental health and safety management system and environmental health and safety policy. The Company has also organized an occupational health and safety committee at each plant's head office to implement relevant management systems. The risk assessment items include: occupational health and safety, automatic inspections, operating environment monitoring, hazardous substances management, greenhouse gas emissions policy and management, resource management, disaster response drills, education and training, etc.</p> <p>2. The Company continues to carry out the classification, recycling and reduction activities of domestic and industrial waste pursuant to the government policies, and establishes a management and contingency system to implement it.</p> <p>3. The Company has introduced the ISO 14001 environmental management system and passed the certification by a third-party certifying company (SGS) on August 27, 2018, to obtain the new version of ISO14001:2015 certification . Currently, the validity period of the certificate obtained by the Company this certification is September 3, 2020 to June 16, 2023.</p> <p>4. The Company obtained ISO 9001 international quality certification in 1999 and successively obtained IATF 16949 and QC 080000 Certified with various certifications including the quality systems, ISO 14001 environment system, ISO45001 occupational safety and health management systems, among other things. For the new version of the ISO45001 Occupational Safety and Health Management Systems standard announced on March 12, 2018, each plant has passed the third-party certifying company (SGS) verification and obtained the new version of the ISO45001 certificate in September 2020. Meanwhile, the number of employees in the Taiwan Plant has been more than 200 and it has also obtained the TOSHMS certificate as required by law.</p>	No material deviation.
	(II) Does the Company endeavor to improve energy	✓		The Company has installed solar power generation systems on the rooftops of each plants. Total solar power generation was 7,431,058 KWh, which might reduce by 4,200 ton of CO _{2e} .	

Evaluation Item		Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons																		
		Yes	No	Description																			
	efficiency and use renewable materials which have low impact on the environment?			<table border="1"> <thead> <tr> <th>Plant</th> <th>Total solar power generation (KWh)</th> <th>Total CO₂ emission reduction (tons)</th> </tr> </thead> <tbody> <tr> <td>Daya</td> <td>368,707</td> <td>188</td> </tr> <tr> <td>YongFong</td> <td>1,262,231</td> <td>642</td> </tr> <tr> <td>Wujiang</td> <td>4,856,914</td> <td>2,822</td> </tr> <tr> <td>Xiamen</td> <td>943,206</td> <td>548</td> </tr> <tr> <td>Total</td> <td>7,431,058</td> <td>4,200</td> </tr> </tbody> </table> <p>In addition, we continue to improve the efficiency of resource utilization in other factories, implement process water recycling in each factory, and fully implement waste classification and resource recycling. We also promote green office, such as: using business machines for centralized printing, encouraging single-sided paper reuse, using environmentally friendly recycled paper for business card printing, etc. Besides, to set up a sustainable cultural atmosphere in DARWIN, educate and publicize the knowledge of sustainable green life through internal electronic bulletin boards, announcements, and official accounts of communication software, cultivate self-“green” good habits, and reduce waste and environmental burden.</p> <p>The Company's waste recycling and re-use ratio: 92% in 2021 and 98% in 2022. The Company is also committed to the establishment and implementation of green product hazardous substance management regulations to ensure that product and parts (materials, components and packaging materials) meet the requirements.</p>	Plant	Total solar power generation (KWh)	Total CO ₂ emission reduction (tons)	Daya	368,707	188	YongFong	1,262,231	642	Wujiang	4,856,914	2,822	Xiamen	943,206	548	Total	7,431,058	4,200	No material deviation.
Plant	Total solar power generation (KWh)	Total CO ₂ emission reduction (tons)																					
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Total	7,431,058	4,200																					
	(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<p>1. In response to the impact of climate change on business operations and to disclose information about climate change, the Company established the CSR Committee in 2016 and renamed the ESG Committee in 2022 to follow the vision and mission of the Company's ESG policy and continue to promote major issues and strategies. In 2021, the Company strengthened our environmental management policy in response to the climate change issue, set our annual absolute carbon reduction target and made corresponding technical management of process and energy, transformed low carbon production process and reduced energy usage, introduce the ISO14064-1:2018 greenhouse gas management system to check the organization's gas emissions, and will plan to introduce ISO50001 energy management system in 2023. In addition, according to the International Financial Stability Board Climate-Related Financial Disclosure Recommendation (Task</p>	No material deviation.																		

Evaluation Item		Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
		Yes	No	Description	
				<p>Force on Climate-related Financial Disclosures, TCFD) framework to identify the company's climate risks and opportunities and establish measurement indicators and response actions based on the identification results, thereby reducing the financial impact of climate risks on operations.</p> <p>2. In 2022, a total of five energy saving and two water reclamation projects were implemented; it is expected to save 5.79 million KWH of power and 287 thousands tons of reclaimed water. The Company strives to save energy and reduce carbon, while improving energy efficiency, to mitigate climate change and maintain ecological balance.</p>	
	(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years and implement policies on energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management?	✓		<p>1. The Company established the ESG Office in August, 2022, and worked with the environmental safety unit to promote greenhouse gas inventory and reduction, energy management and other businesses, and conduct monthly inventory and statistics on greenhouse gases. In response to the sustainable development of environment, having a paperless office is continuously promoted; no disposable utensils is provided; water-saving valves are installed on faucets; lights, air-conditioning are controlled by dedicated staff; and carpooling is encouraged in the practical environment.</p> <p>2. The focus on the work in 2022 was to introduce ISON14064-1: 2018 greenhouse gas inventory, and the greenhouse gas verification statement for 2021 was obtained from a third-party verification agency (SGS) on November 21, 2022. The inspected greenhouse gas emission inventory for 2021 of the Company and subsidiaries was 84,729 metric tons of CO₂e, and the gas emission intensity was updated and reduced to 418 metric tons of CO₂e per 100 million NTD. The total greenhouse gas emission inventory of the Company and subsidiaries for 2022 is 61,689 metric tons of CO₂e, and the main source of greenhouse gas generation is category two electricity emissions.</p> <p>The GHG emissions in 2022 and 2021 are as follows:</p>	No material deviation.

Evaluation Item	Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons																														
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			<table border="1"> <thead> <tr> <th>Emission of GHG</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1 (ton CO_{2e})</td> <td>1,026</td> <td>2,277</td> </tr> <tr> <td>Scope 2 (ton CO_{2e})</td> <td>60,663</td> <td>82,452</td> </tr> <tr> <td>Total CO₂ emission (tons)</td> <td>61,689</td> <td>84,729</td> </tr> <tr> <td>Sales amount (NTD100 million)</td> <td>144.7</td> <td>202.8</td> </tr> <tr> <td>Emission intensity (ton/NTD100 million)</td> <td>426</td> <td>418</td> </tr> </tbody> </table> <p>Remarks: The greenhouse gas inventory for 2022 was taken by ourselves, and has not yet been verified by a third-party.</p> <p>The focus of the work of the Company for 2023 is to introduce the ISO50001 energy management system, and to continue to reduce the carbon dioxide emission equivalents of the Company by promoting energy-saving measures.</p> <p>3. In response to the global shortage of water resources, the Company continues to arrange water for production, life and ecology reasonably based on the concept of reasonable resource application, to allocate water resources reasonably. Water is effectively reclaimed, the carrying capacity of water resources is improved, to secure the sustainable development.</p> <p>Volume of the used water resources in 2022 and 2021 are as following: Unit: 10,000 tons</p> <table border="1"> <thead> <tr> <th>Water resources</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Tap water</td> <td>92.6</td> <td>106</td> </tr> <tr> <td>Underground water</td> <td>0.6</td> <td>2.9</td> </tr> <tr> <td>Reclaimed water</td> <td>28.7</td> <td>27.5</td> </tr> </tbody> </table> <p>4. The waste generated in the Company's operations is collected and controlled at the source for classification. Recycling/re-using take the first priority, to increase the resource recovery rate, reduce the volume of generated waste, and reduce the impact on the environment. The "Regulations of Waste Cleaning Operation" is established for management. The waste generation in 2022 and 2021 is as follows:</p>	Emission of GHG	2022	2021	Scope 1 (ton CO _{2e})	1,026	2,277	Scope 2 (ton CO _{2e})	60,663	82,452	Total CO ₂ emission (tons)	61,689	84,729	Sales amount (NTD100 million)	144.7	202.8	Emission intensity (ton/NTD100 million)	426	418	Water resources	2022	2021	Tap water	92.6	106	Underground water	0.6	2.9	Reclaimed water	28.7	27.5	
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				<p style="text-align: right;">Unit: ton</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Waste</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Non-hazardous industrial waste</td> <td style="text-align: center;">5,279</td> <td style="text-align: center;">9,444</td> </tr> <tr> <td>Hazardous industrial waste</td> <td style="text-align: center;">66</td> <td style="text-align: center;">119</td> </tr> </tbody> </table> <p>5. Reduction target:</p> <p>(1) In order to advocate international carbon-reduction trends, ESG of the Company set the goals for the Company and subsidiaries to achieve net zero greenhouse gas emissions in office locations, 20% reduction at manufacturing locations by 2030, and net zero greenhouse gas emissions in both office and manufacturing locations by 2050. Our inventory for 2021 was checked by a third-party (SGS) and was 84,729 ton CO₂e/year, and in 2022 the inventory was 61,689 ton CO₂e/year, with an annual reduction of 27.2%. This was mainly due to the shut down of the Suzhou and Yongfong plants, and the pushing of energy-saving solutions to reduce carbon emissions in every plant in 2022. In the future, the Company will continue to work towards the carbon reduction goals set for the carbon emissions generated by each unit.</p> <p>(2) In 2022, water reclaimed from the processes in the facilities in Taiwan and China was totaled 287 thousands tons. The water reclaiming rate of the Company and subsidiaries reached 30.8%, an increase of 5.5% from the water reclaiming rate 25.3% in 2021.</p> <p>(3) The direction and goal of waste resource management: continue to increase the reclaiming rate of various industrial wastes, schedule the audit plans for waste vendors, achieve a 100% audit supervision rate and zero environmental incidents.</p>	Waste	2022	2021	Non-hazardous industrial waste	5,279	9,444	Hazardous industrial waste	66	119	
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IV. Social issues	(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		<p>In order to fulfill the corporate social responsibility and protect the basic human rights of all employees, the Company recognizes and voluntarily observes the “Universal Declaration of Human Rights,” the “United Nations Global Covenant,” the “United Nations Guiding Principles on Business and Human Rights,” “International Labor Organization” and other internationally recognized human rights standards, to eliminate any violations and infringement to human rights and treat all employees with dignity and respect. The Company’s human rights policy is applicable</p>	No material deviation.									

Evaluation Item		Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
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				<p>to all operations and manufacturing facilities and it strictly observes laws regulations related to labor and gender equality in the place of operation, while formulating related human rights protection and labor policies and implementing related measures, including: employment policies, reasonable working hours, healthy workplaces, and harmonious labor-employer communications.</p> <p>The working conditions of the employees of the Company are in compliance with the labor laws and regulations. Discrimination in the workplace is prohibited, gender equality in work is promoted, workplace safety and reasonable working hours are also implemented. All working rules are also complied with by all employees. There are corresponding managerial procedures to regulate.</p>	
	(II) Does the Company formulate and implement reasonable employee benefit measures (include salary and compensation, leave and others) and appropriately link the operating performance or results to employee salary and compensation?	✓		<p>【Employee Remuneration】 The Company regularly participates in international and regional (local) market wage surveys and formulates a competitive wage structure and wage assessment standards based on the positioning of the talent market. Other than the fixed wages, to encourage employees to perform their best, the Company provides a corresponding individual performance incentive system, where the employees' remunerations are distributed by referring to the Company's operating performance. There is also a employee stock ownership trust(ESOT) assist employees in accumulating retirement pensions.</p> <p>【Employee Welfare】 When on-boarding, health insurance and labor insurance of the new recruits will be completed on the same day. The group and casualty insurance are also offered to employees for better life and safety safeguards.</p> <p>Other than job requirements, the Company also appreciates employees' needs in their personal and family lives. Other than providing a well-rounded leave system pursuant to the labor laws, the annual leave scheduling system is also in place, to encourage employees to apply their leaves well to arrange time with their families. The Company has a cafeteria for employees and employees enjoy meal subsidies. It has built a gym and aerobics classrooms, equipped with fitness equipment. Sports clubs are also established for employees to enjoy sports without traveling. There is an exclusive parking lot for employees to park free-of-charge.</p> <p>【Workplace Equality】 To realize equal pay for equal work and equal promotion opportunities, and to promote</p>	No material deviation.

Evaluation Item		Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
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				sustainable and inclusive economic growth. The Company focus on the rights and welfare of our employees, share the profits with them, maintain a good working environment, and provide comprehensive care for all ethnic groups: (1) hiring employees with disabilities and providing appropriate work duties and environmental facilities; (2) assisting foreign employees in cultural integration, life care, and health and safety; and (3) implementing a friendly workplace so that employees of all genders can work with peace of mind.	
	(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	✓		<p>Other than complying with the relevant domestic laws and regulations, the Company has obtained the internationally recognized ISO 45001 occupational safety and health management system inspection certification, to provide employees with a safe working environment, thereby preventing occupational disasters and maintaining employees' workplace safety . The Company conducts inspections for work environment and improvement every six months pursuant to the laws, as well as annual employee regular health checks.</p> <ol style="list-style-type: none"> 1. Establish a health promotion unit_ Wellness Center: The Chief nurse and nurses are engaged to regularly conduct annual health checks for employees, while caring and tracking employees' health. The health management system is introduced to manage health information electronically. Health promotion events are held regularly or from time to time, including setting up breastfeeding rooms, promotions on infectious disease prevention, healthy diet education, epidemic prevention and control for employees going on business trips and health seminars to satisfy the health needs of employees. 2. Establish dedicated units, such as the safety and health division. Undertake the planning and management of safety, health, and environmental protection for the the Company and subsidiaries, such as inspections to the safety of the working environment of employees, protection of machinery or equipment operation, and implementing employee safety training periodically and promotion of safety activities. 3. The Company conducts labor work environment inspection and health check pursuant to laws. Improvements are made to the work environment accordingly and necessary protections are provide, as well as 	No material deviation.

Evaluation Item		Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
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				and adjusts the labor workplace. 4. In 2022, 114 courses of environmental safety and health related were offered by the Company's and subsidiaries' environmental safety unit, and total of 1,669 training hours.	
	(IV) Does the Company establish effective career development and training plans?	✓		The Company has established Darwin College, dedicated to talent cultivation and development policy formulation, education and training system planning and implementation. Committee meetings are convened regularly to review the talent cultivation policies and their planning and effectiveness. Under Darwin College, there are the leadership school, the marketing school, the innovation and R&D school, the manufacturing school, with the Education and Training Executive Committee (hereafter "ETEC"). The ETEC established seven major training system based on the Company's development strategies and develops seven major education and training, including new employee training, quality training, management training, environmental safety and health training, instructor training, general knowledge and self-development training, and professional training, as well as the development of learning maps for each branch. In addition, for the development of the professional capabilities of employees, the EEC of each department applies internal instructors or external trainings, to effectively pass on specialties and skills. In 2022, a total of 5,444 people completed career training, with a total of 62,323 training hours.	No material deviation.
	(V) Does the company's product and service comply with relevant laws and international standards in relation to consumers health and safety, customers privacy, marketing and labeling of products and services, and set relevant policies and grievance procedure to protect the rights of consumers or customers?	✓		For sales and labelling, the Company complies with related regulations and international rules. The Company sets up a green product management system and a hazardous substance management process (HSPM) internally, to identify, eliminate and control hazardous substances to comply with the Company's green product policy, clients' requirements and laws and regulations (such as EU RoHS/REACH... etc.). In terms of product development, we strictly prohibit the unlawful infringement or disclosure of the trade secrets, trademark rights, patent rights, copyrights and intellectual property rights of other companies. In addition to direct contact with the sales staff or their supervisors, the customers' contact information is also disclosed on the Company's website to provide a fair, open and immediate platform for handling related issues such as complaints of customers' rights, etc.	No material deviation.

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	(VI) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights and their implementation status?	✓		<p>Pursuant to the “Supplier Management Procedure” and “Supplier/Subcontractor ESH Audit Procedure,” the Company works with suppliers to make the best efforts to enhance the corporate social responsibility:</p> <ol style="list-style-type: none"> 1. Compliance with laws: suppliers need to take remedial actions if any violation is made and document the actions. 2. Environmental management system: Facilitate and verify the supplier to be certified with ISO 14001/ ISO 45001. 3. Environment, safety and health policy/commitment: Facilitate and verify the suppliers’ policy/commitment statement. 4. Management accountabilities and responsibilities: Facilitate and verify the supplier's environment, health and safety plans and labor rights implementation status, for the management to review. 5. Risk assessment and management: facilitate and verify suppliers’ views on environment, health, safety and labor human rights and identify and assess impacts and risks. 6. Plan implementing, monitoring and measuring performance objectives: facilitate and verify the suppliers’ performance objectives and implementation plans in terms of environment, health and safety and labor human rights. 7. Corrective measures and procedures: suppliers are required to propose improvement measures for non-conformities found in internal or external evaluations, inspections, investigations and reviews. In 2022, a total of 21 suppliers were audited under the Company’s environment, safety and health risks audits to suppliers, seven deficiencies found in the audit and recommendations provided to suppliers to reply with correction status for re-audit. <p>The Company's contracts with suppliers clearly stipulates the corporate responsibility standards, and conducts supplier conduct inspections in accordance with RBA standards.</p> <p>In order to ensure the environmental performance of suppliers, to meet the environmental requirements, make products more environmental friendly, enhance market competitiveness, and establish green supply chain management, the Company fosters good collaborative relations with suppliers, seeking to exert influence and lead suppliers, to pay attentions to social responsibility and environmental protection issues, and thus promote the sustainable development of the industry.</p>	No material deviation.

Evaluation Item	Operating Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Reasons
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V. Does the company reference internationally accepted reporting standards or guidelines, and prepare ESG report that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The Company has prepared the ESG report (formerly CSR report) pursuant to “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” promulgated by Taiwan Stock Exchange Corporation on September 22, 2022, the latest GRI Standards by the Global Reporting Initiative, and Electronic Manufacturing Services and Original Design Manufacturing Indicators issued by the Sustainability Accounting Standards Board (SASB) and disclosed the reports on the ESG section at the Company’s website and uploaded to MOPS.	No materials deviation.
<p>VI. If the Company has established its sustainable development practice principles according to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” please describe the operating status and variance. The Company established the “ESG Best Practice Principles” and the Company’s website has the “ESG Section” to fully disclose the Company’s structure of the ESG Committee, performance of ESG, and the annual ESG reports. The related operations comply with the Company’s ESG Best Practice Principles, and are disclosed in the Company’s ESG reports.</p> <p>VII. Other important information to facilitate better understanding of the company’s implementation of sustainable development (e.g., the systems and measures adopted by the Company in the regards of environment protection, social engagement, social contribution, social services, social welfare, consumer’s rights, human rights, health and safety and other social responsibility related activities and the implementations of such): In order to fulfill the corporate social responsibility and protect the basic human rights of all employees, the Company recognizes and voluntarily observes the “Universal Declaration of Human Rights,” the “United Nations Global Covenant,” the “United Nations Guiding Principles on Business and Human Rights,” “International Labor Organization” and other internationally recognized human rights standards, to eliminate any violations and infringement to human rights and treat all employees with dignity and respect. The Company’s human rights policy is applicable to all operations and manufacturing facilities and it strictly observes laws regulations related to labor and gender equality in the place of operation, while formulating related human rights protection and labor policies and implementing related measures. [Employment Policy] The Company implements the diversity of the workplace, and upholds the principles of openness and fairness. No discrimination treatment, include language, attitude or conduct, based on gender, race, socioeconomic status, age, marriage status, family, language, religion, political party, nationality, appearance, facial features, physical or mental disabilities. Eliminate all forms of forced labor; eliminate employment and working discrimination; prohibit harassment; respect privacy. It strives to create a working environment where equal opportunity, dignity, safety and equality are offered, and is free of discrimination- and harassment. [Reasonable Working Hours] The Company clearly prescribes regulations of working hours and overtime hours. It regularly pays attention to and manage the attendance status of employees. [Healthy Working Place] Assist employees to maintain physical and mental health, and work-life balance; regularly organize care-for-employee seminars and provide employees with comprehensive channels for consultation. [Harmonious Labor-Employer Communications] In order to achieve the objective of sufficient communication and effective problem solving, a President’s mailbox is provided and labor-employer meetings are held regularly to ensure the interests of both parties. The Company upholds the consistent “green commitment” to the society and the environment. In addition to continual innovation of products and technologies, it is committed to the promotion of social responsibility and environment, safety</p>				

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and health management practices and concepts, with the goals of feeding back to the society, improving labor rights, and the quality of the living environment. The Company fulfills the CSR based on the following principles:

- We uphold the highest standards of integrity. Any and all forms of bribery, extortion, and Illegal profits are strictly prohibited.
- We operate in full compliance with the laws and regulations, and adhere to internationally recognized standards and initiatives.
- We support the Universal Declarations of Human Rights and place importance on equal opportunities, and labor rights.
- We promote work-life balance and maintain a comfortable and safe environment to ensure human capital development.
- We foster continuous product innovation and are dedicated to technology advancement.
- We believe enhanced resources and greater energy efficiency will stimulate a more circular economy.
- We wish to reduce adverse environmental impacts, mitigate climate change, and preserve ecological balance.
- We actively engage in corporate citizenship and make valuable contributions to the society.
- We promote greater transparency and accountability by enabling proactive information disclosure and sharing.
- By strengthening partnerships with our value chain, we seek joint value optimization and positive impacts.

With the spirit of giving back to society, the Company actively participates in various community activities and supports public welfare organizations with concrete actions to deepen the connection between the Company and the community. In 2022, the Company and the AUO Foundation collaborated to participate in the “Student Literacy Scholarship Fund Raising” campaign together. We invited colleagues to participate in a one-day donation to help one thousand children go to school with peace of mind. A total of NTD \$140 thousand was raised. In addition, the Dreams Come True project launched by Darwin since 2013 had continually collected Christmas presents for disadvantaged children in rural areas and social welfare institutions over the past decade. In 2022, we charitably supported the local maternal and child protection agency “Good Shepherd Social Welfare Foundation”, where colleagues purchased gifts that children with family trauma, disadvantaged women, and families wished for according to their wish cards, so that love can be “passed on from passionate hearts”.

In 2022, the subsidiary of the Company, Darwin Precisions (Suzhou) Corp., donated RMB \$80 thousand to the “BenQ Foundation” in order to promote the development of public welfare undertakings.

The Company has engaged the following social and public agenda as in the following table:

Agenda of Long-Term Engagement	Activities engaged	Impacts on the Company and Employees	Impact on the Public
Care for the environment	Mountain cleaning hikes Beach cleaning	Employees are encouraged to get closer to nature and appreciate the importance of environmental conservation.	“Beach Cleaning” and “Mountain Cleaning Hikes” charity events were held from time to time where the plant is located to invite colleagues and their families to take a stroll in nature and practice sustainability through actions by protecting the nature together, implementing environmental protection and green life. The various plants cleaned a total of 50 kilograms of general garbage and recycled 7 kilograms of resources.
Care for the communities	Blood donation and local farmer’s market	Employees are encouraged to care about the community development and fulfill the responsibilities as a good neighbor.	To fulfill the duty of feed backing to the society, each plant of the Darwin sponsored eight local small farmers' special sales and four blood donation events in 2022. With the promotions by the nurses at each plant, to invite employees for blood donation. employees donated a total of 83,500 ml of blood and the number of blood donations reached 237 in 2022. This is to give a hand to the medical care in each location.

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Agenda of Long-Term Engagement	Activities engaged	Impacts on the Company and Employees	Impact on the Public
Charitable support	Warmth in winter, book donations and Dreams-come-true program for Christmas.	Foster compassion and philanthropy among employees.	<p>Promote the positive developments of social welfare institutions, and care the underprivileged together.</p> <ol style="list-style-type: none"> 1. In 2022, the Company, AUO Foundation and BenQ Foundation collaborated to participate in the “Student Literacy Scholarship Fund Raising” and “99 for Charity” campaign. The Company invited employees to participate in the fundraising project, together for good, which raised a total of NT\$208 thousand. 2. In 2022, the Company’s employees collected Christmas gifts for homeowners, disadvantaged women and families of the Hsinchu Good Shepherd Social Welfare Foundation, and spent a marvelous Christmas time with the children and disadvantaged families to bring them some warmth and happiness during Christmas.

(VII) Fulfillment of Ethical Corporate Management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reason for any such deviations

Evaluation Item		Operating Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reason.
		Yes	No	Description	
I. Establishment of ethical corporate management policies and programs	(I) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		In the employee’s manual, it is specified that ethics are the principle for all employees to observe, and the “Ethical Corporate Management Best Practice Principles” are disclosed on the Company’s website. The performance of ethical management is reported to the Board of Directors annually based on the “Ethical Corporate Management Best Practice Principles” in place. For robust ethical management, the HR Center is in charge of the formulating and implementing of the ethical management policies and preventive measures, checking and evaluating whether the preventive measures established for implementation of integrity management are operating effectively, and regularly checks the compliance status of relevant business processes and should be reported to senior management. The Company should be reported to the board of directors for supervision at least once a year. Meanwhile, the following actions are taken to implement the ethical management: 1. The “Ethical Corporate Management Best Practice Principles” are disclosed on the Company’s website and the ESG section discloses the ethical management policies, along with the annual campaign of employee ethical conducts and the ethical statement. 2. Produce promotional contents regarding integrity and ethics, to be broadcast on the Company’s electronic bulletin board, such as intellectual properties, commercial integrity, protection of personal information, promotion of anti-trust and anti-corruption. 3. Annual trainings related to ethic management are arranged.	No material deviation.
	(II) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement	✓		To implement ethical management, the Company has the “Ethical Corporate Management Best Practice Principles” and the “Codes of Ethical Management Policy” as the foundations for the management and employees to observe, and regularly or irregularly analyzes and evaluates possible occurrences within the business scope. Potential unethical risks are used to formulate measures to prevent unethical, and standard operating procedures and behavior guidelines related to work and business are stipulated in each plan to facilitate compliance. In the Company’s employee’s manual, it is specified that the Company may take disciplinary	No material deviation.

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		Yes	No	Description	
	<p>programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>			<p>actions pursuant to the laws should there be any violations to the principles, in order to promote the prevention of unethical conduct.</p> <p>In the Corporate Ethic Policy, the Company states the prevention measures to the following unethical conduct.</p> <ul style="list-style-type: none"> ● Prohibition of offering and acceptance of bribes ● Prohibition of illegal political donations ● Prohibition of improper charitable donations or sponsorships ● Prohibition of offering or acceptance of unreasonable presents or hospitality, or other improper benefits ● Prohibition of infringing on intellectual property rights ● Prohibition of conducting unfair competition ● Prevention of harmful products/services to stakeholders <p>In the orientation provided on the first day on-board, all new recruits are required to understand the Procedures for Managing Employee Ethics and the Employee's Code of Conduct, which are available to them in the employee's manual. Furthermore, promotions are made via the internal communication channels from time to time, so that both management and employees appreciate that the ethic is a core value of the Company.</p>	
	<p>(III) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	✓		<p>The Company values ethics and integrity greatly and has formulated the "Ethical Corporate Management Best Practice Principles," "odes of Ethical Management Policy" and "The Rewards and Disciplinary sanctions Policy." To implement and enhance the ethics in the core of employees, the HR department holds the "Ethical Education" courses regularly and continuously promotes the standards of integrity conduct.</p>	No material deviation.
II. Implementing ethical operation	<p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	✓		<ol style="list-style-type: none"> 1. All vendors with a business relationship must sign a promissory note of ethical transaction; rights and obligations of both parties when concluding contracts are specified therein. 2. Ethical requirements are specified in the employment contracts to all employees. 	No material deviation.

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	(II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		For robust ethical management, the HR Unit is in charge of the formulating of the ethical management policies and preventive measures, as well as supervising the implementation should be reported to the board of directors at least once a year. The ethical management implementation of the year is disclosed on the Company's website. The Company has reported the ethical management implementation of 2022 to the Board of Directors on February 6, 2023, including: <ul style="list-style-type: none"> ●Target and implementation of ethical management. ●Annual trainings related to ethic management are arranged. ●Produce promotional contents regarding integrity and ethics, to be broadcast on the Company's electronic bulletin board, such as commercial integrity, protection of personal information and promotion of anti-trust. 	No material deviation.
	(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		1. The "Rules and Procedures of Board of Director Meetings" set for the recusal system, requires directors to recuse themselves if they have interests in any proposal and may be harmful to the Company's interest, they shall refrain from the discussion and poll with recusal. 2. Conflicts of interests shall be reported to the line managers or to the President's mailbox.	No material deviation.
	(IV) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		The Company has established the effective "accounting system" and "internal control system" pursuant to laws. The internal audit unit will regularly assess unethical conduct risk and formulate audit plans, perform relevant audits according to its plans and perform project audits as needed, while regularly reporting to the Audit Committee and the Board of Directors for the results of the inspection, so that the management would understand the implementation of the internal control for the purpose of management.	No material deviation.

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	(V) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		<p>The ethics promotion course is included in the orientation to the newly recruited. All functions carry out the promotions of the related ethic concept. General education courses of ethics and integrity are conducted regularly every year. The electronic signatures are required for verification. The ethical and integral conducts are continuously promoted.</p> <p>In order to establish the internal ethical norms, strengthen corporate governance and adopt to the government's initiatives of partnering with enterprises for anti-corruption, in 2022 two courses, namely general courses of ethic and integrity and antitrust law were arranged.</p>	No material deviation.
III. Operation of the integrity channel	(I) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		<p>The Company has established the "Organizational Communication Management Policy" and the "Channels for Whistleblowers and Whistleblower Protection Mechanisms." Upon the acceptance of a whistleblowing complaint, an investigation will be assigned based on the duties. The related parties in the investigations will be kept confidential pursuant to the Personal Information Protection Act. If any illegal or unethical facts are known to any concerned persons when conducting business, they may report to their line managers or report such incident via the internal Employee Opinion Box and the auditors and HR will investigate the reports.</p> <p>The Company has set up an audit mailbox: Auditcommittee@darwinprecisions.com for internal and external parties to report any illegal (including corruption) and unethical conduct. The Chairman designate the head of the audit unit as the investigation unit to be responsible for handling the reporting cases.</p> <p>In addition, the "Organizational Communication Management Policy" are established under the "Procedures for Communication Management within the Organization" to encourage and support stakeholders to report and feedback pursuant to the laws. Attacking or retaliating against whistleblowers by any party is strictly forbidden. The content of the report should be sufficient and specific, including the real name, contact information, information of the alleged person(s). The whistleblowers can remain anonymous. The unit in charge will observe the requirements of confidentiality. The acceptance of whistleblowing, investigation and outcomes shall be documented for five-year retention by the dedicated unit.</p> <p>The Company has various internal channels, such as the sexual harassment complaint mailbox, the</p>	No material deviation.

Evaluation Item		Operating Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reason.
		Yes	No	Description	
				President's mailbox and the Employee Opinion Box. Periodic labor-employer meetings are convened pursuant to the laws for promoting labor-employer interactions.	
	(II) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		The Company has established the "Organizational Communication Management Policy" and the "Channels for Whistleblowers and Whistleblower Protection Mechanisms." Upon the acceptance of a whistleblowing complaint, an investigation will be assigned based on the duties. The related parties in the investigations will be kept confidential pursuant to the Personal Information Protection Act. After receiving the accusation, the relevant unit shall register each case, truthfully record and accept the accusation, and inform the informant of the investigation or handling results within two months of receiving the accusation; if it cannot be informed within the time limit, it shall explain the reason to the informant.	No material deviation.
	(III) Does the Company adopt proper measures to protect a whistle blower from retaliation for his/her whistle-blowing?	✓		Pursuant to the "Channels for Whistleblowers and Whistleblower Protection Mechanisms," unless otherwise required by laws, the personal information and information provided and privacy of the whistleblowers are protected and kept confidential with proper measures. All departments of the Company and agencies or organizations that have jurisdiction over the reported unit, the person reported, and the content of the report shall cooperate with each other in accordance with their respective responsibilities, accept reports according to law, and jointly do a good job in protecting the legitimate rights and interests of the whistleblower. No unit or individual shall interfere with or hinder the undertaking unit and its staff from accepting reports and investigating and handling reported cases according to law. Anyone who violates the provisions of this article shall be given disciplinary sanctions depending on the severity of the circumstances; if a crime is constituted, criminal responsibility shall be investigated according to law.	No material deviation.
IV.	Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company discloses the content and performance of the "Ethical Corporate Management Best Practice Principles" on the Company's website.	No material deviation.
V.	If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.: The Company has established the ethical corporate management principles pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies." The implementation does not differ materially to the				

Evaluation Item	Operating Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reason.												
	Yes	No	Description													
established principles.																
<p>VI. Other important information to facilitate better understanding of the company's ethical corporate management practices: (<i>e.g.</i>, reviewing and amending the company's corporate management best practice principles).</p> <p>For robust ethical management, the HR Unit is in charge of the formulating of the ethical management policies and preventive measures, as well as supervising the implementation should be reported to the board of directors at least once a year.</p> <p>Meanwhile, the following actions are taken to implement the ethical management:</p> <ol style="list-style-type: none"> 1. The "Ethical Corporate Management Principles" are disclosed on the Company's website and the ESG section discloses the ethical management policies, along with the annual campaign of employee ethical conducts and the ethical statement. 2. Produce promotional contents regarding integrity and ethics, to be broadcast on the Company's electronic bulletin board, such as intellectual properties, commercial integrity, protection of personal information, promotion of anti-trust and anti-corruption. 3. Annual signing through electronic means of "Code of Ethics and Integrity". 4. Require the signing of "Integrity Transaction Agreement" and "Declaration of Conformity with Supplier/Outsourcer Code of Conduct" before any transaction with suppliers or vendors. 5. Annual trainings related to ethic management are arranged: 																
<table border="1"> <thead> <tr> <th>Description of Course</th> <th>Number of employees attending trainings in 2022</th> <th>Total training hours</th> </tr> </thead> <tbody> <tr> <td>Ethic, integrity and generalist courses</td> <td>3,105</td> <td>1,552.5</td> </tr> <tr> <td>Sharing and promotion of anti-trust practice</td> <td>42</td> <td>21</td> </tr> <tr> <td>Promotion of insider trading regulations and prevention</td> <td>30</td> <td>117</td> </tr> </tbody> </table>					Description of Course	Number of employees attending trainings in 2022	Total training hours	Ethic, integrity and generalist courses	3,105	1,552.5	Sharing and promotion of anti-trust practice	42	21	Promotion of insider trading regulations and prevention	30	117
Description of Course	Number of employees attending trainings in 2022	Total training hours														
Ethic, integrity and generalist courses	3,105	1,552.5														
Sharing and promotion of anti-trust practice	42	21														
Promotion of insider trading regulations and prevention	30	117														

(VIII) Inquiries to the Corporate Governance Best Practice Principles and Other Regulations

1. The Company has established the Corporate Governance Best Practice Principles and other regulations as follows:
 - (1) Article of Incorporation
 - (2) Rules of Procedures of Shareholders Meeting
 - (3) Rules and Procedures of Board of Director Meetings
 - (4) Rules for the Election of Directors
 - (5) Remuneration Committee Organization Procedure
 - (6) Audit Committee Charter
 - (7) Codes of Ethical Conduct for Directors and Managerial Officers
 - (8) Handling Procedures for Acquisition or Disposition of Assets
 - (9) Handling Procedures for Capital Lending
 - (10) Handling Procedures for Endorsement and Guarantee
 - (11) Corporate Governance Principles
 - (12) Ethical Corporate Management Principles
 - (13) ESG Best Practice Principles

- (14) Regulations Governing the Board Performance Evaluation
- (15) Policy and Procedures for Risk Management
- (16) Rules and Procedures for Internal Material Information
- (17) Ethics and Integrity Handbook
- (18) Channels for whistleblowers and whistleblower protection mechanisms

2. Inquiry method: Inquiry may be made under “Investor Relations/Corporate Governance/Major Internal Regulations” (<https://www.darwinprecisions.com>), or the “Regulations to Establish Corporate Governance” under “Corporate Governance” at MOPS (<https://mops.twse.com.tw>) for downloading.

- (IX) Other information to facilitate better understanding of the company’s operations of corporate governance:
- The Company has the “Rules and Procedures for Internal Material Information,” to specify the handling and disclosure mechanisms for the internal material information, for the directors, managerial officers and employees to comply with. The related procedures have been submitted to the Board of Directors and approved, before being announced in the Company, with the trainings to all employees.
- (X) Implementation of the internal control system
1. Statement of Internal Control System: Please refer to Appendix 1.
 2. If certified public accountants (CPAs) are retained to conduct a special audit of the company's internal control systems, the audit report shall be disclosed: None.
- (XI) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the results of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings and condition of improvement: None of great impact.
1. For the fines of environmental pollution, please refer to Chapter V. Operations Highlights- Disbursements for Environmental Protection in the annual report (page 94).
 2. For the fines of labor dispute, please refer to Chapter V. Operations Highlights- Labor Relations in the annual report (page 97).

(XII) Material resolutions of a shareholders' meeting or a board of directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Materials resolutions of 2022 AGM and implementations

Key resolutions	Implementation
<ul style="list-style-type: none"> ◆ Accepted 2021 Business Report and Financial Statements. ◆ Accepted the proposal for 2021 deficit compensation. ◆ Approved to amend the Articles of Incorporation ◆ Approved to amend the “Rules of Procedures for Shareholders Meeting” ◆ Approved to amend the “Handling Procedures for Acquisition or Disposal of Assets” 	<ul style="list-style-type: none"> ◆ Resolution approved, and announcement was made on MOPS and the Company’s website. ◆ Resolution approved, and announcement was made on MOPS. ◆ Resolution approved, the revised Articles of Incorporation effected on June 15, 2022 and was announced on the MOPS on the same day, and has been updated and disclosed on the company’s website. In addition, on July 7, 2022, it was approved by the Ministry of Economic Affairs to complete the company change registration ◆ Resolution approved, the revised Rules of Procedures for Shareholders Meeting effected on June 15, 2022, and was announced on the MOPS on the same day, and has been updated and disclosed on the company’s website. ◆ Resolution approved, the revised Handling Procedures for Acquisition or Disposal of Assets effected on June 15, 2022, and was announced on the MOPS on the same day, and has been updated and disclosed on the company’s website.

2. Material resolutions of a board of directors' meeting from 2022 up to the date of publication of the annual report

Date of meeting	Material resolutions
1st 2022 February 8, 2022	<p>Accepted the Internal Control Systems Declaration for 2021</p> <p>Accepted the 2021 Parent Company Only and Consolidated Financial Statements</p> <p>Approved the banking facilities guarantee between subsidiaries</p> <p>Approved to cancel the endorsement and guarantee of the subsidiary for the Company</p> <p>Approved the 2022 service items, fees and independence assessment of the Certified Public Accountant</p> <p>Approved the 2022 Company’s and subsidiaries’ capital expenditure budget</p> <p>Approved the date of convening the 2022 Annual General Shareholders’ Meeting, meeting agenda, submission period of shareholder proposals</p> <p>Approved the 2021 managerial officers performance bonus and annual compensation</p> <p>Approved the amendment to 2022 Managerial Officers Compensation Policy, Institution, Standard and Structure</p> <p>Approved the 2022 encouraging employee for retain talents</p> <p>Approved the renewal and addition of banking facilities</p> <p>Approved the amendments of the “Corporate Governance Principles”, “ESG Best Practice Principles” and “Policy and Procedures for Risk Management”</p>
2nd 2022 April 21, 2022	<p>Accepted the Consolidated Financial Statements for the period ended March 31, 2022</p> <p>Accepted the 2021 Business Report</p> <p>Accepted the proposal for 2021 deficit compensation</p> <p>Approved the increase/reduction of the Company’s and subsidiaries 2022 capital expenditure budget</p> <p>Approved the amendment of “Article of Incorporation”</p> <p>Approved the amendment of “Rules and Procedures of Shareholders Meeting”</p> <p>Approved the amendment of “Handling Procedures for Acquisition or Disposition of Assets”</p> <p>Approved to amend the agenda of the 2022 Annual General Shareholders’ Meeting</p> <p>Approved the changes of Managerial Officers</p> <p>Approved the 2022 managerial officers compensation</p> <p>Approved the additional banking facilities</p>
3rd 2022 June 22, 2022	<p>Approved the disposition of the Company’s real estate</p>
4th 2022	<p>Approved the part control procedures amendment of “Internal Control Systems”</p>

Date of meeting	Material resolutions
July 25, 2022	Accepted the Consolidated Financial Statements for the period ended June 30, 2022 Approved the subsidiary's funds lending Approved the increase/reduction of the Company's and subsidiaries 2022 capital expenditure budget Approved the addition and renewal of banking facilities
5th 2022 October 21, 2022	Accepted the Consolidated Financial Statements for the period ended September 30, 2022 Approved the increase/reduction of the Company's and subsidiaries 2022 capital expenditure budget Approved the 2023 annual audit plan Approved the amendment of "Rules and Procedures for Internal Material Information" Approved the additional banking facilities
1st 2023 February 6, 2023	Accepted the Internal Control System Declaration for 2022 Approved to formulate the allocation ratio of employees remuneration and directors remuneration Approved distribution amount of employees remuneration and directors remuneration in 2022 Accepted the 2022 Parent Company Only and Consolidated Financial Statements. Approved the 2023 service items, fees and independence assessment of the Certified Public Accountant Approved the 2023 Company's and subsidiaries' capital expenditure budget Approved the date of convening the 2023 Annual General Shareholders' Meeting, means of convening, meeting agenda, submission period of shareholder proposals and nomination Approved the 2022 managerial officers performance bonus and annual compensation Approved the amendment to 2023 Managerial Officers Compensation Policy, Institution, Standard and Structure Approved the 2023 encouraging employee for retain talents Approved the renewal and addition of banking facilities Approved the amendment of the "Corporate Governance Principles" Approved the managerial officer personnel

(XIII) During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(IVX) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer and chief research and development officer:

April 16, 2023

Title	Name	Appointment Date	Dismissal Date	The Reason of Resignation or Dismissal
Vice President and Chief Research and Development Officer	Wen-Yi Lin	October 1, 2014	April 21, 2022	Job Relocation

Note: Refers to the date of initial appointment to the position of Manager Officer

V. Information on Attesting CPA Professional Fees

(I) CPA professional fees

Unit: NT\$ (thousands)

Name of Accounting Firm	Name of Accountants	Audit Period	Audit Fee	Non-Audit Fees	Total	Remarks
KPMG Certificated Public Accountants, Taiwan	Shyh-Huar Kuo Chun-Yuan Wu	January 1, 2022 to December 31, 2022	3,660	1,210	4,870	The non-audit fees were the Transfer Pricing Report, Tax Compliance Audit and English Financial Report Translation.

(II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. Information about replacement of CPAs:

If any CPA was replaced in the recent two years and afterwards:

(I) About the former CPA

Date of replacement	May 14, 2021 (Note)		
Replacement reasons and explanations	Due to the internal adjustment of KPMG Certificated Public Accountants, Taiwan, Chien-Hui Lu, CPA was replaced by Chun-Yuan Wu, CPA.		
Describe whether the Company terminated or the CPA did not accept the appointment	Counterpart		Client
	Status	Accountant	Client
	Termination of appointment	—	—
The Opinions other than Unqualified Opinions issued within the last two years and cause thereof	No longer accepted (continued) the appointment		
	None		
Differences with the Company	Yes	Accounting principles or practices	
		Disclosure of financial report	
		Scope or steps of audit	
		Others	
	None	✓	
Other disclosures (To be disclosed under the sub-paragraphs 6.1(4)~(7) of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	Description		
	None		

Note: KPMG Taiwan informed the Company via correspondence on May 14, 2021, stating their internal adjustment and thus the certifying CPAs would be replaced since the audit of the 2021 Q2 financial statements. This has been reported to the Board of Directors on July 26, 2021.

(II) About the successor CPA

Name of Accounting Firm	KPMG Certificated Public Accountants, Taiwan
Name of Accountants	Chun-Yuan Wu, CPA
Date of commission	May 14, 2021
Consultation about the accounting treatment or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation results.	None
Written opinion from the successor CPA regarding the matters disagreed by the former CPA	None

(III) The former CPA's response to the items referred to in the sub-paragraphs 6(1) and (2)3 of Article 10 of the Standards: None.

VII. Name of Auditing Firm or Its Affiliates at Which the Company's Chairman, President or Managers Responsible for Financial or Accounting Matters was an Employee over the Past Year, His/Her Position and Employment Period: None.

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

(I) Changes in shares held by of directors, supervisors, managerial officers and shareholders holding 10% or more of shares:

Unit: shares

Title	Name	2022		2023 up to April 16	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director and major shareholder	AUO Corporation	0	0	0	0
Representative of the Director, Chairman and CEO	Kuo-Hsin (Michael) Tsai	89,323	0	135,376	0
Representative of the Director, President	Sheng-Kai (SK) Huang	74,437	0	113,326	0
Representative of the Director	Frank Ko	0	0	0	0
Director	Hsuan-Bin Chen	0	0	0	0
Independent Director	I-Shih Chen	0	0	0	0
Independent Director	Cheng-Chung Li	0	0	0	0
Independent Director	Huei-Shih Lung	0	0	0	0
Vice President	KC Feng	70,191	0	83,964	0
Vice President and Chief Finance Officer	Kuo-Tai Ching (Note 2)	(7,681)	0	69,568	0
Associate Vice President	Martin Tsai	66,740	0	81,967	0
Associate Vice President	Danny Huang	129,770	0	91,273	0
Associate Vice President	Limbo FJ	66,740	0	91,274	0
Associate Vice President	Allen Lan	28,642	0	52,496	0
Associate Vice President	Wenbin Wu	34,370	0	66,101	0
Associate Vice President	CC Lee	34,370	0	66,099	0
Associate Vice President	Hermann Yen	16,509	0	31,016	0

Note 1: Referring to these who still serve in the position on the publication date of the annual report. Referring to the increase (decrease) in shares held when serving as the director or managerial officer of the Company.

Note 2: The Board of Directors of the Company approved the appointment of the Chief Finance Officer, Kuo-Tai Ching as Vice President on February 6, 2023.

(II) Any counterpart of a share transfer is a related party: None.

(III) Any counterpart of a share pledge is a related party: None.

IX. Relationship information, if among the company's top ten shareholders any one is a related party, or spousal relationship or a relative within the second degree of kinship of another

April 16, 2023; Unit: thousand shares; %

Name	Shares held by the shareholder		Shareholding of spouses and minor children		Shareholdings by nominee arrangement		Related parties, or spousal relationship or relatives within the second degree of kinship, among top ten shareholders, including their names and relationships		Remarks
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Name	Relationship	
AUO Corporation Representative: Shuang-Lang (Paul) Peng	190,108	28.56	0	0.00	0	0.00	Konly Venture Corp. Ronly Venture Corp.	Affiliate	-
Konly Venture Corp. Representative: Shuang-Lang (Paul) Peng	42,598	6.40	0	0.00	0	0.00	AUO Corporation Ronly Venture Corp.	Affiliate	-
Ronly Venture Corp. Representative: Shuang-Lang (Paul) Peng	40,509	6.09	0	0.00	0	0.00	AUO Corporation Konly Venture Corp.	Affiliate	-
Cai Weng Meihui	11,626	1.75	0	0.00	0	0.00	-	-	-
Trust Holding for Employees for DARWIN PRECISIONS CORPORATION	6,840	1.03	0	0.00	0	0.00	-	-	-
Polunin Emerging Markets Small Cap Fund, LLC	6,505	0.98	0	0.00	0	0.00	-	-	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	5,858	0.88	0	0.00	0	0.00	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	5,338	0.80	0	0.00	0	0.00	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	4,663	0.70	0	0.00	0	0.00	-	-	-
J.P. MORGAN SECURITIES LTD	4,427	0.67	0	0.00	0	0.00	-	-	-

Note: The information is the entries recorded on the shareholders' register on date of book closure (April 16, 2023).

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

December 31, 2022; Unit: thousand shares

Invested enterprise (Note 1)	Investment made by the Company		Investment by directors, supervisors and managerial officers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)	Shares	Shareholding percentage (%)
Forhouse International Holding Ltd.	22,206	100.00	—	—	22,206	100.00
Forefront Corporation	653	100.00	—	—	653	100.00
Darwin Precisions (L) Corp.	91,846	100.00	—	—	91,846	100.00
BriView (L) Corp. (Note 1)	36,000	29.71	—	—	36,000	29.71
DARWIN SUMMIT CORPORATION LTD. (Note 1)	40	40.00	—	—	40	40.00
Forward Optronics International Corporation	—	—	19,000	100.00	19,000	100.00
Fortech International Corp.	—	—	6,503	100.00	6,503	100.00
Darwin Precisions (Hong Kong) Limited	—	—	10	100.00	10	100.00
Fortech Electronics (Suzhou) Co., Ltd.	—	—	—	100.00	—	100.00
Suzhou Forplax Optronics Co., Ltd.	—	—	—	100.00	—	100.00
Forhouse Electronics (Suzhou) Co., Ltd.	—	—	—	100.00	—	100.00
Darwin Precisions (Suzhou) Corp.	—	—	—	100.00	—	100.00
Darwin Precisions (Xiamen) Corp.	—	—	—	100.00	—	100.00

Note 1: Long-term investment through the equity method by the Company

Chapter IV. Capital Overview

I. Capital and Shares

(I) Share Capital

Unit: share; NTD

Month/Year	Issuance Price (NTD)	Approved Share Capital		Paid-in Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Shares paid with properties other than cash	Others
October 1989	10	500,000	5,000,000	500,000	5,000,000	Capital of foundation	None	-
May 1995	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase in cash for NTD25,000,000	None	-
November 1997	10	19,000,000	190,000,000	19,000,000	190,000,000	Capital increase in cash for NTD140,000,000 Capital increase from surplus for NTD20,000,000	None	-
October 1998	10	30,000,000	300,000,000	30,000,000	300,000,000	Capital increase in cash for NTD90,000,000 Capital increase from surplus for NTD20,000,000	None	Note 1
October 1999	12 10	70,000,000	700,000,000	40,900,000	409,000,000	Capital increase in cash for NTD49,000,000 Capital increase from surplus for NTD60,000,000	None	Note 2
September 2000	14 10	70,000,000	700,000,000	48,500,000	485,000,000	Capital increase in cash for NTD49,000,000 Capital increase from surplus for NTD27,000,000 (Including the capital increase from the employees' bonus for NTD6,550,000)	None	Note 3
October 2001	32 10	70,000,000	700,000,000	70,000,000	700,000,000	Capital increase in cash for NTD157,900,000 Capital increase from surplus for NTD57,100,000 (Including the capital increase from the employees' bonus for NTD8,600,000)	None	Note 4
August 2002	10	140,000,000	1,400,000,000	86,000,000	860,000,000	Capital increase from surplus for NTD160,000,000 (Including the capital increase from the employees' bonus for NTD20,000,000)	None	Note 5

Month/Year	Issuance Price (NTD)	Approved Share Capital		Paid-in Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Shares paid with properties other than cash	Others
September 2003	10	240,000,000	2,400,000,000	96,000,000	966,000,000	Capital increase from surplus for NTD106,000,000 (Including the capital increase from the employees' bonus for NTD20,000,000)	None	Note 6
February 2004	26.64	240,000,000	2,400,000,000	98,191,587	981,915,870	Convertible bonds (I) converted to common shares for NTD15,915,870	None	Note 7
April 2004	26.64	240,000,000	2,400,000,000	99,107,499	991,074,990	Convertible bonds (I) converted to common shares for NTD9,159,120	None	Note 8
August 2004	30 26.64	240,000,000	2,400,000,000	116,060,932	1,160,609,320	Capital increase in cash for NTD110,000,000 Convertible bonds (I) converted to common shares for NTD59,534,330	None	Note 9
November 2004	10 25.15	280,000,000	2,800,000,000	127,238,191	1,272,381,910	Capital increase from surplus for NTD69,553,750 Convertible bonds (I) converted to common shares for NTD42,218,840	None	Note 10
January 2005	25.15 31.15	280,000,000	2,800,000,000	131,444,315	1,314,443,150	Convertible bonds (I) and (II) converted to common shares for NTD42,061,240	None	Note 11
March 2005	25.15 31.15	280,000,000	2,800,000,000	140,575,467	1,405,754,670	Convertible bonds (I) and (II) converted to common shares for NTD91,311,520	None	Note 12
May 2005	54.6	280,000,000	2,800,000,000	172,575,467	1,725,754,670	Capital increase in cash for NTD320,000,000	None	Note 13
June 2005	25.15 31.15	330,000,000	3,300,000,000	174,120,378	1,741,203,780	Convertible bonds (I) and (II) converted to common shares for NTD15,449,110	None	Note 14
September 2005	10	330,000,000	3,300,000,000	202,006,698	2,020,066,980	Capital increase from surplus for NTD278,863,200 (Including the capital increase from the employees' bonus for NTD20,000,000)	None	Note 15
September 2005	25.15 26.86	330,000,000	3,300,000,000	202,591,765	2,025,917,650	Convertible bonds (I) and (II) converted to common shares for NTD5,850,670	None	Note 16
December 2005	26.86	330,000,000	3,300,000,000	202,632,718	2,026,327,180	Convertible bonds (II) converted to common shares for NTD409,530	None	Note 17

Month/Year	Issuance Price (NTD)	Approved Share Capital		Paid-in Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Shares paid with properties other than cash	Others
March 2006	26.86	330,000,000	3,300,000,000	202,640,164	2,026,401,640	Convertible bonds (II) converted to common shares for NTD74,460	None	Note 18
October 2006	10	330,000,000	3,300,000,000	230,983,364	2,309,833,640	Capital increase from surplus for NTD283,432,000 (Including the capital increase from the employees' bonus for NTD20,000,000)	None	Note 19
October 2006	23.56	330,000,000	3,300,000,000	231,581,835	2,315,818,350	Convertible bonds (II) converted to common shares for NTD5,984,710	None	Note 20
March 2007	22.10	330,000,000	3,300,000,000	232,263,835	2,322,638,350	Employees' warrants converted to common shares for NTD6,820,000	None	Note 21
May 2007	23.56 22.10	330,000,000	3,300,000,000	261,525,791	2,615,257,910	Capital increase in cash for NTD250,000,000 Convertible bonds (II) converted to common shares for NTD29,159,560 Employees' warrants converted to common shares for NTD13,460,000	None	Note 22
October 2007	23.56 19.90	400,000,000	4,000,000,000	277,856,903	2,778,569,030	Capital increase from surplus for NTD151,265,510 (Including the capital increase from the employees' bonus for NTD20,000,000) Convertible bonds (II) converted to common shares for NTD7,215,610 Employees' warrants converted to common shares for NTD4,830,000	None	Note 23
November 2007	19.90	400,000,000	4,000,000,000	278,296,403	2,782,964,030	Employees' warrants converted to common shares for NTD4,395,000	None	Note 24
April 2008	30.67 19.90	400,000,000	4,000,000,000	278,828,108	2,788,281,080	Convertible bonds (III) converted to common shares for NTD2,967,050 Employees' warrants converted to common shares for NTD2,350,000	None	Note 25

Month/Year	Issuance Price (NTD)	Approved Share Capital		Paid-in Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Shares paid with properties other than cash	Others
September 2008	109	520,000,000	5,200,000,000	339,144,748	3,391,447,480	Capital increase from surplus for NTD103,166,400 Capital increase from private placement in cash for NTD500,000,000	None	Note 26
October 2009	10	520,000,000	5,200,000,000	400,840,406	4,008,404,060	Employees' warrants converted to common shares for NTD29,555,380 Convertible bonds (III) converted to common shares for NTD41,549,680 Privately placed unsecured convertible bonds converted to common shares for NTD545,851,520	None	Note 27
February 2010	10	520,000,000	5,200,000,000	420,501,471	4,205,014,710	Employees' warrants converted to common shares for NTD48,550,580 Convertible bonds (III) converted to common shares for NTD148,060,070	None	Note 28
June 2010	10	520,000,000	5,200,000,000	421,373,963	4,213,739,630	Employees' warrants converted to common shares for NTD3,725,000 Convertible bonds (III) converted to common shares for NTD4,999,920	None	Note 29
November 2010	10	700,000,000	7,000,000,000	544,714,214	5,447,142,140	Merged with Taiwan Nano Electro-Optical Technology Co., Ltd. with NTD1,233,402,510	None	Note 30
December 2010	10	700,000,000	7,000,000,000	546,286,503	5,462,865,030	Employees' warrants converted to common shares for NTD12,415,000 Convertible bonds (III) converted to common shares for NTD3,307,890	None	Note 31
April 2011	10	700,000,000	7,000,000,000	546,592,628	5,465,926,280	Employees' warrants converted to common shares for NTD3,061,250	None	Note 32
July 2011	10	700,000,000	7,000,000,000	547,079,560	5,470,795,600	Employees' warrants converted to common shares for NTD4,869,320	None	Note 33
July 2011	10	700,000,000	7,000,000,000	497,612,560	4,976,125,600	Treasury shares written off for NTD494,670,000	None	Note 34

Month/Year	Issuance Price (NTD)	Approved Share Capital		Paid-in Share Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Share Capital	Shares paid with properties other than cash	Others
September 2011	10	700,000,000	7,000,000,000	497,725,060	4,977,250,600	Employees' warrants converted to common shares for NTD1,125,000	None	Note 35
November 2011	10	700,000,000	7,000,000,000	473,919,560	4,739,195,600	Employees' warrants converted to common shares for NTD235,000 Treasury shares written off for NTD238,290,000	None	Note 36
March 2012	10	700,000,000	7,000,000,000	473,932,310	4,739,323,100	Employees' warrants converted to common shares for NTD127,500	None	Note 37
June 2012	10	700,000,000	7,000,000,000	481,715,633	4,817,156,330	Employees' warrants converted to common shares for NTD5,369,500 Convertible bonds (III) converted to common shares for NTD72,463,730	None	Note 38
August 2012	10	700,000,000	7,000,000,000	481,747,633	4,817,476,330	Employees' warrants converted to common shares for NTD320,000	None	Note 39
April 2013	10	700,000,000	7,000,000,000	456,330,633	4,563,306,330	Employees' warrants converted to common shares for NTD600,000 Treasury shares written off for NTD254,770,000	None	Note 40
May 2013	10	700,000,000	7,000,000,000	456,353,883	4,563,538,830	Employees' warrants converted to common shares for NTD232,500	None	Note 41
December 2014	10	850,000,000	8,500,000,000	781,245,114	7,812,451,140	Issued NTD4,294,763,830 to merge BriView Corporation; and NTD1,045,851,520 was written off due to the merger.	None	Note 42
March 2015	10	850,000,000	8,500,000,000	749,967,114	7,499,671,140	Treasury shares written off for NTD312,780,000	None	Note 43
November 2015	10	850,000,000	8,500,000,000	735,806,114	7,358,061,140	Treasury shares written off for NTD141,610,000	None	Note 44
June 2016	10	850,000,000	8,500,000,000	700,516,114	7,005,161,140	Treasury shares written off for NTD352,900,000	None	Note 45
November 2016	10	850,000,000	8,500,000,000	665,555,114	6,655,551,140	Treasury shares written off for NTD349,610,000	None	Note 46

Note 1: July 21, 1998, (1998) Tai-Cai-Zheng (I) No. 59473.

Note 2: July 21, 1999, (1999) Tai-Cai-Zheng (I) No. 63133.

Note 3: July 10, 2000, (2000) Tai-Cai-Zheng (I) No. 59075.
 Note 4: July 18, 2001, (2001) Tai-Cai-Zheng (I) No. 144189.
 Note 5: July 9, 2002, (2002) Tai-Cai-Zheng (I) No. 0910137128.
 Note 6: July 15, 2003, (2003) Tai-Cai-Zheng (I) No. 0920131560.
 Note 7: February 10, 2004, Jing-Shou-Shan-Zhi No. 09301020600.
 Note 8: April 28, 2004, Jing-Shou-Shan-Zhi No. 09301068960.
 Note 9: August 16, 2004, Jing-Shou-Shan-Zhi No. 09301153960.
 Note 10: November 10, 2004, Jing-Shou-Shan-Zhi No. 09301207930.
 Note 11: January 21, 2005, Jing-Shou-Shan-Zhi No. 09401008020.
 Note 12: May 3, 2005, Jing-Shou-Shan-Zhi No. 09401078350.
 Note 13: June 7, 2005, Jing-Shou-Shan-Zhi No. 09401099000.
 Note 14: August 25, 2005, Jing-Shou-Shan-Zhi No. 09401167670.
 Note 15: October 12, 2005, Jing-Shou-Shan-Zhi No. 09401199980.
 Note 16: October 20, 2005, Jing-Shou-Shan-Zhi No. 09401207630.
 Note 17: February 13, 2006, Jing-Shou-Shan-Zhi No. 09501024530.
 Note 18: April 21, 2006, Jing-Shou-Shan-Zhi No. 09501073250.
 Note 19: October 2, 2006, Jing-Shou-Shan-Zhi No. 09501222080.
 Note 20: October 19, 2005, Jing-Shou-Shan-Zhi No. 09501236040.
 Note 21: March 30, 2007, Jing-Shou-Shan-Zhi No. 09601060690.
 Note 22: May 7, 2007, Jing-Shou-Shan-Zhi No. 09601098380.
 Note 23: October 30, 2007, Jing-Shou-Shan-Zhi No. 09601266860.
 Note 24: November 20, 2007, Jing-Shou-Shan-Zhi No. 09601282890.
 Note 25: April 11, 2008, Jing-Shou-Shan-Zhi No. 09701087800.
 Note 26: September 12, 2008, Jing-Shou-Shan-Zhi No. 09701235420.
 Note 27: November 18, 2009, Jing-Shou-Shan-Zhi No. 09801267350.
 Note 28: March 26, 2010, Jing-Shou-Shan-Zhi No. 09901045920.
 Note 29: June 25, 2010, Jing-Shou-Shan-Zhi No. 09901125390.
 Note 30: November 11, 2010, Jing-Shou-Shan-Zhi No. 09901251790.
 Note 31: December 31, 2010, Jing-Shou-Shan-Zhi No. 09901291900.
 Note 32: April 26, 2011, Jing-Shou-Shan-Zhi No. 10001083160.
 Note 33: July 28, 2011, Jing-Shou-Shan-Zhi No. 10001171710.
 Note 34: July 29, 2011, Jing-Shou-Shan-Zhi No. 10001163610.
 Note 35: September 28, 2011, Jing-Shou-Shan-Zhi No. 10001222980.
 Note 36: November 24, 2010, Jing-Shou-Shan-Zhi No. 10001263060.
 Note 37: March 19, 2012, Jing-Shou-Shan-Zhi No. 10101047480.
 Note 38: June 27, 2012, Jing-Shou-Shan-Zhi No. 10101119980.
 Note 39: August 17, 2012, Jing-Shou-Shan-Zhi No. 10101171470.
 Note 40: April 2, 2013, Jing-Shou-Shan-Zhi No. 10201052080.
 Note 41: May 24, 2013, Jing-Shou-Shan-Zhi No. 10201088290.
 Note 42: December 23, 2014, Jing-Shou-Shan-Zhi No. 10301264500.
 Note 43: March 17, 2015, Jing-Shou-Shan-Zhi No. 10401046610.
 Note 44: November 20, 2015, Jing-Shou-Shan-Zhi No. 10401246500.
 Note 45: June 28, 2016, Jing-Shou-Shan-Zhi No. 10501134320.
 Note 46: November 22, 2016, Jing-Shou-Shan-Zhi No. 10501268820.

April 16, 2023

Types of Shares	Approved Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Registered Common Shares	665,555,114	184,444,886	850,000,000	Listed Shares

Information Related to Shelf Registration: N/A

(II) Shareholder Structure

Base date of shareholdings : April 16, 2023

Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign Institutions and others	Total
Quantity						
Persons	4	10	47	50,745	118	50,924
Shares Held	198,535	9,055,004	278,275,144	329,843,062	48,183,369	665,555,114
Shareholding percentage (%)	0.03	1.36	41.81	49.56	7.24	100.00

(III) Distribution of Equity Ownership

1. Common shares

Base date of shareholdings : April 16, 2023

Shareholding category	Number of shareholders	Shares Held	Shareholding percentage (%)
1 to 999	18,537	3,011,913	0.45%
1,000 to 5,000	22,461	51,749,004	7.78%
5,001 to 10,000	4,874	39,870,972	5.99%
10,001 to 15,000	1,425	18,290,044	2.75%
15,001 to 20,000	1,084	20,477,470	3.08%
20,001 to 30,000	882	22,992,512	3.45%
30,001 to 40,000	416	15,128,364	2.27%
40,001 to 50,000	320	15,000,785	2.25%
50,001 to 100,000	524	38,648,265	5.81%
100,001 to 200,000	219	30,529,819	4.59%
200,001 to 400,000	101	27,252,574	4.09%
400,001 to 600,000	33	15,945,728	2.40%
600,001 to 800,000	11	8,028,724	1.21%
800,001 to 1,000,000	3	2,649,973	0.40%
1,000,001 and above	34	355,978,967	53.48%
Total	50,924	665,555,114	100.00%

2. Preferred shares: the Company has not issued any preferred shares.

(IV) List of Major Shareholders (Top ten shareholders who own most shares)

Base date of shareholdings : April 16, 2023; Unit: shares

Name of major shareholder	Shares	Shareholding shares	Shareholding percentage
AUO Corporation		190,107,961	28.56%
Konly Venture Corp.		42,598,076	6.40%
Ronly Venture Corp.		40,509,046	6.09%
Cai Weng Meihui		11,626,000	1.75%
Trust Holding for Employees for DARWIN PRECISIONS CORPORATION		6,840,302	1.03%
Polunin Emerging Markets Small Cap Fund, LLC		6,505,000	0.98%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS		5,857,900	0.88%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank		5,338,000	0.80%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		4,662,570	0.70%
J.P. MORGAN SECURITIES LTD		4,426,577	0.67%

(V) Market value, net value, earnings and dividends per share during the most recent two years

Unit: NTD

Item		Fiscal year	2021	2022	As of March 31, 2023
Market price per share (Note 1)	Highest		18.90	16.50	10.95
	Lowest		9.90	8.20	8.61
	Average		14.55	12.36	9.99
Net value per share	Before distribution		13.84	14.02	Note 8
	After distribution (Note 2)		13.84	Note 7	-
Earnings per share	Weighted average number of shares (thousand shares)		665,555	665,555	665,555
	Earnings per share (Note 3)		(0.98)	0.19	Note 8
Dividends per share	Cash dividends		-	Note 7	-
	Stock dividends	Out of earnings	-	Note 7	-
		Out of additional paid-in capital	-	Note 7	-
	Accumulated, unpaid dividends		-	Note 7	-
ROI analysis	Price earnings ratio (Note 4)		-	55.79	Note 8
	Price dividend ratio (Note 5)		-	Note 7	-
	Cash dividends yield (Note 6)		-	Note 7	-

Note 1: List the highest and lowest market price of each year and calculate the average market price based on the turnover volume and value each year.

Note 2: List based on the number of shares outstanding at the end of the year and the distribution resolved by Board of Directors or the AGM next year.

Note 3: Refers to the basic earnings per share.

Note 4: P/E ratio = Average closing price per share for the year/Earnings per share. Earnings per share of 2021 was negative and not calculated.

Note 5: P/D ratio = Average closing price per share during the current fiscal year/Cash dividends per share.

Note 6: Cash dividend yield = Cash dividends per share/Average closing price per share for the current year.

Note 7: Earnings distribution is subject to the resolution of the Board of Directors or 2023 annual general meeting

Note 8: As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

(VI) Dividends policy and Implementation

1. Dividends policy in the Articles of Incorporation

The dividends policy in the Articles of Incorporation in effect:

Article 18-2

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. Certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulations or as requested by the competent authority. If there is still remaining earning, it shall be combined with the accumulated undistributed earnings for the Board of Directors to prepare an earnings distribution proposal in order to execute the distribution thereof through resolution according to the laws. Dividend distribution in the form of shares in whole or in part shall be approved by the shareholders' meeting. Dividend distribution in the form of cash shall be approved by the Board of Directors and a report of such distribution shall be submitted to the shareholders' meeting. The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan. The shareholders' dividend distribution ratio, in principle, could be zero percent to eighty percent of the distributable earnings. The ratio of the cash dividends paid shall not be less than thirty percent of the total amount of the cash and stock dividends paid in the current year.

2. The intended dividends distribution proposed in this AGM

As of the publication date of the annual report, the Board of Directors has not yet approved the proposal for 2022 earnings distribution. The Company will convene a Board meeting 40 days prior to the annual general meeting, as required by law, to resolve it. The related information will be announced on MOPS at that time.

3. If a material change in dividend policy is expected, provide an explanation: No material change.

(VII) The effects of stock grants proposed at this shareholders' meeting on business performance and earnings per share:

The Company has not disclosed the financial forecasts for 2023, and thus this is not applicable.

(VIII) Employee and directors' remuneration

1. The Articles of Incorporation stipulation

The Articles of Incorporation of the Company in effect stipulates that:

(1) Article 18:

Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 1% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration.

(2) Article 18-4:

The employees who are entitled to the bought back shares to be transferred by the Company, employee stock option, employees remunerations in the form of shares or cash, the new shares reserved for employees subscription in the Company's share offering and restricted employee stock include employees of subsidiaries of the Company meeting certain specific qualifications and the Board of Directors or the person duly designated by the Board of Directors is authorized to decide such qualifications and allocation.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee compensation and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company estimates the employees and the directors' compensation based on the profit of the year (*i.e.*, the profit where the pre-tax income deducting the compensation distributed to employees and directors), deducting the accumulated losses and multiplying the percentage of employees and directors' compensation specified on the resolution of Board of Directors. Such compensation will be recorded as operating costs or proper item under the operating expenses based on the nature of employees and directors' compensation. Should there be any changes after the publication date of the financial statement next year, such changes will be treated as accounting estimation change and the effect of such changes will be recognized as income/loss of the next year.

3. Information on any approval by the board of directors of distribution of compensation:

(1) Remuneration to employees and directors allocated in cash or in the form of stock bonus:

The Board of Directors of the Company approved the employees' and directors' remuneration for 2022, and paid NT\$15,814,345 in cash for employees and NT\$1,581,435 for directors. There is no difference from the estimated amount of the recognized expense year.

(2) The amount of employees' remuneration distributed in shares and the percentage in the net profit after tax in the parent-only or individual financial statements and in the total employees' remuneration:

The Company does not distribute employees' remuneration in shares and thus this is not applicable.

4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and if there is any discrepancies between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause and how it is treated: The Company has pre-tax loss for 2021 and thus no employees' and directors' remuneration were estimated. There were no distribution in 2022, either. The actual amount is identical to the estimated amount.

- (IX) Status of a company repurchasing its own shares: For the recent year up to the publication date of the annual report, the Company has not repurchased any shares.
- II. Issuance of Corporate Bonds (including unretired bonds and unissued bonds for which an issue is currently under preparation)
- (I) Issuance of corporate bonds: None.
 - (II) Convertible corporate bonds: None.
 - (III) Exchange corporate bonds: None.
 - (IV) Corporation bonds for shelf registration: None.
 - (V) Corporation bonds with warrants: None.
- III. Issuance of Preferential Shares (outstanding and unissued shares for which an issue is currently under preparation)
- (I) Issuance of preferential shares: None.
 - (II) Preferential shares with warrants: None.
- IV. Global Depositary Receipts (receipts issues that remain partially outstanding, and on unissued receipts for which an issue is currently under preparation): None.
- V. Issuance of Employee Share Subscription Warrants
- (I) The unexpired employee subscription warrants issued by the company in existence as of the date of publication of the annual report, and shall explain the effect of such warrants upon shareholders' equity: None.
 - (II) The names of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives as of the date of publication of the annual report: None.
- VI. Issuance of New Restricted Employee Shares
- (I) For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, the annual report shall disclose the status up to the date of publication of the annual report and the effect on shareholders' equity: None.
 - (II) Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of publication of the annual report: None.
- VII. New shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies
- (I) During the current fiscal year up to the date of publication of the annual report, the company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company: None.
 - (II) The Board of Directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company: None.
- VIII. Implementation of the Capital Allocation Plans
- (I) For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement: None.
 - (II) For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement: Not applicable.

Chapter V. Operational Highlights

I. Business

(I) Scopes

1. Major Businesses of the Company

Numbe	Code	Description of Business
1	CC01080	Electronics Components Manufacturing
2	CC01120	Data Storage Media Manufacturing and Duplicating
3	CQ01010	Mold and Die Manufacturing
4	C805010	Manufacture of Plastic Sheets, Pipes and Tubes
5	C805050	Industrial Plastic Products Manufacturing
6	C805990	Other Plastic Products Manufacturing
7	CA02990	Other Metal Products Manufacturing
8	CE01990	Other Optics and Precision Instrument Manufacturing
9	CC01030	Electrical Appliances and Audiovisual Electronic Products Manufacturing
10	F401010	International Trade
11	I501010	Product Designing
12	CC01040	Lighting Equipment Manufacturing
13	ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Sales Weight of Each Product in 2022

Product	Sales amount (thousand NTD)	Weight (%)
LCD monitor & Modules	10,894,224	75.31
Optronic Products & Precision component	3,571,366	24.69
Total	14,465,590	100.00

3. Current Products and Services

The Company is a leading manufacturer that integrates the upstream and downstream, from optical components, precision machine parts and molds, and full-size backlight modules to television products and services. We produce professional backlight module products including LCD TVs, personal monitors, notebooks, and automotive monitors.

4. New Products (Services) Intended to be Developed

With the full support from the industry R&D team and technical cooperation, the Company, combining the enterprises under the same group, developed various display modules (including desktop displays, notebooks, automotive displays, public information displays, medical displays and smart bus stop systems, smart traffic display system, and etc.), related component module product technologies (including medical, electric vehicles, light guide plates, LED Lens, metal and plastic parts, and insert molding parts, etc.) and OLED mask (FMM) and precision mold production). In order to provide clients a one-stop complete design services, the company constructs a one-stop service, from product planning, R&D designing, to the complete product manufacturing. Furthermore, to let the consumers experience a vertically integrated total solution, the Company covers all the design of key component, backlight, and LCD panel, and the development of production and manufacturing mold. Combining all the benefits as above, the Company developed the unique core capabilities to grasp the global competitive advantages.

Therefore, the Company focuses on the development of the following new technologies and products:

Technologies/ Products Developed	Description of Function
Development of brightened LGP (High Efficiency)	The newly developed pyramid structure dots may directly increase the brightness of the BLU through the horizontal and vertical light collection characteristics of the pyramid to meet the energy-saving requirements. Applicable to side-lit backlights below 32.”
Development of backlight modules for privacy screens	Incorporating the processing technology of the double-sided nano-graded structure of the light guide plate, the visual range of the screen is effectively shrunken, for better privacy of the user, and a peep-proof notebook backlight module is developed.

Technologies/ Products Developed	Description of Function
Development of Frontlight LGP (applied EPD and RLCD)	By minimizing the microstructure, the vision of human eyes will be more micro-transparent, and the structure is optimized, the contrast and brightness of screen is enhanced and the readability of front lit products are greatly improved.
Technology integrating IMD and IME	IMD: A film with printed characters or images is applied to the surface of plastic products in the “embedded injection molding” process through the injection molding method. IME: After adding the printed circuit to the film in the IMD process, through the injection molding method, the molding and decoration or circuit can be achieved simultaneously, to effectively reduce the thickness of the finished product and the assembly time.
Development of curved LGP for automotive	Combining precision molds and molding technology with advanced optical design simulation, the curved light guide plates (LGP) for automotive are developed, to meet the diversified applications in automotive dashboards, center consoles and rear mirrors. Currently, the 12.3”Curved LG has mass production and the future development is oriented to 34” Curved Bar Type LG(12.3 x2).
Automotive Display Modules With Switchable Viewing Angles	Monitors for co-drivers have the need for electronically switchable viewing angles in consideration of driving safety. The proposal currently proposed by the Company is a dual-layer backlight structure. The upper half is responsible for the light-field of the sharing state. The lower half is responsible for the light-field of the private state.
High-efficiency NB Backlight Modules	New film structures were designed to work with the microstructures on the light guide plate in order to extract the highest optical efficiency. It is applied on portable monitors and can prolong the battery life of products significantly.
Automotive Mini LED Backlight	A lamp cup design was adopted with new five-sided light-emitting LEDs to design a backlight module with local dimming effects.
Ultra-thin LGP Injection Process	An ultra-thin pmma/pc LGP was developed by improving the molding technologies and optimizing the injection parameters.
Development of technology for high brightness and energy-saving of outdoor displays	Developing high-resolution displays with ultra-high brightness, energy-saving area backlight control, combined with high-efficiency heat dissipation, water and dust-proof, weather-resistant and sunshine-resistant. Develop total solutions of large-sized display applications, such as outdoor station signs and video walls, while providing customized and standardized design modules for clients to choose from.
Development of public information display with electronic paper	Utilizing the ultra-low power consumption feature of electronic paper, with a single-chip processor core, a public message display for remote broadcast may be provide via communication technologies such as BLE/4G/WiFi/LAN. Its low power consumption enables the power supply from solar panels and batteries to be possible, without connection to the grid.
Smart Field System Development	The Company combines various display devices (LCD/EPD/...) with front-end devices and back-end management systems with functioning operating systems, and integrates various third-party systems (ToF/Face Recognition/...) required for different scenarios to achieve the functions required by customers.
FPGA applications for professional display products	Apply the programmable logic gates of FPGA to achieve hardware acceleration functions meeting product requirements, or to generate hardware circuit functions not available in general ICs via programmable logic. Features HDR display, photography assistance ... and other functions to meet the needs of real-time confirmation of the quality of photography.
Charging Piles	Charging pile products that met customer needs were provided

Technologies/ Products Developed	Description of Function
	by utilizing our existing system integration (software and hardware) and mechanical appearance design capabilities in combination with third-party modules, such as charging modules, wheel stops, and image recognition cameras, etc.
Floating display	The matrix lens is used with special graphics files, to make the image appear three-dimensional. Applicable to non-contact touch products.
Location-Based Service (LBS)	Displays different contents based on the location information. The contents may be updated remotely via the internet.
Development of fine metal masks (FMM)	Responding to the demands to high resolution, flexible, and large display products, the FMMs meeting the end-demands are developed. Fine metal masks are mainly applied to various OLED panels, such as smart phones, watches, bracelets, VR, displays for automotive, notebooks, tablets and other display products.

(II) Industry overview

1. Current status and development of the industry

With the coming of 5G communication era, the vigorous development of artificial intelligence (AI), the era of application services for connecting everything through the internet has come. The traditional flat-panel displays merely providing simple display function can no longer satisfy the increasingly demands of users toward multi-functional digital integration services. The new forms of display technologies and systematic solutions of application services integrating machinery vision, image/voice recognition functions, and cloud computing and storage, will become an important development trend for the next generation of display industry.

We respond to changes in future life styles, including remote and work from home, medical care needs, decision-making vehicle demands derived from the combination of AIoT systems, energy-saving and low-carbon design requirements derived from sustainable environmental development, demand for interactive technology derived from the connection of ubiquitous smart life, as well as information security protection issues arising from more convenient information and transactions. The future of displays will shift to niche products to drive the industry toward emerging applications. The industry is oriented to various vertical applications, including the consumer market, retail market, health care, transportation, education and entertainment. The focus shall be put on the application areas such as smart devices, automated mass transportation, remote health monitoring, electronic billboards, Internet of Vehicles and air traffic monitoring. For specific vertical applications, the development of products through the integration of software and hardware will be an opportunity for the industry to create new peaks in the future.

In the future, the advent of new technologies and applications in various industries will present a diversified and rapidly developing market. Driven by the new ecosystem of 5G, Big Data, Artificial Intelligence of Things (AIoT) and electric vehicles, new technologies and product differentiation in the display, semiconductor, and medical care industries will become key forces for future market competition.

2. Correlations among the up-, mid- and downstream industries

The Company's main products are the key components of flat panel displays. The upstream, midstream and downstream structures of the flat panel display industry are listed as follows:

Upstream industries	Glass substrate, color filter, polarizer, driver IC, printed circuit board, fine metal mask, optical grade acrylic plate, light guide plate, backlight source, liquid crystal, electronic paper, etc.
Mid-stream industries	Backlight modules, and LCD modules, among other things
Downstream industries	LCD TVs, tablets, notebooks, desktop displays, mobile communications, commercial displays, e-books and other electronic products.

3. Development trends and competition of products

Development trends of products:

Products and services	Development trends
Backlight modules and LCD modules	Mini LED / Micro LED display, 3D display, curved display, high-brightness/ultra-thin/ultra-narrow bezel display, touch panel technology, flexible electronic paper display technology, AMOLED display technology
Key components	Privacy protection light guide plates technology, high-brightness ultra-power-saving light guide plates made with fly-cutting technology and optical components for mini Lens Sheet and Guiding Lens.
System integration solutions	Touch display solutions, smart healthcare solutions, and smart mobility solutions
Ultra-precision processed components	Fine metal masks, semiconductor package and other precision metal processing applications

Competition status:

Competitors	Business	Business in competition
Coretronic Corporation	Digital projectors, backlight and touch modules, industrial and medical displays	Backlight modules and LCD displays
Radiant Opto-Electronics Corporation	LGPs and backlight modules	LGPs and backlight modules
Wistron Corporation	Computer systems, servers and network storage equipment, home appliances and communication products	OEM assembly of LCDs and end products
Dai Nippon Printing Co., Ltd	Displays and electronic components in the electronic machinery industry	Fine metal masks

(III) Overview of technologies and developments

1. Research and development expenditures during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

Fiscal year	2021	2022
Total R&D Expenses (NT\$ thousands)	321,001	355,674

2. The successfully developed technologies or products during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

A. Design and development capabilities for direct backlight (including mini LED Back Light)

- a-1. Reduce product thickness by controlling the light source design with reflective lens
- a-2. Development of thin light guide lens to achieve ultra-thin backlight design
- a-3. Development of microstructure boards has reduced the number of LEDs or thickness of the product
- a-4. With diffuser printing, the number of LEDs is effectively reduced
- a-5. Development of reflective sheet printing optics and ink development to optimize the visual quality of the module in the screen
- a-6. Backlight area control to achieve high contrast effect
- a-7. Development of new structure and emboss on the lamp board to reduce the thickness of the product
- a-8. Design and process the structure on the surface of the mini LED light board to reduce the number of LEDs
- a-9. Designed lamp cup structures to use on automotive monitors, which can solve the problem of the Hello Effect.

B. Design and development capabilities of edge-in backlight

- b-1. New microstructure pattern meets high brightness requirements
- b-2. Mass production and design of highly directional structure LGP
- b-3. Development and design of a new generation microstructure pattern for ultra-brightness
- b-4. Designed new prism sheets to work with microstructure light guide plates, further improving BLU luminance.

C. Precision optical design and processing technology application development

- c-1. Electric carving process technology development: able to improve the brightness efficiency of the backlight module; applicable to TV/MNT/GD/NB
- c-2. Electric carving process technology development: able to improve the brightness and contrast of the front light module, and applicable to the front light panel
- c-3. Two-way V-cut processing, with depth accuracy of $\pm 0.1\mu\text{m}$
- c-4. Dot intermittent V-cut. Able to vastly improve hot spot taste and reduce the product border.

D. Backlight modules for narrow-bezel thin type notebook

- d-1. Design and manufacture of inserts in the integral iron and plastic frame

- d-2. Design and manufacture of ultra-thin light guide plate
 - d-3. Design and manufacture of 4.0mm ultra-narrow light-in bezel
 - d-4. Design and manufacture of ultra-thin module (1.7mm)
 - d-5. With design and development high-brightness and energy-saving LGP
 - d-6. 16" 0.45t LGP injection development.
- E. Development capability of 6.5"- 34" backlight modules for automotive
- e-1. Development and design technology for injected/compressed molds
 - e-2. Manufacturing process of engineering ultra-precision and high-precision parts
 - e-3. Development and design of thin or curved light guide plates
 - e-4. Development and design of iron and plastic products for automotive
 - e-5. Development and design of integrated iron and plastic inserts for automotive
 - e-6. Development and design of narrow bezel modules
 - e-7. Lamp cup mini-LEDS backlight design.
- F. Development of fine metal masks (FMM)
- f-1. Development and production of FMM required for smartwatches OLED panels
 - f-2. Development and production of FMM required for smartphones OLED equipment
 - f-3. Development of FMM for large-size(Pad/Notebook/Monitor, 8"-30") OLED displays
- G. Development of environmental and energy-saving SDM monitor for public information
- g-1. Design of 2K/4K high-brightness panel backlight module
 - g-2. Mechanism design supporting vertical, horizontal and video wall hanging
 - g-3. Hardware design supporting signal wake-up and video wall display function
 - g-4. Software design supporting remote control, scheduled automatic switch on/off, multimedia playback... etc.
 - g-5. High brightness, heat dissipation and dust- and waterproof structure design (IP 5X, IP 6X)
 - g-6. Standardized module design, compatible with products of various brightness specifications
 - g-7. May be used with Intel SDM module, with built-in software and hardware control interface
 - g-8. Compliant with European regulations Erp and Energy Star 8.0 design specifications
- H. Development of digital billboard and smart bus stop system
- h-1. Android APK design, customization of software function and display interface
 - h-2. Mechanism with dust- and waterproof design, system heat dissipation design, sunshine-resistant, suitable for outdoor environment
 - h-3. Displaying real-time train/bus information and advertising push function
 - h-4. Design of backstage management system that sets up the smart bus stops and replaces contents of advertising broadcasted through the internet
 - h-5. Active bus stop hardware monitoring, keeping real-time control over the operation of bus stops, and improving management convenience
 - h-6. APK remote updating, improve product function scalability
- I. Development of electronic paper for public display application system
- i-1. T-CON board design for e-paper panel, responding to various e-paper panel drive requirements
 - i-2. Design of solar power supply system, for independent power supply to reduce demand on external power
 - i-3. Design, function and display interface customization of Linux software
 - i-4. Water- and dust-proof design for mechanism to meet the conditions of outdoor environment use
 - i-5. Design of backstage management system that detects and sets up displays and replaces contents of advertising push
 - i-6. The front light panel lighting design improves the visibility at night and texture of the product
 - i-7. Development of low-power consumption system board to extend battery standby time
 - i-8. Remote software update, for convenient system maintenance
- J. POS device based on modular design.
- j-1. POS products for restaurants, cinemas, gas stations, etc.
 - j-2. To meet the needs of customers for various product combinations, the components are modularized to enhance mutual compatibility, and to extend various functional products.
 - j-3. Splash-proof design, whole-device strength design, overall stability design, ID design
- K. Field System Development - Application of Foot Traffic Control System and Intelligent Display Board
- k-1. Android APK design, customization of software function and display interface
 - k-2. Mobile e-paper based display board with dust- and waterproof design, system heat dissipation design, making it sunshine-resistant and suitable for outdoor environment
 - k-3. Integrate ToF foot traffic statistics system to collect real-time foot traffic information, update the traffic status through the display device and send SMS notifications to management staff to achieve crowd control.
 - k-4. LCD display boards replaces paper posters and can dynamically rotate alternating information such as political adverts and public notices, which can be controlled by a central control system and freely adjusted.

- k-5. When integrated with an AI face recognition system, the link between the advertisement and the viewer can be effectively calculated, providing advertisers with effective data analysis to improve the effectiveness of advertising.
- k-6. Backend management system design allows for setting the smart display device (LCD/EPD) online so as to flexibly change the multimedia push content.
- k-7. Active intelligent display device hardware monitoring, real-time monitoring of the operational status of the intelligent display device to enhance the convenience of management.
- k-8. APK remote updates, enhancing expandability of product functions.

L. Charging pile equipped with 49.5" large screen monitor (Level 2).

- l-1. IP55 waterproof and dustproof design, able to operate normally even under harsh weather.
- l-2. Development of heat dissipation system, allowing high-brightness modules to operate normally outdoors even under sunlight, ensuring their reliability.
- l-3. Suitable materials and processing methods were selected for the structural strength to meet the style designed by the customer; able to resist level 14 strong winds.
- l-4. Suitable materials and processing methods were selected to meet the style designed by the customer.

(IV) Long and Short-Term Business Development Plans

The Company attaches great importance to the research and development abilities and sophisticated production techniques, the Company is a leading provider of integrated upstream and downstream services from optical components, precision manufactured parts and molds, full-size backlight modules to TV products. The Company produces professional backlight module products including LCD TVs, personal monitors, notebook and automotive monitors. To improve efficiency and strengthen competitive advantages, we integrate the upstream supply chain of light guide plates and iron parts, and set up a panel module assembly process and a backlight module design, R&D and manufacturing company. Furthermore, in addition to possessions of various R&D patents in domestic, Europe, the U.S, Japan and other places, the Company also continuously strives to improve and breakthrough in terms of production technology; new technologies, new light sources and new materials applications are developed to become a professional manufacturer that effectively integrates electronics, optics, mechanism design, injection molding, precision screen printing and other mass production technology vertically.

1. Short-Term Business Development Plans

- A. Ultra-precision optical technology design and machining, optical mold development and other technologies.
DARWIN also completed the research and development and manufacturing of privacy protection light guide plates and high-brightness ultra-power-saving light guide plates made with fly-cutting technology. The products obtained certification from international customers and officially entered mass production and shipment.
- B. Backlight Display Technology of a Mini LED: The Company owns patented designs for light guide lens, structured films, and network layout to guide the direction of lights to improve the overall luminous efficiency; it is used with local dimming and has the features of lightweight, energy-saving, high color, high brightness, and luminance. It allows the thickness of the direct-light-type light guide plate to be the same as the wedge-type light guide plate, maintaining superior high brightness, high contrast, and wide gamut performances.
- C. Development of design and manufacturing capabilities that combine modules such as optical and mechanical components, including metal parts, plastic parts, light guides, backlights and display panel modules and systems. This provides customers with an array of cutting-edge products that offer wide-ranging applications in the automotive, industrial control systems, medical equipment, photography, and education sectors, which enhance technical capabilities and overall derived value of the products.
- D. In the precision components business (FMM, fine metal masks for OLED applications), the company has focused on the research and development of FMMs used in high-resolution products. The components are commonly used in smartwatches, smartphones and Tablet/Notebook OLED products. DARWIN has also actively planned the research and development of large-size FMMs for large-size OLED (>10") panels, in line with the future development trend of AMOLED display sizes.

2. Long-Term Business Development Plans

- A. Maintain the company's stable and healthy operating environment, strengthen technological innovation and research and development capabilities, and actively drive patent portfolio management. In response to the future development trends of the display panel industry, we will continue to refine the production scale of high-end optical components and FMMs (fine metal masks for OLED applications) to increase the company's market share and profitability.
- B. Accelerate our competitive advantages in optical components and display technology, and seek new business opportunities in the semiconductor, automotive and medical equipment industries. DARWIN will continue to optimize its core technologies and extend them to various related applications, such as semiconductor packaging, automotive electronics, medical services and high-end display systems. By crossing over into diversified application scenarios, DARWIN shall explore additional growth opportunities and enhance the company's overall enterprise value.

II. Analysis of the market, the production and marketing situation

(I) Market analysis

1. Geographic areas where the main products (services) of the company are provided (supplied)

Unit: NT\$ (thousands)

Area	Fiscal year	2022	
		Amount	Percentage (%)
Domestic sales		3,695,854	25.55%
Foreign sales	Asia	10,571,211	73.08%
	Others	198,525	1.37%
Total		14,465,590	100.00%

2. Market share

The major products of the Company are LCD displays, LCD backlight modules and panel modules. In 2022, the global LCD display monitor shipments were about 158 million units in total; the total shipments of notebooks were about 220 million units; and the total shipments of automotive display panels were 180 million. In 2022, the Company's shipments of monitor panel modules were approximately 5.5 million, with a market share of approximately 3.5%; the shipments of notebook backlight and panel modules were approximately 11 million, with a market share of approximately 5%; and automotive backlight module shipments were about 2.8 million, with a market share of approximately 1.6%.

3. The future demand and supply conditions for the market and the growth potential

In 2022, demands reversed and dropped rapidly due to global political and economic situations; the global shipments of notebook computers declined quarter after quarter, and TrendForce statistics show that the shipments for the year were only 186 million units, with an annual decrease of 24.5%. The destocking by brand factories is expected to end by mid-2023; even though inflation is expected to ease off in the first half of 2023, but the impact to the market is still at its peak. The outlook for 2023 is that the world will still be under the oppression of political and economic uncertainty, and it is estimated that there will be an annual decrease of 7.8%, where the shipments will only be 171 million units. However, the global netbook market is expected to start gradually warming up in 2024, and competition in the processor platform will become more fierce; this will benefit and improve the cost performance of notebook products. In addition, under the benefit of machine replacement driven by new next generation processors, the scale of the global notebook market will be boosted and return to a growing trend; the scale will reach up to over 200 million units per year after 2025. In 2022, the shipments of monitor panels declined quarter by quarter, and the shipments for the year were only 158 million units, with an annual decrease of 8.8%. The first quarter of 2023 is expected to be the rock bottom of shipments; after the inventory of the overall supply chain returns to a healthy standard, brand purchasing power will gradually recover, and the subsequent shipment of monitor panels is expected to increase each quarter. It is estimated that the decline in annual shipments for 2023 will drop to 5.8%, reaching 149 million units.

The demands that consumers have for automobiles will gradually change from being a simple moving tool to the so-called "third living space". With the emergence of the smart cockpit concept fueled by electric and self-driving vehicles, the number of panels equipped within a single vehicle will continue to increase, and more large-sized and specification monitors will be used, giving panel industries more room to be unleashed in the field of smart mobility. Relevant output values and business opportunities are expected to reach the standard of tens of billions of USD within the next 5 years. In 2022, the shipments of automotive panels reached 185 million units; automotive displays will march towards the trends of 1.5 meter width full vehicle display, transmogrified, transparent display, and high resolution (250 ppi), etc., along with the demand for high dynamic contrast (HDR), local dimming, and wide gamut, the shipments of automotive display panels are expected to reach 241 units by 2026. The compound growth rate from 2022-2026 will be 7%.

With the gradual expansion of China's flexible AMOLED production capacity, its development in the small mobile phone market has gradually increased its influence. In order to reduce the huge flexible AMOLED production capacity, panel manufacturers are actively optimizing their costs to target the mid-range mobile phone market with larger market shares. In addition, another mid-sized market is notebook computers; it is estimated that the number of AMOLED notebook computers made up approximately 1.2% of the overall notebook market in 2022, and will be approximately 1.7% in 2023. The decisive key that will accelerate the development of AMOLED panels in the mid-sized market comes from the future plans that Apple have for their iPad and Macbook series products. It is expected that in the next 1~2 years, panel manufacturers will still focus on the development of mid-sized notebook products using their existing production capacities and technologies, and use this as a basis for the development of large-generation production capacity. Meanwhile, discussion and planning on the production capacity and technology of 8.5-Gen line RGB deposition AMOLED will also be carried out.

4. Competitive niche

A. Advantages of consolidated resources from the Group:

With a global strategy, the Company produces professional backlight module products including LCD TVs, personal monitors, notebook and automotive monitors. The upstream light guide plate, mold design and key component production technology are integrated. By incorporating Group, a panel module assembly process is established, the

Company becomes company designs, develops and manufactures key components and backlight modules.

B. Advantages from chemical precision processing:

The Company continues to improve the R&D and design capabilities of chemical precision processing technology, while constantly striving for improvement and breakthroughs in production technology, developing new technologies and new material applications, to become professional manufacturer of precision screen printing for mass production

C. Advantages of optical machine integration and one-stop production model:

The Company has relevant component module product technologies (including light guide plates, LED lens, and iron-plastic parts), to provide clients with one-stop complete design services, which are a vertical integrated design and manufacturing services from key component design, mold manufacturing and development, backlight modules, LCD modules to the whole sets, not only the product development timeline is shortened, but also the production efficiency is improved.

D. Well-rounded operational strategies:

The Company's management is divided as R&D, sales, supply chain, manufacturing, quality control and other teams. In addition to maintaining good product quality and improving production efficiency by strengthening the company's core technologies through R&D capabilities, the Company has been evolving better via the complete talent incubation and cost management system, to strengthen the competitiveness in the market, while maintaining the Company's dominant position in the key components of high precision and high technology.

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

Positive factors:

A. Ecosystem of ultra-high resolution and O2O

Consumers demand better visual quality, immersive experience and better appearance for large-size display products. As the global UHD 4K/8K ecosystem gradually matures, in the future, seamless splicing display products equipped with ultra-high resolution, free size and free form, will be able to provide consumers with a more realistic visual experience and perfect images. As 5G high-speed communication environment will be gradually built around the world in the future, consumers will be provided with faster transmission and high-quality real-time communication services. Therefore, the development of system integration technologies, such as O2O interactive display, sensing, perception and information security. The applications of new display technologies such as AR/VR/MR and 3D full pixels will be realized.

B. Smart IoT business opportunities

The gradual commercialization of 5G will help to expand service applications that require both speed and stability, through finer network coverage and higher efficiency of data transmission, ultra-reliability and low-latency communications. In the future 5G IoT environment, the number of connected devices will increase rapidly and developments of new business models and applications will be accelerated to bring more diversified and extensive display applications. Meanwhile, various applications advance to large sizes and the areas required by panels will continue to grow. Smart retailing, smart entertainment, smart on-board equipment, smart medical and other application fields all requires value-added application products including ultra-high resolution, curved surface, wide gamut, ultra-high dynamic contrast technology, integrated touch and floating to exploit the integrated advantages to enhance added value, create differentiated and high-value products with technological diversity and embrace the business opportunities in the era of smart Internet of Things.

Negative factors and response:

A. The general trend of over-supply of panel production capacity has not changed

In recent years, competitors in China have concentrated on high-generation production lines and continued to expand production capacities, which in turn has impacted the balance of supply and demand of panels. However, production capacity is no longer the only competitive advantage. Manufacturers must, through high-quality technology capabilities and integration capabilities, develop advanced display technologies and application systems, including emerging technologies as smart sensing, O2O and information security, while developing differentiated materials and green technology for manufacturing, for further enhancing product value.

● Responses:

Actively vertically integrate upward and improve ODM technical capabilities, hoping to reduce the impact of price cuts through the benefits of industrial chain integration and technological improvement. In addition, clients are provided with one-stop complete design services, from key component design, mold manufacturing and development, backlight module, LCD and other key component design to the whole set design as a vertically integrated manufacturing services, as well as customized products at any time, to shorten product development schedule for creating added value and optimizing product cost structure.

B. Saturation of mainstream consumer product market

The demands for consumer products such as LCD TVs, tablets and smartphones have become gradually saturated in mature markets in recent years. The overall shipments and growth of the panel market have gradually slowed down. However, with the emergence of cloud communications, big data and the Internet of Things, new application business opportunities are introduced to the display market. For the future outlook, the smart display system to meet four major application demands, namely smart retail, smart mobile, smart medical and smart recreation, is established and by incorporating innovative business models and application service solutions including AI, 5G, blockchain and other technologies, it will be able to create higher value for products and services and realize digital

transformation.

● Responses:

Incubate a new business with the economic scale of backlight module assembly, and actively develop the applications of new technologies and new materials. Improve the R&D and design capabilities of chemical precision processing technology. With the new needs of the professional display, semiconductor, automotive and medical industries as the next stage of the Company's development and growth, we will play the role of a key component supplier and bring new development to the Company.

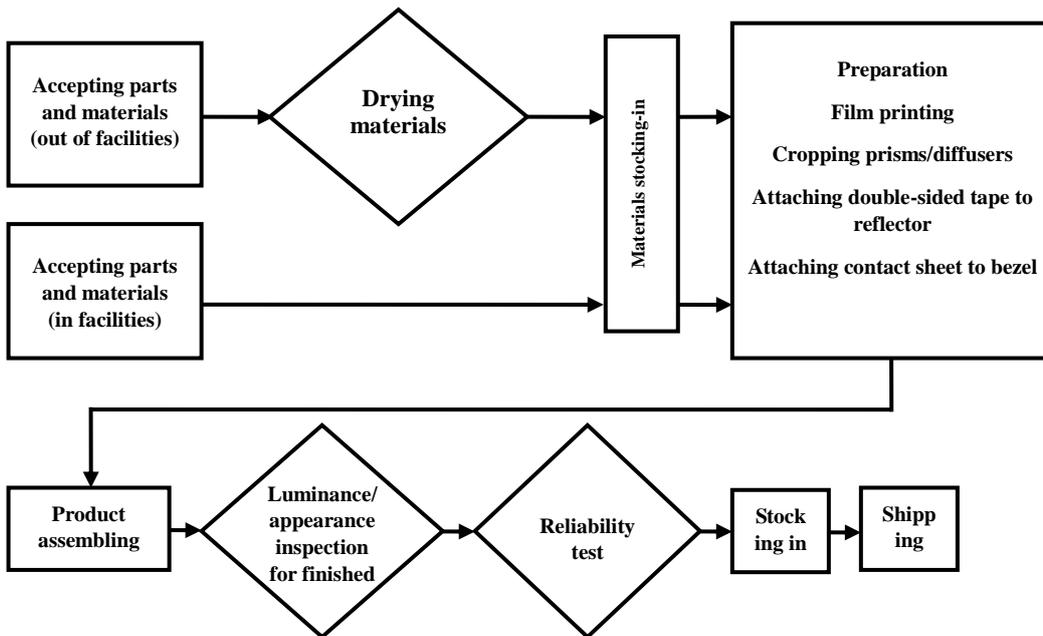
(II) Usage and manufacturing processes for the company's main products.

1. Usage of products:

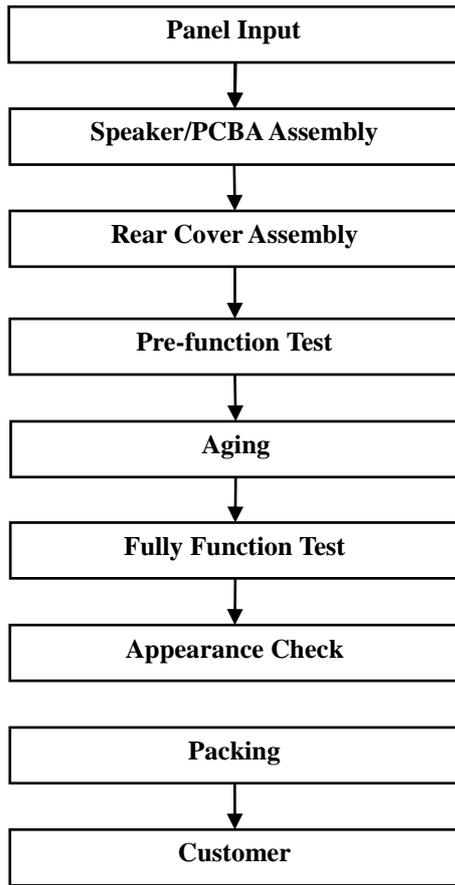
Product or Service	Key usage or functions
Backlight modules	It is a component providing a back light source to a product. It may be applied to various information, communication, and consumer products, such as LCDs, scanners, and so on.
OEM assembly of LCDs and end products	Provided for notebooks, LCDs, LCD TVs, electric toys, mobile phones, digital cameras, car displays, wearable displays, medical displays, smart bus stop systems, vehicle headlights, industrial instrument panels, among other things. The whole sets of TV/monitor are mainly used for multimedia and audio-video entertainment playback, PID public information display and playback.
Fine metal masks	Providing fine metal masks required during the AMOLED evaporating manufacturing process production.

2. Process of product manufacturing processes:

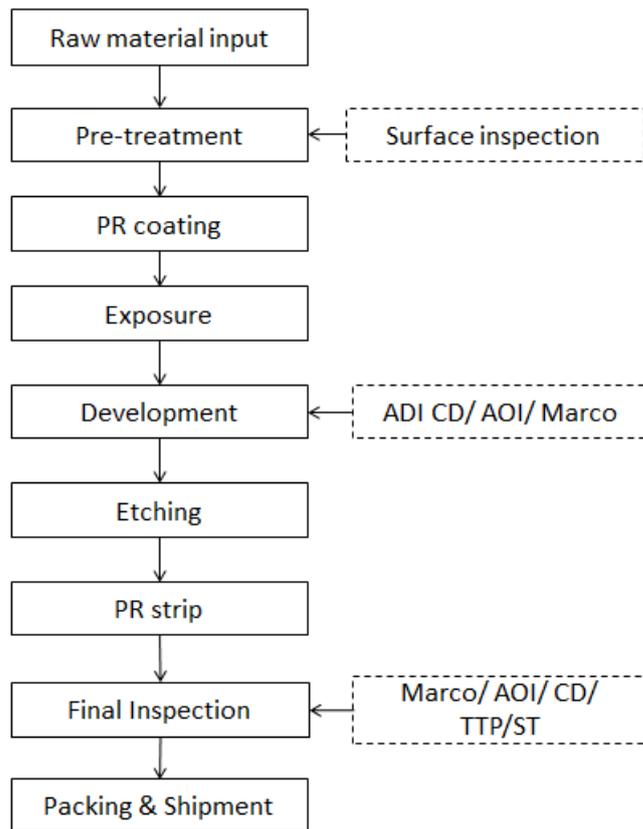
(1) Backlight modules



(3) Television/whole display



(4) Fine metal masks



(III) Supply situation for the company's major raw materials.

The raw materials of the Company's main products are optical films, LED light bars, drivers/power supplies, acrylic sheets, galvanized steel plates, plastic particles, PCBA, iron parts, plastic parts, etc. The Company has always maintained good relationships with domestic and overseas raw materials suppliers to enhance the stability of supply; the key raw materials and components are purchased from more than two suppliers, to secure the procurement flexibility while reducing the risk of excessive concentration of raw materials.

(IV) Suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Major supplier in the recent two years

Unit: NT\$ (thousands)

Item	2021				2022			
	Name	Amount	Percentage in the net purchase of whole year (%)	Relation with the issuer	Name	Amount	Percentage in the net purchase of whole year (%)	Relation with the issuer
1	A Company	5,448,102	34.57	-	A Company	3,832,095	37.10	-
2	Others	10,313,237	65.43	-	Others	6,497,422	62.90	-
	Net purchase	15,761,339	100.00	-	Net purchase	10,329,517	100.00	-

Note 1: A list of any suppliers accounting for 10% or more of the company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Explanation of increase/decrease:

- (1) Decreased purchase from Supplier: as the demands from clients decreased, resulting in decreased purchases.

2. Major clients in the recent two years

Unit: NT\$ (thousands)

Item	2021				2022			
	Name	Amount	Percentage in the net sales of whole year (%)	Relation with the issuer	Name	Amount	Percentage in the net sales of whole year (%)	Relation with the issuer
1	A Company	9,257,283	45.64	-	A Company	7,249,466	50.11	-
2	AUO Corporation	3,940,824	19.43	The Company's parent company	AUO Corporation	2,662,674	18.41	The Company's parent company
3	Others	7,086,114	34.93	-	Others	4,553,450	31.48	-
	Net sales	20,284,221	100.00	-	Net sales	14,465,590	100.00	-

Note 1: A list of clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each. Where the company is prohibited by contract from revealing the name of a client or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note 2: As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Explanation of increase/decrease:

- (1) Decreased sales to client: mainly due to the adjustment of supply and demand in the terminal market, client destocking and delaying orders, resulting in decreased sales.

(V) Production Volume and Value in the Recent Two Years

Unit: thousand pieces/ton; NT\$ (thousands)

Production Volume and Value Key Products (or by Department)	Year	2021			2022		
		Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
LCD monitor & Modules		26,483	22,129	14,811,711	28,890	14,437	10,218,029
Optronic Products & Precision component		288,157	80,313	5,475,798	236,045	36,759	3,170,614
Total		314,640	102,442	20,287,509	264,935	51,196	13,388,643

(VI) Sales Volume and Value in the Recent Two Years

Unit: thousand pieces/ton; NT\$ (thousands)

Sales Volume and Value Key Products (or by Department)	Year	2021				2022			
		Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
LCD monitor & Modules		14,243	4,978,525	7,366	9,731,870	9,189	3,427,796	5,603	7,466,428
Optronic Products & Precision component		3,593	975,347	70,945	4,598,479	2,721	268,058	33,894	3,303,308
Total		17,836	5,953,872	78,311	14,330,349	11,910	3,695,854	39,497	10,769,736

Note: Sales volume include commodity transactions.

III. Information of Employees

The number of employee, average years of service, average age and distribution of academic background for the last two years and as of the end of the last quarter of the current year are as follows:

Unit: person

Fiscal year		2021	2022	As of March 31, 2023
Number of employee	Production and manufacturing personnel	4,186	4,597	4,757
	Engineering technology personnel	469	419	407
	Sales and marketing personnel	78	71	68
	Management and administrative personnel	364	357	355
	Total	5,097	5,444	5,587
Average age (year-old)		27.57	28.07	28.43
Average years of service (year)		2.98	2.83	2.52
Distribution of academic background (%)	PhD	0.07%	0.04%	0.05%
	Master	4.30%	2.77%	3.90%
	College	20.03%	15.39%	18.19%
	Senior high school	48.60%	50.55%	35.87%
	Under senior high school	27.00%	31.25%	41.99%
	Total	100.00%	100.00%	100.00%

IV. Disbursements for Environmental Protection

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, description of violation and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

- (I) Loss suffered due to environmental pollution incidents: There was no violation of laws and regulations in 2022 and up to annual report publication date.
- (II) An estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: the Company and subsidiaries emphasize environmental protective tasks. In addition to the Company's internal pollution prevention and control, it also strengthens the vendors' construction specifications and environment and safety campaigns. In the future, for the operations related to the environment protection and occupational safety, well-rounded SOPs will be established, and the implementation and management will be conducted concretely, while strengthening the relevant educations to prevent environmental safety accidents and avoid possible expenditures.

V. Labor relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation and the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee benefits:

Introduction of wage system:

- (1) Wage system: Competitive wage level; wages are adjusted based on the the Company's overall operating performance and the annual personal performance appraisals. The wage system satisfies the requirement of CSR, without discrimination and personal bias and the criteria are just and open.
- (2) Incentive system: To encourage employees to perform their best, motivation bonuses, performance bonuses, and employee compensations are given in due course based on individual performance and Company's operating performance.
- (3) Bonus system: pursuant to the Company's articles of incorporation, when there is a profit for the year, the employee's remuneration will be appropriated for no less than 1%. However, the Company's profit is closely related to the employees' performance. The concerted efforts of all employees are required to outperform, in order to seek a better bonus.
- (4) Insurance system: Apart from the statutory national health insurance and labor insurance, the Company provides additional benefits, such as group insurance and casualty insurance for employees, so that employees have a better life and safety protection. Employees are entitled to labor insurance, National Health Insurance, and group insurance on the first day of work. On the other hand, the employees are entitled to add their family members to their national health insurance and group insurance.
- (5) Leave and attendance: other than job requirements, the Company also appreciates employees' needs in their personal and family lives. Therefore, other than providing a well-rounded leave system, the annual leave scheduling system is also in place, to encourage employees to apply their leaves well to arrange for time with their families.

Employee benefits:

- (1) With the aim of taking care of workers' lives, promoting physical and mental health and maintaining harmony between labor and employer, the Employee Welfare Committee was established, through a well-rounded benefit system and various employee activities, the employee benefits are promoted.
- (2) Subsidies for marriage, birth, funeral, hospitalization, birthday gifts and holiday bonuses.
- (3) Employee outings, clubs, family days various ball games among other employee events.
- (4) Establish a wellness center, breastfeeding room and the clinical visits by physicians to the plants for health consultancy, and hold annual employee physical examination and health promotion activities irregularly.
- (5) Comfortable cafeteria and a variety of meal options.
- (6) Parking lots for cars and scooters.
- (7) Gym, aerobics classroom and library in the plants.

2. Continuing training:

Darwin College is the Company's professional organization dedicated to talent cultivation and development policy formulation, education and training system planning and implementation. The President serves as the chief of the College, leading the leadership school, the marketing school, the innovation and R&D school, the manufacturing school, with the Education and Training Executive Committee (hereafter "ETEC"). The chief of each school are assigned to officers of associate vice presidents or above. They are in charge of introducing external new knowledge and professional training; the head of human resources serves as the director-general of the EEC, and convene committee meetings to review the talent cultivation policies, planning and implementation performance. The EEC established seven major training system based on the Company's development strategies, and develops learning maps for each branch.

- (1) Orientation and care system for new employees: assist new recruits to get to know the Company, understand main systems and regulations and accelerate their adaption to the working place.
- (2) Professional trainings by department: each branch organizes courses for various professional knowledge or skills related to work.
- (3) Quality training: training courses to improve the Company's various process management and product and service quality.
- (4) Management training: courses to enhance the managers' abilities to manage "people" and "affairs."
- (5) Environment, Safety and Health (ESH) training: the course as compliance with and implementation of the government's laws and regulations regarding health and safety.
- (6) Instructor training: cultivate the qualified internal lecturers, strengthen their knowledge management and experience passing-on capabilities.
- (7) General education and self-development training: to improve the ability of general staff to manage "people" or "affairs;" or self-learning programs (including degree upgrade and reading programs) initiated by employees.

3. Retirement system and implementation:

- (1) The facilities in Taiwan has the Pension Supervision and Management Committee established pursuant to the laws, to be responsible for pension management and implementation of retirement procedures, contributing monthly to the old-system pension reserve accounts in Bank of Taiwan, to protect employees' interests.
- (2) Besides, the new recruited or employees who elect to apply for the Labor Pension Acts, 6% of their wages will be contributed to personal a pension account monthly based on their pension ranges. In addition to the Company's fixed contribution, employees may also choose to contribute additionally within 6% to their pension account to enjoy tax-free concessions. Once an employee is qualified for retirement, he/she may apply retirement, and the pension in the dedicated account is to be withdrawn once the required age is attained.
- (3) The Company has applied the Labor Pension Act as follows:
 - (A) Voluntary retirement

An employee may apply for voluntary retirement under any of the following conditions:

 - (a) Where the worker attains the age of fifty-five and has worked for fifteen years.
 - (b) Where the worker has worked for more than twenty-five years.
 - (c) Where the worker attains the age of sixty and has worked for ten years.
 - (B) Mandatory retirement

The Company shall not force an employee to retire unless any of the following situations has occurred:

 - (a) Where the worker attains the age of sixty-five.
 - (b) Where the worker is unable to perform his/ her duties due to a disability.

The Company may request the central competent authority to adjust the age prescribed in Sub-paragraph 1 of the preceding paragraph if the specific job entails risks, requires substantial physical strength or otherwise of a special nature; provided, however, that the age shall not be reduced below fifty-five.
 - (C) The criteria for payment of employee pensions shall be as follows:
 - (a) For reaching seniority before and after the Labor Standard Act applies, the criteria for payment of pensions are pursuant to Article 55 or Article 84-2 of the Labor Standards Act.
 - (b) For reaching seniority before the Labor Standard Act applies, unless otherwise agreed upon between the employer and employee, the Labor Standards Act shall be complied with.
 - (c) Those who elect to apply the pension requirements in the "Labor Standards Act" pursuant to the Labor Pension Act, or reserve seniority before the application of the Labor Pension Act, their pensions are paid as described in the precedent two paragraphs.
 - (d) By applying pension requirements in the Labor Standards Act and as set forth in sub-paragraph 2 of Paragraph 1 of Article 54, an additional 20% on top of the amount calculated according to the preceding sub-paragraph shall be given to employee forced to retire due to disability incurred from the execution of their duties.
 - (e) For the employees applicable to the requirements of the Labor Pension Act, the Company contributes 6% of their wages monthly to their pension accounts.
 - (D) Pension payment

The pensions that the employees entitled to pursuant to the pension requirements in the Labor Standards Act, shall be paid within 30 days from the date the employees retire.
- (4) The local staff in the overseas facilities are entitled to the pension contributions pursuant to the local laws and regulations, to protect their related interests.

4. Existing key labor-employer agreements and implementation:

In the future, the Company will continue to strengthen communication between labor and employer, in order to promote the Company's prosperity while protecting the employees' interests, seeking to prevent labor disputes on a peaceful and rational foundation. In addition, in order to maintain a barrier-free communication environment, the Company regularly convene labor-employer meetings, business briefings and seminars of managers at various level, to communicate key information and policies to employees. The 7/24 communication platforms such as "Audit Mailbox," "President's Mailbox," "Sexual Harassment Complaint Mailbox," and "Employee Opinion Box" are established for collecting, understanding, and solving employees' problems, so that the goals of joint engagement between labor and employer and adequate communication are achieved.

5. Protections of each interest of employees:

The Company has established comprehensive management procedures, clearly stipulating the rights and obligations of employees and benefits, to protect the employees' interests.

(II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

1. Losses suffered due to labor disputes:

Company name	Incident description	Amount of penalty/ indemnity	Response and measure taken
Fortech Electronics (Suzhou) Co., Ltd.	<ul style="list-style-type: none"> ◆ Date of Punishment: November 29, 2022 ◆ Disposition reference numbers: WU REN SHE CHA FA ZI (2022) No.14 ◆ Articles of law violated: Paragraph 2 of Article 42 of the Regulations on Labor Contracts in Jiangsu Province and Article 31 of the Regulations on Labor Protection in Jiangsu Province. ◆ Description of violation: Arrange students to practice more than 40 hours a week and arrange underage workers to work overtime. ◆ Content of the dispositions: Suffered an administrative fine of RMB 47 in thousands 	NTD 47 thousands	<ol style="list-style-type: none"> 1. Comply with laws and regulations and properly arrange manpower dispatch. 2. Control the attendance of employees immediately to avoid overtime.

Other than the abovementioned incidents, the Company and subsidiaries have not paid any fine in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents.

2. An estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The Company will exercise more attention to the implementation of compliance with Taiwan’s Labor Standard Act and the relevant local laws and regulations of the jurisdiction where the subsidiaries operate, while establishing a management mechanism to prevent negligence, enhancing communications between labor and employer and interviews with resigning employees. Moreover, the Company’s employees may reflect their problems through various channels within the Company, to achieve two-way communication. With the joint participation of labor and employer and an adequate communication mechanism, it is expected that in the future, labor disputes are expected to be reduced effectively and avoid possible expenditures.

VI: Information Security Management

(I) The information security risk management framework, information security policies, concrete management programs, and investments in resources for information security management

Information Security Risk Management Framework:

The company has founded the “Information Security Committee” in 2017 to be responsible for information security management. The CEO of the company is appointed as the chairperson of the “Information Security Committee.” The high-level supervisors of each unit serve as the committee members. The unit heads of the Information Technology and Human Resources serve as the executive officers. The Audit Unit is also take part in order to provide opinions on the procedures and regulations. The Information Technology Unit holds an internal information security meeting quarterly to promote internal information security policies, plan and implement information security operations; also, report the company’s information security governance overview to the “Information Security Committee” and the “Board of Directors” at least once a year.

Information Security Policy:

The company’s information security policy is to protect the company's intellectual property, raise the overall awareness of information security and enhanced corporate governance:

- (1) System Regulations: Formulate the company’s information security management system, regulate personnel operations, to establish a dedicated unit for information security and set up an information security supervisor and information security personnel.

The company has established a number of information security regulations and systems to regulate the personnel's information security operation. The company also regularly annually reviews whether the relevant systems accommodate the operating environment changes with the necessary adjustments made accordingly.

- (2) Technology Application: Establish information security management equipment and implement information security management measures.

For preventing external information security threats and adopting a segregated network structure design, the company has built various information security protection systems to enhance the overall information environment security. The company has the operating procedures and information security system tools designed to help the internal personnel operate in conformity with the company’s system specifications to

substantiate the personnel information security management measures.

- (3) Personnel Training: Implement information security education and training to enhance all personnel's information security awareness.

The Company regularly announces "Information Security Management Regulations" and "Everyone is responsible for using legal software", and implements information security education and training courses for employees to enhance their awareness of information security.

Information Security Management Plan and Investments in Resources:

The information center is set up under the management support division of the Company with an information security supervisor and several information security staff to regularly review the implementation of the internal information security regulations and prevention of information security risks, and to hold regular information security meetings to track and discuss the implementation status and effectiveness of information security policies, and reports the information security governance overview in the "Information Security Committee." The company also complies with NIST information security frameworks, assesses information security threats and impacts, formulates security measures to enhance the overall information security environment..

The information security assessment is as follows:

- Information structure review: Check the appropriateness of relevant measures adopted for continuous operations, check whether the structure and maintenance mechanisms have the risk of a single point of failure, and conduct risk analysis of business on-going concern, and provide the information structure security assessment results with recommendations proposed.
- Network activity check: Check the access records of the network equipment system, and servers; check whether the account authorization comply with the internal control operational standard; check the abnormal records of identification and confirm alert mechanism.
- Vulnerability scanning : Regularly performing vulnerability scanning of external websites, network equipment, and servers and improving and repairing of the scan results to reduce the overall information security risk.
- Security setting check: Check the server (such as: Domain Services Active Directory) about the changes of "Admin authorization" and "Group Policy Distribution," and check whether the relevant changes are abnormal.
- Information security drills: Develop contingency plans in response to the information security threats, and perform regular drills to verify the feasibility and effectiveness of the relevant plan.. Ensure that the unit personnel can respond to the information security incidents in accordance with the contents of the contingency plans. To achieve all units of the Company implement the effects of information security protection.
- E-mail social engineering drills - for company personnel, send exercise e-mails, test, promote, and strengthen information communication safety education within the scope of internal security monitoring. The goal of a drill is to help the personnel understand the risks of using e-mail, improve their awareness of preventing social engineering attacks, and continue to rehearse in order to reduce the risks caused by social engineering attacks to achieve the purpose of protecting customer data and important operating information and services.
- Collection of Information Security Intelligence - Joined the Taiwan CERT/CSIRT Alliance in 2022 to improve the Company's ability to collect, exchange, and analyze intelligence on information security, understand different types of information security threats and information on vulnerabilities, perform effective preventive measures for possible threats, and strengthen the Company's overall information security protection capabilities.

Implementation in 2022:

- Information security committee meeting was held during the year to report on the implementation of information security policies, and there were no incidents that threatened information security during the year.
- A system recovery exercise, a social engineering exercise and an information security incident exercise were held during the year to enhance employees' reaction and awareness of information security.

Information Security Outlook:

While facing the rapidly changing cybersecurity threats, the existing information security environment is affected by various emerging technologies' innovative applications. The "Information Security Committee" of the company will continue to coordinate various information security measures. The company will strive to comply with the governing law and regulations and improve all units' information security management capabilities. Regularly review the information security document specifications to improve the information security policy and objective, to budget for enhancing information technology security appropriately and ensure the company's operating system's high availability and protect the company's business secrets.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant information security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: There was no significant loss of information security incident in 2022 and up to the publication date of the annual report.

VII: Important contracts

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

(I) Long-term borrowing contracts

Nature of contract	Counterpart	Commencement dates and expiration dates	Major content	Restrictive terms
Financing	Land Bank of Taiwan	April 10, 2017 to April 10, 2032	Purchasing lands, buildings, and attached equipment	Pledged with lands and buildings
Financing	Hua Nan Commercial Bank	May 20, 2022 to May 20, 2024	Credit and secured credit contract	Mortgage with real estate
Financing	Xiamen Xiang'an Branch, Agricultural Bank of China Limited	November 25, 2020 to November 24, 2023	Highest limit of financing agreement for institution and the highest limit mortgage contract	Mortgage with real estate

(II) Disposal contracts

Nature of contract	Counterpart	Commencement dates and expiration dates	Major content	Restrictive terms
Assets transfer agreement	Natural Person	June 24, 2022 to transfer	The disposal of lands, buildings and equipment in Yongfon plant	Confidentiality clause

Chapter VI. Financial Information

I. Condensed balance sheets and statements of comprehensive income for the past five fiscal years (I) International Financial Report Standards

Condensed Consolidated Balance Sheet

Unit: NT\$ (thousands)

Fiscal year		Financial Data in the Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current assets		14,642,452	11,121,302	11,191,604	11,488,038	10,061,021
Property, plant and equipment		8,077,731	7,838,025	7,627,963	6,848,937	5,572,871
Intangible assets		0	0	0	0	0
Other assets		883,080	936,920	922,013	1,518,545	2,548,998
Total assets		23,603,263	19,896,247	19,741,580	19,855,520	18,182,890
Current liabilities	Before distribution	8,002,854	4,682,162	5,145,915	5,999,489	4,078,460
	After distribution	8,229,143	4,682,162	5,145,915	5,999,489	Note 2
Non-current liabilities		3,805,560	4,163,133	4,667,420	4,642,773	4,776,636
Total liabilities	Before distribution	11,808,414	8,845,295	9,813,335	10,642,262	8,855,096
	After distribution	12,034,703	8,845,295	9,813,335	10,642,262	Note 2
Equity attributable to shareholders of the parent		11,794,849	11,050,952	9,928,245	9,213,258	9,327,794
Common stock		6,655,551	6,655,551	6,655,551	6,655,551	6,655,551
Capital surplus		4,399,610	4,308,845	4,308,845	3,486,669	2,837,438
Retained earnings	Before distribution	1,534,958	1,209,293	(26,906)	146,039	920,934
	After distribution	1,399,434	1,209,293	(26,906)	146,039	Note 2
Other components equities		(795,270)	(1,122,737)	(1,009,245)	(1,075,001)	(1,086,129)
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	11,794,849	11,050,952	9,928,245	9,213,258	9,327,794
	After distribution	11,568,560	11,050,952	9,928,245	9,213,258	Note 2

Note 1: The financial information in the recent five years have been certified by the CPAs. As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Note 2: Earnings distribution is subject to the resolution of the Board of Directors or 2023 annual general meeting.

Condensed Consolidated Comprehensive Income Statement

Unit: NT\$ (thousands)

Fiscal year Item	Financial Data in the Recent Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	21,362,170	15,851,885	14,290,244	20,284,221	14,465,590
Gross profit (loss)	1,245,814	780,236	(343,915)	(3,711)	(27,720)
Operating profit (loss)	(422,762)	(417,427)	(1,578,661)	(1,276,870)	(1,149,354)
Non-operating income and expense	1,064,437	170,164	170,725	795,089	1,538,462
Profit (loss) before tax	641,675	(247,263)	(1,407,936)	(481,781)	389,108
Profit (loss) from continuing operations of the period	321,898	(190,141)	(1,240,799)	(649,231)	125,664
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	321,898	(190,141)	(1,240,799)	(649,231)	125,664
Other comprehensive income recognized for the period (net amount after tax)	(275,954)	(327,467)	118,092	(65,756)	(11,128)
Total comprehensive income for the period	45,944	(517,608)	(1,122,707)	(714,987)	114,536
Net profit (loss) attributable to the owner of parent	321,898	(190,141)	(1,240,799)	(649,231)	125,664
Net profit (loss) attributable to uncontrolled equity	0	0	0	0	0
Net profit from total consolidated income attributable to the owner of parent	45,944	(517,608)	(1,122,707)	(714,987)	114,536
Total consolidated income attributable to uncontrolled equity	0	0	0	0	0
Earnings (loss) per Share (NTD) (Note 2)	0.48	(0.29)	(1.86)	(0.98)	0.19

Note 1: The financial information in the recent five years have been certified by the CPAs. As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Note 2: Calculation is based on the weighted average outstanding shares of the year.

Condensed Parent-Only Balance Sheet

Unit: NT\$ (thousands)

Fiscal year		Financial Data in the Recent Five Years (Note 1)				
		2018	2019	2020	2021	2022
Item						
Current assets		10,789,761	5,696,097	5,281,539	6,110,562	7,384,344
Property, plant and equipment		5,186,679	4,908,218	4,630,136	4,289,917	2,529,427
Intangible assets		0	0	0	0	0
Other assets		11,303,594	10,946,941	10,214,936	9,862,936	8,580,699
Total assets		27,280,034	21,551,256	20,126,611	20,263,415	18,494,470
Current liabilities	Before distribution	11,694,815	6,367,782	5,595,527	6,526,003	4,909,195
	After distribution	11,921,104	6,367,782	5,595,527	6,526,003	Note 2
Non-current liabilities		3,790,370	4,132,522	4,602,839	4,524,154	4,257,481
Total liabilities	Before distribution	15,485,185	10,500,304	10,198,366	11,050,157	9,166,676
	After distribution	15,711,474	10,500,304	10,198,366	11,050,157	Note 2
Equity attributable to shareholders of the parent		11,794,849	11,050,952	9,928,245	9,213,258	9,327,794
Common stock		6,655,551	6,655,551	6,655,551	6,655,551	6,655,551
Capital surplus		4,399,610	4,308,845	4,308,845	3,486,669	2,837,438
Retained earnings	Before distribution	1,534,958	1,209,293	(26,906)	146,039	920,934
	After distribution	1,399,434	1,209,293	(26,906)	146,039	Note 2
Other components equities		(795,270)	(1,122,737)	(1,009,245)	(1,075,001)	(1,086,129)
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	11,794,849	11,050,952	9,928,245	9,213,258	9,327,794
	After distribution	11,568,560	11,050,952	9,928,245	9,213,258	Note 2

Note 1: The financial information in the recent five years have been certified by the CPAs. As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Note 2: Earnings distribution is subject to the resolution of the Board of Directors or 2023 annual general meeting.

Condensed Parent-Only Comprehensive Income Statement

Unit: NT\$ (thousands)

Fiscal year Item	Financial Data in the Recent Five Years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	21,209,565	15,372,936	10,126,794	10,740,173	6,809,294
Gross profit (loss)	955,532	621,327	(185,268)	(27,350)	(76,723)
Operating profit (loss)	(167,939)	(204,196)	(1,028,020)	(863,355)	(926,224)
Non-operating income and expense	810,394	(66,585)	(400,268)	191,234	1,225,115
Profit (loss) before tax (loss)	642,455	(270,781)	(1,428,288)	(672,121)	298,891
Profit (loss) from continuing operations of the period	321,898	(190,141)	(1,240,799)	(649,231)	125,664
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	321,898	(190,141)	(1,240,799)	(649,231)	125,664
Other comprehensive income recognized for the period (net amount after tax)	(275,954)	(327,467)	118,092	(65,756)	(11,128)
Total comprehensive income for the period	45,944	(517,608)	(1,122,707)	(714,987)	114,536
Net profit (loss) attributable to the owner of parent	321,898	(190,141)	(1,240,799)	(649,231)	125,664
Net profit (loss) attributable to uncontrolled equity	0	0	0	0	0
Net profit from total consolidated income attributable to the owner of parent	45,944	(517,608)	(1,122,707)	(714,987)	114,536
Total consolidated income attributable to uncontrolled equity	0	0	0	0	0
Earnings (loss) per Share (NTD) (Note 2)	0.48	(0.29)	(1.86)	(0.98)	0.19

Note 1: The financial information in the recent five years have been certified by the CPAs. As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Note 2: Calculation is based on the weighted average outstanding shares of the year.

(II) The Names of CPAs over the past five years and their audit opinions

Fiscal year	Name of Accounting Firm	Certifying CPA	Audit Opinions
2018	KPMG Taiwan	Shyh-Huar Kuo, Tseng, Mei-Yu	Unqualified opinions and paragraphs for other matters
2019	KPMG Taiwan	Chien-Hui Lu, Shyh-Huar Kuo	Unqualified opinions and paragraphs for other matters
2020	KPMG Taiwan	Shyh-Huar Kuo, Chien-Hui Lu	Unqualified opinions
2021	KPMG Taiwan	Shyh-Huar Kuo, Chun-Yuan Wu	Unqualified opinions
2022	KPMG Taiwan	Shyh-Huar Kuo, Chun-Yuan Wu	Unqualified opinions

II. Financial Analysis in the Recent Five Years

(I) IFRS- Consolidated Financial Analysis

Fiscal year		Financial analysis in the recent five years (Note 1)				
		2018	2019	2020	2021	2022
Items for analysis (Note 5)						
Financial structure (%)	Debt-asset ratio	50.03	44.46	49.71	53.60	48.70
	Ratio of long-term capital to property, plant and equipment	193.13	194.11	191.34	202.31	253.09
Solvency (%)	current ratio	182.97	237.52	217.49	191.48	246.69
	Quick Ratio	160.79	208.12	186.67	162.03	222.11
	Interest coverage ratio (Note 2)	19.43	(3.51)	(35.79)	(11.97)	9.56
Operating ability	Receivables turnover rate (times)	4.23	3.91	4.44	5.80	4.78
	Average collection days for receivables	86.28	93.35	82.20	62.93	76.35
	Inventory turnover rate (times)	12.23	9.83	10.12	12.50	10.83
	Payables turnover rate (times)	4.83	4.46	4.88	5.41	4.60
	Average days for sale	29.84	37.13	36.06	29.20	33.70
	Property, plant and equipment turnover rate (times)	2.71	1.99	1.85	2.80	2.33
	Total asset turnover rate (times)	0.90	0.73	0.72	1.02	0.76
Profitability	Return on assets (%)	1.47	(0.67)	(6.11)	(3.13)	0.85
	Return on equity (%)	2.70	(1.66)	(11.83)	(6.78)	1.36
	Ratio of income before tax to paid-in capital (%)	9.64	(3.72)	(21.15)	(7.24)	5.85
	Profit margin before tax (%)	1.51	(1.20)	(8.68)	(3.20)	0.87
	Earnings per Share (NTD)	0.48	(0.29)	(1.86)	(0.98)	0.19
Cash flow	Cash flow ratio (%)	13.48	21.48	(5.34)	12.05	(3.98)
	Cash flow adequacy ratio (%)	88.67	73.52	60.71	46.15	35.71
	Cash flow reinvestment ratio (%)	3.04	3.47	(1.08)	3.16	(0.70)
Leveraging	Operating leverage	Note 3	Note 3	Note 3	Note 3	Note 3
	Financial leverage	Note 3	Note 3	Note 3	Note 3	Note 3

Please explain the reasons for changes 20% in each financial ratio during the most recent two years:

1. The ratio of long-term capital to property, plant and equipment increased was mainly to the disposal of Yonfong plant.
2. The rise in solvency was mainly due to the increase in the price receivable of the real estate of Yongfong plant and the recognition of gain on disposal of property, plant and equipment.
3. The average collection days for receivables increased and the total asset turnover rate decreased were mainly to the decrease in the operating revenue.
4. The rise in profitability was mainly due to the gain on disposal of property, plant and equipment.
5. The decrease in cash flow was mainly due to the net cash outflow from operating activities because of the increase in the cash payment of accounts payable this year.

Note 1: The financial information in the recent five years have been certified by the CPAs. As of the publication date of the annual report, there is no 2023 Q1 financial information audited by CPAs.

Note 2: Earnings before interest and tax of 2019, 2020 and 2021 were negative.

Note 3: The operating income is negative and thus not calculated.

Note 4: Please refer to the following Table (II) on Page 106 for the formula in this table.

(II) IFRS- Parent-Only Financial Analysis

Items for analysis		Financial analysis in the recent five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt-asset ratio	56.76	48.72	50.67	54.53	49.56
	Ratio of long-term capital to property, plant and equipment	300.49	309.35	313.84	320.23	537.09
Solvency (%)	current ratio	92.26	89.45	94.39	93.63	150.42
	Quick Ratio	84.89	82.30	85.33	87.40	145.44
	Interest coverage ratio (Note 2)	19.58	(6.46)	(36.82)	(17.22)	8.21
Operating ability	Receivables turnover rate (times)	4.40	4.12	3.96	4.17	3.02
	Average collection days for receivables	82.95	88.59	92.17	87.52	120.86
	Inventory turnover rate (times)	30.97	23.49	22.31	24.11	21.80
	Payables turnover rate (times)	3.71	3.63	3.53	3.90	2.97
	Average days for sale	11.78	15.53	16.36	15.13	16.74
	Property, plant and equipment turnover rate (times)	4.45	3.05	2.12	2.41	2.00
	Total asset turnover rate (times)	0.78	0.63	0.49	0.53	0.35
Profitability	Return on assets (%)	1.28	(0.66)	(5.81)	(3.07)	0.82
	Return on equity (%)	2.70	(1.66)	(11.83)	(6.78)	1.36
	Ratio of income before tax to paid-in capital (%)	9.65	(4.07)	(21.46)	(10.10)	4.49
	Profit margin before tax (%)	1.52	(1.24)	(12.25)	(6.04)	1.85
	Earnings per Share (NTD)	0.48	(0.29)	(1.86)	(0.98)	0.19
Cash flow	Cash flow ratio (%)	7.47	0.60	(9.10)	(4.45)	27.24
	Cash flow adequacy ratio (%)	45.62	41.33	27.23	39.05	62.02
	Cash flow reinvestment ratio (%)	3.63	(0.59)	(3.14)	(1.85)	8.73
Leveraging	Operating leverage	Note 3	Note 3	Note 3	Note 3	Note 3
	Financial leverage	Note 3	Note 3	Note 3	Note 3	Note 3

Please explain the reasons for changes 20% in each financial ratio during the most recent two years:

1. The ratio of long-term capital to property, plant and equipment increased was mainly to the disposal of Yonfong plant.
2. The rise in solvency was mainly due to the increase in the price receivable of the real estate of Yongfong plant and the recognition of gain on disposal of property, plant and equipment.
3. The average collection days for receivables increased and the total asset turnover rate decreased were mainly to the decrease in the operating revenue.
4. The rise in profitability was mainly due to the gain on disposal of property, plant and equipment.
5. The rise in cash flow was mainly due to the net cash inflow from operating activities because of the receipt of dividends from subsidiary

Note 1: The financial information in the recent five years have been certified by the CPAs. As of the publication date of the annual report, there is no 2023Q1 financial information audited by the CPAs.

Note 2: Earnings before interest and tax of 2019, 2020 and 2021 were negative.

Note 3: The operating income is negative and thus not calculated.

Formula of the items for analysis are as follows:

1. Financial structure

(1) Debt-asset ratio = Total Liabilities / Total Assets.

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment.

2. Solvency

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

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

(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses.

3. Operating Ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

(2) Average collection days for receivables = 365 / receivables turnover rate.

(3) Inventory turnover rate = cost of sales / average inventory.

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sales / average payables (including accounts payable and notes payable arising from business operations) for each period.

(5) Average days for sale = 365 / inventory turnover rate.

(6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment.

(7) Total asset turnover rate = net sales / average total assets.

4. Profitability

(1) Return on assets = [net income + interest expenses (1 - tax rate)] / average total assets.

(2) Return on equity = net income / average total equity.

(3) Profit margin before tax = net income / net sales.

(4) Earnings per share = (profit and loss attributable to owners of the parent - dividends on preferred shares) / weighted average number of issued shares.

5. Cash Flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend).

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital).

6. Leveraging:

(1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.

(2) Financial leverage = operating income / (operating income / interest expenses).

- III. Audit Report of the Audit Committee for the most recent year:
As of the publication of the annual report, the Audit Committee has not yet provided the audit report of the financial report for the most recent year. The related information will be disclosed in the agenda handbook of 2023 annual general meeting and uploaded to MOPS 30 days prior to the 2023 annual general meeting.
- IV. Consolidated financial statements of the recent fiscal year with the independent auditor's report:
Please refer to Appendix 2 for details.
- V. Parent-only financial statements of the recent fiscal year with the independent auditor's report:
Please refer to Appendix 3 for details.
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

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

I. Financial position review and analysis (consolidated)

Unit: NT\$ (thousand)

Item	Fiscal year	2021 fiscal year	2022 fiscal year	Difference	
				Amount	%
Current assets		11,488,038	10,061,021	(1,427,017)	(12.42)
Investments accounted for using the equity method		330,192	257,410	(72,782)	(22.04)
Property, plant and equipment		6,848,937	5,572,871	(1,276,066)	(18.63)
Other assets		1,188,353	2,291,588	1,103,235	92.84
Total assets		19,855,520	18,182,890	(1,672,630)	(8.42)
Current liabilities		5,999,489	4,078,460	(1,921,029)	(32.02)
Non-current liabilities		4,642,773	4,776,636	133,863	2.88
Total liabilities		10,642,262	8,855,096	(1,787,166)	(16.79)
Common stock		6,655,551	6,655,551	0	0.00
Capital surplus		3,486,669	2,837,438	(649,231)	(18.62)
Retained earnings		146,039	920,934	774,895	530.61
Other components of equity		(1,075,001)	(1,086,129)	(11,128)	(1.04)
Treasury stock		0	0	0	0.00
Non-controlling interests		0	0	0	0.00
Total shareholder's equity		9,213,258	9,327,794	114,536	1.24
<p>The main reasons for the significant changes (more than 20%) in assets, liabilities, and shareholders' equity in the last two years:</p> <ol style="list-style-type: none"> 1. The decrease in investments accounted for using the equity method was mainly due to the disposal of investment in the joint venture Roehm Forhouse Optical Polymers Corporation which was completed liquidation this year. 2. The increase in other assets was mainly due to the provision of time deposits pledged to banks for issuing a guarantee letter of credit as guarantees for other loans, resulting in an increase in restricted bank deposits. 3. The decrease in current liabilities was mainly due to the decrease in accounts payable because of the decrease in the amount of purchase this year. 4. The increase in retained earnings was mainly due to the capital surplus approved by the shareholders' meeting to compensate for the previous year's deficit and net income this year. 					

II. Financial performance review and analysis (consolidated)

Unit: NT\$ (thousands)

Item	Year	2021 fiscal year	2022 fiscal year	Increase (decrease) amount	Change ratio (%)
Operating revenue		20,284,221	14,465,590	(5,818,631)	(28.69)
Operating cost		20,287,932	14,493,310	(5,794,622)	(28.56)
Gross profit (loss)		(3,711)	(27,720)	(24,009)	(646.97)
Operating expenses		1,273,159	1,121,634	(151,525)	(11.90)
Operating profit (loss)		(1,276,870)	(1,149,354)	127,516	9.99
Non-operating income and expenses		795,089	1,538,462	743,373	93.50
Profit (loss) before tax		(481,781)	389,108	870,889	180.76
Income tax expense		167,450	263,444	95,994	57.33
Net income (loss)		(649,231)	125,664	774,895	119.36

The main reasons for the significant changes (more than 20%) in operating revenue, operating profit, and net profit before tax in the last two years:

The decrease in operating revenue this year resulted in the increase in gross loss. And the non-operating income from the disposal of property, plant and equipment of Yongfong plant also contributed to net income this year.

III. Cash flow review and analysis

(I) Analysis of changes in cash flow in recent years (consolidated)

Item	Year	2021 fiscal year	2022 fiscal year	Increase (decrease) ratio (%)
Cash flow ratio (%)		12.05	(3.98)	(133.03)
Cash flow adequacy ratio (%)		46.15	35.71	(22.62)
Cash flow reinvestment ratio (%)		3.16	(0.70)	(122.15)

Description of changes in the increase/decrease ratio (not applicable if the increase/decrease ratio is less than 20%):

The decrease in cash flow ratio was mainly due to the cash outflow from operating activities because of the cash payment increase in the account payable this year.

Analysis of changes in consolidated cash flow in 2022

Unit: NT\$ (thousands)

Cash and cash equivalents balance at the beginning of the period	Yearly net cash flow from operating activities	Yearly net cash flow from investing activities	Yearly net cash flow from financing activities	Cash balance amount (Including effect of exchange rate)
5,958,728	(162,526)	(2,100,498)	294,644	4,058,322

(1) Operating activities: Mainly due to the decline in the operation revenue this year.

(2) Investing activities: Mainly due to the increase in capital expenditure and restricted bank deposits.

(3) Financing activities: Mainly due to the increase in long-term loans.

(II) Improvement plan for insufficient liquidity: No cash shortage issue.

(III) Analysis of cash liquidity in next year (consolidated)

Unit: NT\$ (thousands)

Cash balance at the beginning of the period (1)	Yearly net cash flow from operating activities (2)	Yearly net cash flow from investing and financing activities (3)	Cash Surplus (Shortage) (1)+(2)+(3)	Remedies for cash shortage	
				Investment plan	Financing plan
4,058,322	800,000	900,000	5,758,322	None.	None.

1. Analysis of the 2023 cash flow:

Under the precondition of maintaining stable cash liquidity, the company will prudently plan and control various cash expenditures related to investment and operations with the considerations of the cash balance, cash flow from operating activities and investing activities, and financial market conditions. And the Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

- (1) Operating activities: Under the precondition of maintaining stable cash liquidity and financial structure, the Company continuously expands business and develops niche products with high value-added effect continuously that helps improve profitability continuously. Therefore, the company expects that operating activities will be with a net cash inflow after booking the depreciation and amortization expenses without cash outflow.
- (2) Investing activities: Refers to the disposal account receivable of the real estate of Yongfong plant in 2022 received in January 2023 and acquisition of additional production and factory equipment, and periodic replacement and addition of production equipment. And to repay other long-term loans by other financial assets (time deposits) step by step.
- (3) Financing activities: The remaining funds will be used to gradually repay bank loans after the net cash inflow from operating activities and investing activities be used to finance investment expenses such as the purchase of additional equipment.

2. Remedy for expected cash shortage and liquidity analysis: Not applicable.

IV. The impact of significant capital expenditures on financial operations in the most recent year

- (I) The implementation of significant capital expenditures and the source of funds: There is no single significant capital expenditure exceeding 20% of the capital or NT\$1 billion in the most recent year.
- (II) Expected benefits: Not applicable.

V. Investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the improvement plan, and investment plans for the coming year

The company's investment policy meets the mid-term and long-term development strategy and operational needs to seek appropriate strategic partners. The main scope of investment is the upstream and downstream companies related to the company's operation. The net investment loss recognized under the equity method in the Company's 2022 consolidated financial statements was NT\$12,533 thousands, mainly due to the operating loss of affiliated companies, of which BriView (L) Corp. has been approved to liquidate by its shareholders' meeting, thus the impact of the long-term operating loss of the investee company on the Company's loss will be reduced.

There was no investment in company for an amount exceeding 5% of the paid-in capital conducted in the most recent year.

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

- (I) The impact of changes in the interest rate, exchange rate, and inflation on the company's profit and loss and future countermeasures

1. Impact of changes in interest rate

The company expects the scale of operations to grow continuously and the demand for working capital will go up. The company has applied to the cooperating banks for credit lines as a source of funds for future working capital needed. Therefore, the impact of changes in the company's interest rate mainly comes from the floating interest rate debt for supporting the operating and investing activities. The changes in the market interest rate will also cause the floating interest rate to change. However, the company will assess bank loan interest rates occasionally and maintain a good relationship with banks to obtain more favorable interest rates, and adjust the implementation of funds according to the changes in interest rate in a timely manner in order to reduce the impact of changes in interest rates on the company's profit and loss.

2. The impact of changes in the exchange rate

The company's sales revenue and procurement expenditures are mainly denominated in U.S. dollars. The effort of offset assets in foreign currency against liabilities in foreign currency is to achieve a natural hedging effect of foreign currency net position. The company will also pay close attention to information related to exchange rate fluctuations and grasp exchange rate trends in real-time. The company will adjust the positions of assets and liabilities in foreign currency in accordance with global macroeconomy, exchange rate, and future capital needs; also, adopt a combination of spot and forward foreign exchange transactions to hedge foreign currency fluctuation risks in order to reduce the impact of exchange rate risks on the company's profit and loss.

3. Inflation effect

The company will focus on developing new products and reducing costs in response to the impact of raw materials price increase. The company will continue to pay attention to domestic and international inflation and adjust inventory and production capacity in a timely manner to reduce possible risks.

(II) 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 and the subsidiaries are not engaged in high-risk and high-leverage investments. Funds allocation and hedging activities are carried out in accordance with the principle of conservativeness and stability.
2. The company and the subsidiaries, when engaging in the funds lending to others, endorsement or guarantee and derivatives, in addition to complying with relevant operating procedures, regularly handle announcements and reporting in accordance with the regulations of the competent authority.
 - (1) Funds lending to others: As of the publication date of the annual report, the Company had made no funds lending; the subsidiaries had granted loans only to subsidiaries indirectly owned 100% by the Company. The effective amount approved by the Board of Directors was CNY100 million with CNY50 million loan amount implemented.
 - (2) Endorsement or guarantee: As of the annual report's publication date, the Company had made no endorsements/guarantees. The subsidiary's making endorsements/guarantees were only to the subsidiary indirectly owned 100% by the Company. The effective amount approved by the Board of Directors was CNY50 million, but the actual endorsements/guarantees amount was NT\$0.
 - (3) The company engages in derivatives transactions in accordance with the positions arising from the company's operations to hedge market risks and reduce the company's operational risks. Also, it is handled in accordance with Chapter 3 regarding the control of derivatives transactions of the "Procedures for the Acquisition or Disposal of Assets."

(III) Future research & development projects and corresponding budget

1. Future research & development projects

Develop three major directions of new-generation panel module/backlight module technology, display technology and optical design applications in new fields, and precision component plastic materials, by taking advantage of the Group's dominance in the panel industry and accommodating the company's operational development plans and future R&D directions.

(1) New-generation panel module/backlight module technology:

Build up the technology development capability of direct thin/side-light LED B/L, mass production technology of related components (such as light-guiding plate, LGP) and new LGP pattern processing technology; pursue ultra-brightness of the display, upgrade product standby time, and integrate the internal plug-in technology of iron parts and plastic frame to have a big screen/backlight liquid-crystal display (LCD). The deployment of LCD backlight applications will be developed in line with the needs of customers; also, prepare for the technology development and mass production of the LED-TV/MNT/NB/GD/PID/CAR and deployment of key components by taking advantage of the established technology energy, such as precision mold technology, ultra-precision process, optical mechanical design, and mass production of key components.

(2) Application of display technology and optical design in new fields:

In addition to the application of televisions, personal computer monitors, notebook computers, public information displays, electronic paper display, and label, through the integration of display technology, optical design, and software services, expand the market for new applications, such as smart stop sign systems, electric vehicles market (car display, smart traffic display including Location-Based Service (LBS) software integration), medical display, IoT integration system, etc., through vertical integration, and meet customer's demand for customized products. Develop 3D sensing components by combining ultra-precision processing and micro-component optical design, as well as UV micro-printing. Implement programmable chips application technology into the system. In terms of image processing, utilize hardware acceleration to make the processing performance more promptly and more flexible; also, expand the market for new applications in order to enhance profitability and seize opportunities for business transformation.

- (3) Precision components:
- a. Yellow light, etching, electroforming, and other processes and material technologies created by FMM were used to develop various metal masks for the deposition of thin films, and microstructured metal fixtures for precision processing of thin films to apply in the optoelectronics and semiconductor industries.
 - b. Precision molding technologies created with monitors and backlight modules, ultra-processing technology and micro (or nano) imprinting, precision injection molding, and other processing technologies were used to develop precision optics as well as touch control and microstructured components to apply in the optoelectronics, semiconductor, and medical industries.
- (4) Three-stage goals are planned according to the R&D schedule:
- a. Short-term goal:
Focus on the cultivation of R&D talents, form R&D and process teams, and take advantage of the Group's dominance in panel business to vertically integrate and deploy the key components of the panel - backlight module- TV/display unit in order to upgrade product quality, reduce costs, improve production yield rate, strengthen cost competitiveness, expand technical integration services for customers, win over more partners, and expand IoT system integration business. Also, improve mass production technology and product yield with the precision metal mask technology that has been developed for years. Based on the excellent components development capabilities to expand customer base, increase system products, and increase its profitability.
 - b. Mid-term goal:
Develop more competitive key components and customized-design services by taking advantage of the core competence of precision machinery and ultra-precision metal mask technology, including cooperation with the software and hardware functional system integration service design of the electronic industry. Initiate patent deployment comprehensively, take charge with innovative technologies, increase the added value of products, and strive to maximize the company's profits.
 - c. Long-term goal:
"Passion·Quality·Innovation" is the business philosophy of the company. The R&D team has become a value-creating integrator or a valuable team integrated with continuous innovation, continuous improvement, and value creation as its backbone. The R&D team has actively constructed a new stage for cultivating and integrating innovation capacities, enhanced the overall competitiveness of the optoelectronic industry in Taiwan, created employment opportunities, taken into account the development of green energy design technology, and fulfilled corporate social responsibility.

2. Estimated research and development expenses

The company, for achieving the concept of sustainable operation, plans to invest in R&D expenditure for NT\$380,000 thousand in 2023, especially for the investment in R&D personnel training that will be budgeted gradually according to the development of the planned new product and new technology; also, it will be adjusted according to the overall market environment and actual business operation in order to ensure the company's competitive advantage.

(IV) Effects of and response to changes in domestic and foreign policies and regulations relating to corporate finance and sales:

The company has conducted daily operations in compliance with relevant domestic and foreign laws and regulations. Also, it pays attention to the development and trends of domestic and foreign policies and changes in law and regulations. It adjusts the company's internal relevant systems to fully grasp and respond to changes in the market environment. As of today, the company's finance and sales has not been significantly affected by the changes in domestic and foreign policies or the law.

(V) Effects of and response to changes in technology (included information security risk) and the industry relating to corporate finance and sales

Although the Company has established comprehensive network and computer-related information security measures, in the face of rapidly changing information security threats and the advancement of new technologies, the Company cannot guarantee that its control of critical computer systems, such as that for manufacturing operations and accounting, will be completely protected from malicious cyber attacks and theft of business secrets by third parties. The Company will continue to task the Information Security Committee to coordinate information security measures, review and evaluate information security regulations and procedures to ensure their appropriateness and effectiveness and to protect the Company's business secrets.

Backlight modules and TV/display systems are the main products of the company. We also vertically integrate the development and manufacturing of parts and components with the core technologies of precision tooling, complete machine software/hardware and mechanism design. Along with the prosperous development of the LCD industry, the popularization of LED light sources, and the trend of interactive smart networking functions, the company's product development is also aimed at innovation and diversified operations; also, the company constantly pays attention to the technological changes and technological development of the industry and quickly grasps the industry development, continuously improves research and development capabilities, and actively expands new technology derivative

applications in response to the impact of technological changes and industrial changes on the company.

2022 achievements

1. The 12.3"/14"/15.6" NB & 9" Car ODM backlight, offered in 4 models, integrated with the one-stop metal and plastic parts developed internally, has successfully won orders from major manufacturers with mass production to commence on 2022 Q4.
2. The front light module's continuous development is with new LGP pattern processing technology adopted, which can effectively improve the brightness and contrast, greatly improve the screen reading visibility of the front light module. The company is committed to developing green energy products. The product has been successfully implemented in 7.8" / 10.1" / 13.3" reflective LCD modules.
3. HDR has in recent years gradually become the mainstream display specification, and the backlight structure corresponding to HDR display technology is the Mini LED. Therefore, we have devoted ourselves to the development of this technology in recent years, and our main technologies are structural diffusion film/plate and Zonal Microlens Array. Applications range from Car Display to NB/MNT/TV; the main feature is that it can significantly reduce the number of LEDs used, which can reduce product cost and facilitate product sales and promotion.
4. Due to the promotion of smart cities in recent years, smart systems have been continuously applied in various fields, such as smart mobility, smart medical... etc.. The Company is actively engaged in the application of display technology in various fields and provides services and solutions.
Smart field projects completed in 2022 include: Several solar-powered e-paper bus stops and solar-powered e-paper/RLCD bus shelters that looked refreshing and different from traditional bus stop/bus shelter designs were successfully installed in Taichung and Taoyuan. For example, Taichung's scholar style bus shelter is a combination of a cloud bus stop management system, multimedia, and big data management system to achieve effective promotion effects of multimedia advertisements. Reflective LCD monitors in the smart kiosk also integrate AI facial information analysis to effectively take statistics of the connection between the advertisements or propaganda of government orders and the viewers, to provide advertisers with effective data analysis and improve the benefits of the advertisements. The source of energy needed for the station is solar power; since the information on e-paper and the reflective monitors can still be clearly seen under strong lights, the electricity used during the daytime can be reduced effectively while providing passengers with clear arrival information. During night time, the brightness of the front light can be adjusted through Passive Infra-Red (PIR) sensor and light sensor detection, able to effectively provide brightness that allows passengers to clearly read the bus schedule information and advertisements, and also reduce power consumption effectively.
Campus electronic signage project: Darwin undertook the project of National Cheng Kung University (NCKU) and introduced e-paper monitors into the campus to replace existing unchangeable signage, and allow students to receive various different information from the e-paper signage such as recent campus activities and propaganda on government orders, etc. Darwin not only developed the EPE module, it also used software and hardware designs to work with the demands of NCKU and developed the backstage software, and also introduced the people-flow detection system.
Ferry transparent projection project: Under existing display technologies, the cost of large traditional display equipment is expensive, and this type of equipment does not have transparent effects; the cost of existing transparent OLED is also expensive and the sizes are limited, and the subsequent maintenance costs are also considerable. Darwin cooperated with the Industrial Technology Research Institute and BenQ Materials Corporation and developed a transparent projection system. This system does not have the restrictions mentioned above, and can be used by blending into buildings or scenery. Its high color and high contrast features allow the image screen to be clear and colorful, and it is now successfully retrofitted on Yawan ferries for physical display and verification.
5. Among many high-tech displays today, organic light-emitting diode (AMOLED) displays are RGB self-luminous, do not require backlight modules and color filters, and have the advantages of high contrast ratio (dark black, low light leakage), low power consumption, wide viewing angle, fast response time, and suitable for motion pictures. It can replace glass substrate with PI (Polyimide) to make a flexible screen, which is suitable for bendable or foldable displays. With the booming development of the AMOLED market, many panel makers have mass-produced various types of AMOLED panels, which are widely used in wearable devices, smartphones, and even Pad, NB and other IT products, and the penetration rate of AMOLED is increasing year by year. Among small and medium-sized displays, AMOLED panels have become the mainstream. With the increasing demand for AMOLEDs, the demand for fine metal mask (FMM) is surging. Since 2021, major NB brands have been actively featuring AMOLED panels on their products. On the other hand, new technology products such as folding type, flexible type and fingerprint on display are growing significantly in AMOLED smartphones. FMM is a key material in AMOLED production, which makes the market outlook for FMM relatively optimistic. We are the only company in Taiwan that can mass-produce FMM for AMOLED. We have mastered the FMM production technology and invested in strong R&D and production teams dedicated to manufacturing of FMMs for IT products such as wearable devices, smartphones and large-format pads/NBs. The new Hukou plant has been in mass production since 2018 Q4. In recent years, we have continued to improve in materials, process development, and product design; we completed development and production of WQHD high-definition smartphone thin film FMM and 15.6"4K2K large width FMM for notebooks in order to pursue a higher market share and shareholder interests

6. We have completed the development of 10.1" & 10.4" Open Frame products (LCM+Touch Panel) for POS machines and other monitor applications.
7. We developed 28" bar type e-paper modules according to product needs, and achieved IP55 in accordance with outdoor use demands; it can be installed at stations with different shapes. We also developed the 13.3" ACEP color e-paper stand that can be installed on retractable barriers to replace original paper-printed notice boards. We also completed the development of 25.3" ACEP color e-paper transparent stands. The products above can all be used with batteries so that they do not have to be connected to city mains and can be moved and used freely. Contents of the products can all be updated through USB or wireless methods.
8. Our level 2 charging pile equipped with a 49.5" monitor cooperated with a 3rd party to develop a Level 2 (11KW) charging pile with a 49" LCM; the machine is actually installed at the customer's parking lot for testing. Darwin was responsible for the development and verification of the entire machine, and specifically focused on the design of the cooling system, in which we integrated our related R&D energies including mechanisms/electronics/optics/heat flow simulation/testing, etc.

Direction of development in 2023

1. Actively search for new fields and new businesses with the existing design/manufacturing capabilities.
The company has sufficient experience in electronic system/mechanical/optical design and comprehensive mold development/component manufacturing/module assembly. Therefore, the company has based on the one-stop design/production practice to explore new fields (such as IoT/automotive market/VR/medical display/traffic information board, etc.) in order to have the business operation transformed and a new business created.
2. Develop a new backlight structure that can help reduce by more than half of the number of mini LEDs used and solve the issues of high cost, low yield rate, heating dissipation caused by excessive mini LED backlights in use with the excellent optical design, precision processing technology and process integration of the company. The company is committed to having high definition technology updated and design and development of the lamp cup structure, focusing on automotive high-contrast dashboards, car entertainment display systems.
3. In response to the trend of big screens and long standby notebook models, the company has integrated the optical design and new pattern processing technology to upgrade the LGP luminous efficiency. We also developed a new brightness enhancement film to further improve the efficiency of the backlight module, and reduced the power consumption to meet long standby demands. Molding technologies with injection processes are continually improved towards thin LGP, with a target of 16" 0.45mm. As product penetration increases, increase options for future product applications The combination of thin board made of material with low water absorption and mechanical design is to narrow down the gap between parts and effectively reduce the edge of the module for a big screen that can help increase the company's competitiveness and enter the high-end application market.
4. As automotive multimedia device develops, the monitors used by the co-driver must be equipped with the function of adjustable viewing angles; in order to achieve this function, the dual energy backlight design was adopted. The light field is switched by the backlight, which is responsible for the switching of the monitor's viewing angle.
5. In response to the trends of AMOLED smartphones developing towards high-definition and the gradual yearly increase of penetration rates of IT products such as Pad/NB, Darwin continues to improve its yield rate and product competitiveness on high-end products to meet customer needs and increase the revenue and profitability.
6. Programmable logic gate technology was applied to develop functions that general ASICs (Application Specific Integrated Circuits) could not support, and they were applied on products. For example, auxiliary monitors for photography. It can also respond to the plan for diverse products with a small quantity demand where the functional requirements of products vary greatly; therefore the features of programmable chips can be used to plan circuit designs to meet the different product functions, increasing the flexibility of hardware and software designs significantly.
7. IME development assessment: Base on the mass production of home appliances and the development of automotive products to enhance the competitiveness of sales, review IMF mold design and electronic touch detection and sound and light feedback development to plan actual test verification, improve mold sets, and refine the new manufacturing process and design.
8. Develop a display with LBS (Location-Based Service) function. In response to the popularization of mobile networks and advanced digital media contents, the device's positioning function can provide flexible and customized broadcasting messages and help users obtain the relevant message data corresponding to the current location.
9. Continue to invest in smart field related development, combining smart sensor system, cloud management, smart display tandem, XR experience and 5G application to provide more powerful and complete field planning.
10. In response to the huge market of electric vehicles in the future, entering into the field of charging pile and cooperated with charging system manufacturers to develop charging pile with display, introducing ID design, water and dust-proof design, heat dissipation design to overcome high brightness and sunlight, and optical design of display light.
11. System Board Development for Various Types of Monitors
For future public monitor demands and custom applications, the development of system boards can meet the diverse changes and demands of customers, and various effective solutions can be provided.

(VI) Impact of change in the corporate image on crisis management, and countermeasures

The company, since the incorporation, has complied with relevant law and regulations, actively strengthened internal

management and improved management quality and performance. It has also maintained a harmonious labor-management relationship to maintain a good corporate image. No event affected the corporate image as of the annual report's publication date.

- (VII) Expected benefits from, risks relating to, and response to merger and acquisition plans
The company and the subsidiaries did not have any merger and acquisition plan implemented as of the annual report's publication date.
- (VIII) Expected benefits from, risks relating to, and response to factory expansion plans
The company and the subsidiaries did not have any major plant expansion plan implemented as of the annual report's publication date.
- (IX) Risks relating to and responses to excessive concentration of purchasing sources and excessive customer concentration
1. Risks relating to and responses to excessive concentration of purchasing sources
LCD monitor & modules and optronic products & precision component are the main products of the company. The raw material procurement strategy is to have two or more suppliers for each key material. Domestic and foreign suppliers are recruited by the company that allows the company to decentralize procurement with a good cooperation relationship maintained; therefore, there should be no risk of concentration of purchases.
 2. Risks relating to and respond to excessive customer concentration
The company's revenue is generated mostly from LCD monitor & modules and optronic products & precision component. The 2022 consolidated revenue was approximately NT\$144.6 billion, of which LCD monitor & modules accounted for about 77% and optronic products & precision component accounted for about 23%. The backlight module and panel final assembly are the core to liquid crystal display; therefore, the mode of cooperation with panel manufacturers is crucial. The company has the technology development of iron plastic parts, molds, and LGP, a complete supply chain of backlight module assembly and final panel assembly, and the support of upstream panel factories; therefore, the core technology in the supply chain of the company has given the company an edge in market competition. The company is also actively cooperating with major brand manufacturers and successfully completed the product verification by major manufacturers in Japan, South Korea, and China with a new source of revenue created. The company's production bases are located in East China, South China, Taiwan, and Southeast Asia; therefore, the risk relating to excessive customer concentration is minimized. Furthermore, The major customers of the Company are centralized in the LCD optoelectronic products industry, thus the credit risk is significantly centralized. The Company continuously evaluates its customer's financial position and actual collection situation, and, if necessary, the Company flexibly uses credit protection tools such as advance receipt, transfer of accounts receivable claims, credit insurance, or requires the customer to provide collateral or guarantees to reduce the customer's credit risk. The current credit risk is within management's expectation of control.
- (X) Effects of, risks relating to, and response to large share transfers or changes in shareholdings by Directors, Supervisor or Shareholders with shareholdings of over 10%
There was no large share transfer or change as of the publication date of the annual report. If any, the share transfers or changes are normal financial management of the shareholders that do not have any impact on the company.
- (XI) Effects of, risks relating to, and response to the changes in management
There was no change in management occurred to the company as of the annual report's publication date.
- (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 and affiliated companies 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
1. The litigation, non-litigation, and administrative litigation cases of the company that are still pending currently:
The company and the affiliated companies have no major litigation, non-litigation or administrative litigation cases concluded or pending that may have a material impact on the shareholders' interest or security prices.
 2. The litigation, non-litigation, and administrative litigation cases involving the company's Directors, Supervisors, and major Shareholders with a stake of 10% or more that may have a material impact on the Shareholders' interest or security prices:
The events related to the company's corporate director, AUO Corporation. (hereinafter referred to as "AUO"), are explained as follows:

(Data source: The 2022 Shareholders Meeting Annual Report of AUO)

Antitrust civil action

In May, 2014, LG Electronics Nanjing Display Co., Ltd. and seven affiliated enterprises filed a civil lawsuit against some LCD manufacturers including the Company in the Central District Court of Seoul, South Korea, claiming overcharge and claiming damages. Our company does not think that the service of this case is effective, but in order to safeguard the Company's interests, we have entrusted a lawyer to handle this lawsuit. At this stage, the final result of this case cannot be determined, and the Company is continuously evaluating the substance of this lawsuit. In addition, in September 2018, AUOUS received a civil lawsuit from the Puerto Rican government against some LCD manufacturers, including our company and AUOUS, in the court of first instance of the San Juan High Court, claiming unjust profits and asking for unspecified monetary compensation. Our company has entrusted a lawyer to handle this lawsuit. The court of first instance of the San Juan High Court dismissed the case in October 2022.

As of February 23, 2023, the merged company will evaluate the rationality of the recognized expenses in each financial reporting period according to the nature of the case, whether the possible loss amount is significant, the progress of the case and the opinions of professional consultants, and make necessary adjustments in the way the Company thinks fit, but the final amount will not be determined until the relevant cases are concluded. The merged company wants to actively defend the aforementioned unsettled or ongoing litigation cases, but the final results of these cases cannot be determined, and the possible losses (if any) cannot be accurately estimated at present. The merged company is continuously evaluating the substance of these lawsuits. In addition to the above litigation events, there are other litigation cases arising from the normal operation of the merged company, but other litigation cases should not have a significant adverse impact on the operation of the merged company.

(XIII) Other important risks, and mitigation measures being or to be taken

Risk Management

Risk management is an important part of maintaining business operations. The company acknowledges the existence of risks and is committed to implementing various policies and measures to reduce risks in order to create sustainable value for stakeholders and business opportunities for the company. The company, for effectively strengthening risk management, has constantly paid attention to the industry trends and market changes, grasped the trend of risk changes, and formulated management and control strategies and practices for major potential risk scenarios; also, regularly confirm and track the effectiveness of inspections in order to pursue optimized management cost-effectiveness within the acceptable risk.

The company and the subsidiaries, while engaging in operating activities, should carefully review potential internal and external risks from the perspective of sustainable corporate operations; also, formulate relevant operating standards in accordance with the company's "risk management policies and procedures" to identify, measure, control, and monitor the potential business risks, to implement the operation of the risk management mechanism, and to enhance the risk management effect.

The company has established an environmental safety and health management system and environmental safety and health policy. The company has also organized an occupational safety and health committee at each plant's head office. The risk assessment items include: occupational safety and health, automatic inspections, operating environment monitoring, hazardous substances management, greenhouse gas emissions policy and management, resource management, disaster response drills, education and training, etc.

Risk management organization structure:

The company's ESG Committee is responsible for the integration of company-wide risks, and through the participation of the department of sales, manufacturing unit in each plant, R&D, safety and health management, finance, materials, quality, human resources, information, and legal affairs and audit, conducting risk recognition and identification analysis on the possibility and extent of potential losses internally and externally in order to achieve risk control, such as avoiding potential losses, preventing losses, or reducing losses, so to substantiate decentralized and responsibility-sharing risk control and audit management.

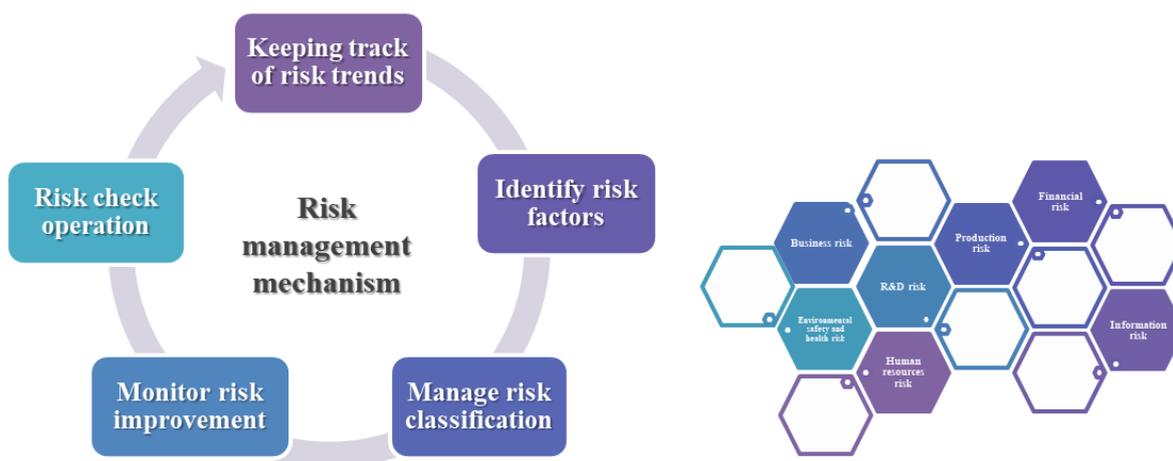
The identification and analysis, prevention, and monitoring of overall risks or major risk management and control issues should be reported to the board of directors at least once a year, and to report the implementation of specific promotion plans and implementation results. Through the supervision and guidance of the Board of Directors, we will implement the prevention of major risks of the Company to ensure the management cycle of "planning, execution, inspection and action", so that the operation can effectively achieve the benefits of risk control.



Risk management category:

The company’s risk management scope includes but not limited to operational risk, market risk, environmental safety and health risk, financial risk, human resource risk, information security risk and other risks that may cause significant losses to the company; also, the company continues to pay attention to the development of domestic and foreign risks in order to grasp risk trends and identify emerging risks.

The company’s risk management process includes: risk category identification, risk analysis and measurement, risk improvement monitoring, and risk reporting and disclosure.



Risk identification and responsive strategy:

Risk identification operations are conducted annually to assess the short-, medium- and long-term risks faced by the company from the perspective of sustainable operations. Low-risk items are controlled by each unit, while medium- and high-risk items are reported at the company's operation and management meeting to evaluate the impact on the company's operations and sustainable development.

The risk identification process of the Company is as follows: the supervisors of each unit or functional organization evaluate the possible or potential risks from daily operations or internal and external information, and after concentrating and compiling them, the supervisors at the division level or above conduct the identification of significant risks by means of questionnaires, and compile the main areas of concern.

Risk category	Focus	Prevention mechanism/Responsive strategy
Strategy risk	Technology development and product strategy	<ul style="list-style-type: none"> Grasp the market trend of advance layout of new products and core technology application development, and to ensure the speed of research and development and cost control Establish effective product development management mechanism, regularly measure cost effectiveness and review and adjust product development technology direction Develop high-end products, strategic alliances and cooperation to enhance the competitive advantage of

Risk category	Focus	Prevention mechanism/Responsive strategy
		products
	Retention of key talents	<ul style="list-style-type: none"> Formulate a talent retention plan to ensure the sustainability of the company's operation and talent development. Retain key talent through company incentives, training programs and a friendly workplace environment
Business risk	Business promotion and market competition	<ul style="list-style-type: none"> Focus on market competition, enhance customer communication to improve satisfaction and reduce customer turnover Analyze market trends, business models and industry chain exchanges to grasp the market situation and develop potential markets and customers Enhance the collection of customer financial information and business intelligence to reduce the risk of material preparation and bad debts
	Manufacturing and quality management	<ul style="list-style-type: none"> Real-time manufacturing process inspection and defective product handling to reduce operational resources and costs Regularly review the manpower plan to maintain the manpower stability and flexibility of manpower deployment in the production line to further improve the quality yield Conduct customer VOC calls or visits regularly, grasp customer voices in advance, and anticipate prevention management
	Purchasing and inventory management	<ul style="list-style-type: none"> Strengthen the risk and management mechanism of material breakage in production lines, including the introduction of localized supply chain, prepared material sources and off-site production Strengthen the bargaining power and effectively predict the price fluctuation of raw materials in the market, and grasp the cost trend Optimize the internal production and sales coordination and material preparation mechanism, supply chain delivery, and provide real-time feedback and adjustment to reduce the risk of defective materials
	Implementation of regulations follow	<ul style="list-style-type: none"> Each unit fully understands and implements the laws and regulations in its field and keeps abreast of new trends to reduce the risk of violations, such as: labor and human rights, environmental protection and occupational safety, trade secrets and intellectual property rights, financial accounting, etc.
Emerging risk	Climate change and carbon management	<ul style="list-style-type: none"> Promote green products and continue to conduct greenhouse inventory and promote energy-saving measures Ensure that the company's products continue to comply with international green product regulations and customer requirements, formulate green specifications for materials, and control through the green management platform
	Information safety management	<ul style="list-style-type: none"> Strengthen off-site backup and firewall security to avoid attacks, establish endpoint protection mechanisms, and continue to promote information security concepts Implement the information security regulations of employee to avoid leakage of important secrets IT equipment stability and data backup management to avoid system maintenance interruptions affecting production and operations
	Disaster and power outage response	<ul style="list-style-type: none"> Establish backup energy and equipment protection mechanisms to maintain plant uninterrupted operations Improve energy efficiency and renewable energy installations to maintain stable power supply and reduce production risks

Risk category	Focus	Prevention mechanism/Responsive strategy
	Epidemic prevention and control management	<ul style="list-style-type: none"> Establish the standardization of environmental safety and health management system and operation procedures and regularly promote training, mechanically activate staff triage or entry/exit management and properly arrange manpower deployment

Implementation of risk management:

- (I) The company has the business operating results and overall strategy discussed at the top management meetings quarterly and occasionally to continuously implement the identification, analysis, and classification of risk matters within the scope of risk management; also, strengthen risk response capabilities for having the company's overall risk controlled effectively.
- (II) The company's quality center supervises each unit to regularly review the content of the relevant operational specifications regulated annually in order to identify changes in environmental conditions promptly and achieve the effectiveness of the operational specifications.
- (III) The company continues to enhance all personnel's risk awareness and recognition through employee education and training. The relevant courses arranged in 2022 are as follows:

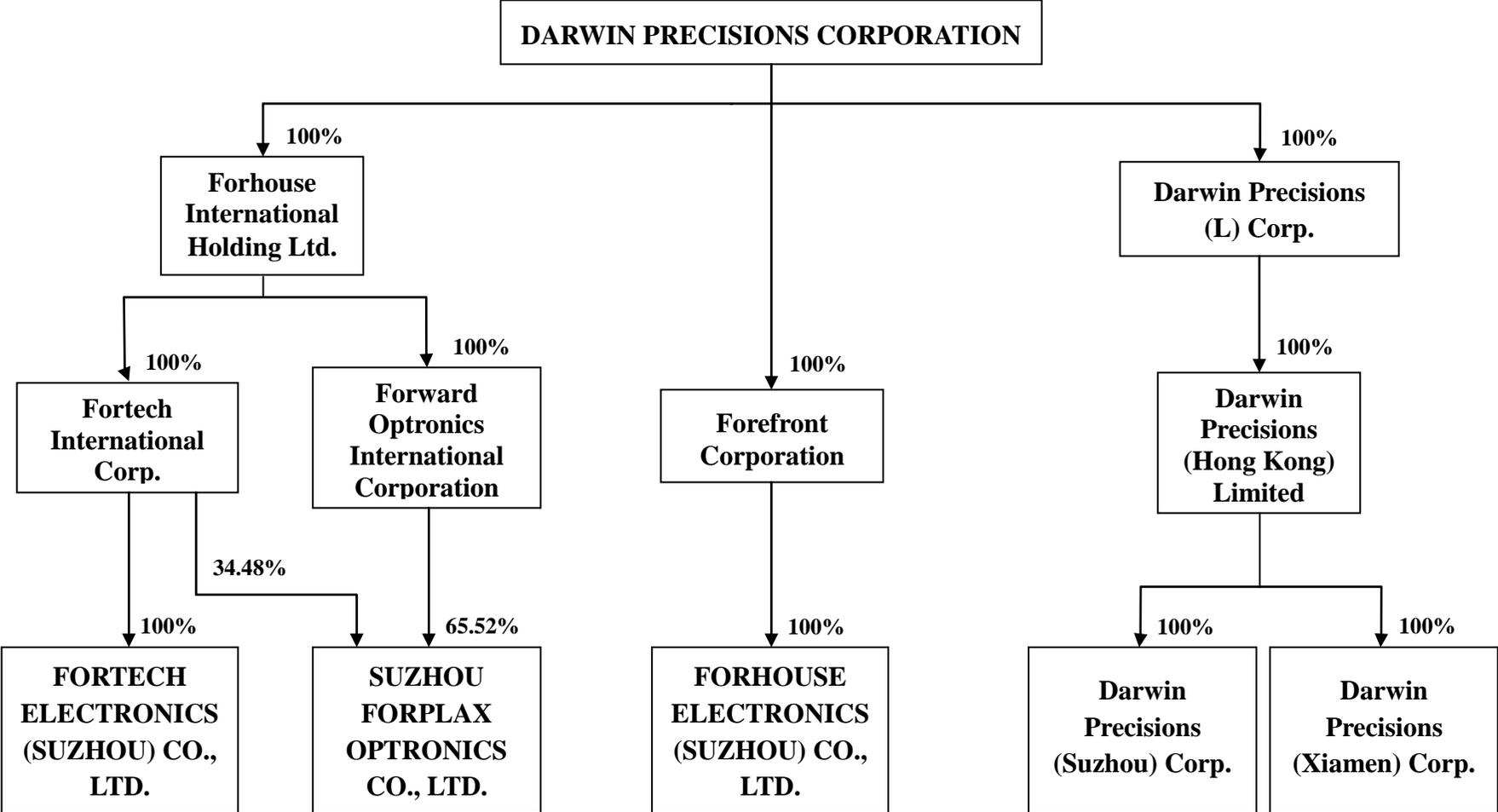
Course content	Number of trainees in 2022	Total training hours
Environmental safety and health education and training	1,557	1,588
Information security regulations, planning, and equipment and environment introduction	96	462
Basic legal knowledge	388	194

VII. Other major items: None.

Chapter VIII. Special Disclosure

I. Information about affiliates
 (I) Organization chart of affiliates

December 31, 2022



(II) Basic information of affiliates

December 31, 2022; Unit: thousand

Name of business	Date of Incorporation	Address	Paid-in Capital	Main Activities
Forhouse International Holding Ltd. (FHVI)	1999.09.17	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VG1110, VIRGIN ISLANDS, BRITISH	USD 22,006	Holding Company
Darwin Precisions (L) Corp. (DPLB)	2005.11.18	Unit Level 3(J), Main Office Tower, Financial Park Complex Labuan, Jalan Merdeka, 87000 W.P. Labuan, Malaysia	USD 91,846	Holding Company
Forefront Corporation (FFMI)	2001.06.20	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 6,526	Holding Company
Forward Optronics International Corporation (FWSA)	2004.12.13	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 19,000	Holding Company
Fortech International Corp. (FTMI)	2002.07.26	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 6,503	Holding Company
Darwin Precisions (Hong Kong) Limited (DPHK)	2007.11.21	Room 1204 Yu Sung Boon Building, 107-111 Des Voeux Road Central, Hong Kong	USD 58,786	Holding Company
FORTECH ELECTRONICS (SUZHOU) CO., LTD. (FTWJ)	2002.08.30	No.399, Jin Hu Rd., Wujiang Economic and Technology Development District, Suzhou City, Jiang Su Province	USD 35,000	Manufacturing and sales of backlight modules related parts
SUZHOU FORPLAX OPTRONICS CO., LTD. (FPWJ)	2005.02.28	No.399, Jin Hu Rd., Wujiang Economic and Technology Development District., Suzhou City, Jiang Su Province	USD 29,000	Manufacturing, sales and trading of precision plastic parts
FORHOUSE ELECTRONICS (SUZHOU) CO., LTD. (FHWJ)	2001.10.09	No.399, Jin Hu Rd., Wujiang Economic and Technology Development District., Suzhou City, Jiang Su Province	USD 6,500	Manufacturing and sales of backlight modules related parts
Darwin Precisions (Suzhou) Corp. (DPSZ)	2005.12.08	No. 11, Tingxin St., Suzhou Industrial Park, Suzhou City, Jiangsu Province, China	USD 25,000	Manufacturing and sales of backlight modules related parts
Darwin Precisions (Xiamen) Corp. (DPXM)	2006.03.31	No. 3089, North of Xiangan Road, Torch High-Tech (Xiangan) Industrial Development Zone, Xiangan District, Xiamen City, Fujian Province	USD 70,000	Manufacturing and sales of liquid crystal products, backlight modules related parts

(III) Shareholders of the companies presumed to have a relationship of control and affiliation: None.

(IV) Industries covered by all affiliates:

December 31, 2022

Name of business	Main Activities	往來分工情形
FHVI	Holding Company	Invest FTMI、FWSA、PMSA
FTMI	Holding Company	Invest FTWJ、FPWJ
FWSA	Holding Company	Invest FPWJ
FFMI	Holding Company	Invest FHWJ
DPLB	Holding Company	Invest DPHK、DPSK
DPHK	Holding Company	Invest DPSZ、DPXM
DPSZ	Manufacturing and sales of backlight modules related parts	-
DPXM	Manufacturing and sales of liquid crystal products, backlight modules related parts	Supply of key parts
FTWJ	Manufacturing and sales of backlight modules related parts	Sell backlight modules to parent company
FPWJ	Manufacturing, sales and trading of precision plastic parts	-
FHWJ	Manufacturing and sales of backlight modules related parts	-

Note: The registration of Fortech Electronics (Kinshan) Co., Ltd. was cancelled on January 7, 2022.; The registration of Prime Forward International Litmited was cancelled on March 30, 2022.; The registration of Darwin Precisions (Slovakia) s.r.o. was cancelled on March 31, 2022.

Directors, supervisors, and presidents of affiliates

December 31, 2022

Name of business	Title	Name	Shareholdings	
			Shares(thousand shares / investment amounts in thousand)	Shareholding percentage(%)
FHVI	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang	The Company holds 22,006	100.00
DPLB	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang	The Company holds 91,846	100.00
FFMI	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang	The Company holds 653	100.00
FWSA	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang	FHVI holds 19,000	100.00
FTMI	Director	Kuo-Hsin (Michael) Tsai, Sheng-Kai (SK) Huang	FHVI holds 6,503	100.00
DPHK	Director	Darwin Precisions (L) Corp., Kuo-Hsin (Michael) Tsai	DPLB holds 10	100.00
FTWJ	Director	Sheng-Kai (SK) Huang, CC Lee, Kuo-Tai Ching	FTMI's investment USD35,000	100.00
	Supervisor	Cheng-Cho Tsao		
	President	CC Lee		
FPWJ	Director	Sheng-Kai (SK) Huang, CC Lee, Kuo-Tai Ching	FTMI's investment USD10,000 FWSA's investment USD19,000	100.00
	Supervisor	Cheng-Cho Tsao		
	President	CC Lee		
FHWJ	Director	Sheng-Kai (SK) Huang, CC Lee, Kuo-Tai Ching	FFMI's investment USD6,500	100.00
	Supervisor	Cheng-Cho Tsao		
	President	CC Lee		
DPSZ	Director	Sheng-Kai (SK) Huang, CC Lee, Kuo-Tai Ching	DPHK's investment USD25,000	100.00
	Supervisor	Cheng-Cho Tsao		
	President	CC Lee		
DPXM	Director	Sheng-Kai (SK) Huang, Kuo-Tai Ching, Limbo FJ	DPHK's investment USD70,000	100.00
	Supervisor	Cheng-Cho Tsao		
	President	Limbo FJ		

(V) Overview of subsidiaries's operations

December 31, 2022; Unit: thousand

Name of business	Capital	Total assets	Total liabilities	Total equity	Revenue	Profit(loss) from operations	Profit or loss for the year (After income tax)	Earnings per share (After income tax) (Note 1)
FHVI	USD 22,006	USD 64,399	USD 0	USD 64,399	USD 0	(USD 0)	(USD 3,805)	(0.17)
DPLB	USD 91,846	USD 175,541	USD 0	USD 175,541	USD 0	USD 0	USD 432	0.00
FWSA	USD 19,000	USD 15,858	USD 0	USD 15,858	USD 0	USD 0	USD 471	0.02
FTMI	USD 6,503	USD 48,541	USD 0	USD 48,541	USD 0	USD 0	(USD 9,140)	(1.41)
FFMI	USD 6,526	USD 2,139	USD 0	USD 2,139	USD 0	USD 0	USD 379	0.06
DPHK	USD 58,786	USD 175,541	USD 0	USD 175,541	USD 0	USD 0	USD 93	0.00
FTWJ	USD 35,000	CNY 953,689	CNY 669,727	CNY 283,961	CNY 899,809	(CNY 63,758)	(CNY 63,342)	-
FPWJ	USD 29,000	CNY 165,223	CNY 176	CNY 165,047	CNY 6,446	(CNY 4,313)	CNY 4,852	-
FHWJ	USD 6,500	CNY 15,453	CNY 540	CNY 14,913	CNY 0	(CNY 4,121)	CNY 2,555	-
DPSZ	USD 25,000	CNY 300,029	CNY 0	CNY 300,029	CNY 4,503	CNY 4,188	CNY 27,242	-
DPXM	USD 70,000	CNY 1,361,544	CNY 437,613	CNY 923,930	CNY 2,059,852	(CNY 14,026)	(CNY 24,788)	-

Note 1: Calculated based on the number of outstanding shares for each company on December 31, 2022. Unit: dollars.

- II. Consolidated Financial Statements of Affiliates: Please refer to appendix 2 of the consolidated financial statements for 2022.
- III. Affiliation Reports: Not Applicable.
- IV. Private placement of securities handling status during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- V. Holding or disposition of the Company shares by subsidiaries in the most recent year up to the publication date of this Annual Report: None.
- VI. Other items that must be included: None.
- VII. Other disclosure items:
Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this Annual Report:
None.

Appendix 1. Statement of Internal Control System

DARWIN PRECISIONS CORPORATION Statement of Internal Control System

Date: February 6, 2023

Based on the findings of a self-assessment, DARWIN PRECISIONS CORPORATION (hereinafter “the Company”) states the following with regard to its internal control system during the year 2022:

- I. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and managers. The Company has established such a system with an aim to providing reasonable assurance for the achievement of the following objectives: The effectiveness and efficiency of business operation (including profitability, performance, and safe-guarding of company assets; The reliability, timeliness, transparency, and regulatory compliance of financial reporting and other related reports; and The compliance with applicable laws, regulations and rulings.
- II. An internal control system has inherent limitations. No matter how perfectly it is designed, an effective internal control system can provide only reasonable assurance of achieving the three above-mentioned objectives. Moreover, the effectiveness of the internal control system may be subject to changes of environment or circumstances. Nonetheless, the Company's internal control system comprises of self-monitoring mechanisms, and the Company immediately undertakes corrective measures once a deficiency is identified
- III. The Company assesses the design and operating effectiveness of its internal control system in accordance with the criteria stated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”). The criteria stipulated in the Regulations identify five essential elements of an internal control system based on managerial control process, including 1). Control environment, 2). Risk assessment 3). Control activities, 4). Information and communication, and 5). Monitoring activities. Each essential element further contains several items. Please see the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the results of the abovementioned assessment, the Company believes that, as of December 31, 2022, its internal control system, including its supervision and management of subsidiaries, was effective in design and operation and provided reasonable assurance of achievement of operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and rulings.
- VI. This Statement constitutes an integral part of the Annual Report for the year 2020 and the Prospectus of the Company and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 in the Securities and Exchange Act.
- VII. This Statement has been approved by the Board of Directors in their meeting held on February 6, 2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

DARWIN PRECISIONS CORPORATION

Chairman: Kuo-Hsin (Michael) Tsai

President: Sheng-Kai (SK) Huang

Appendix 2. Consolidated Financial Statements and Independent Auditor's Report
for the recent fiscal year

Stock Code:6120

**DARWIN PRECISIONS CORPORATION
AND SUBSIDIARIES**

**Consolidated Financial Statements
and Independent Auditors' Report**

For the Years Ended December 31, 2022 and 2021

Address: No.20-1,Guangfu North Rd.,Hukou Township.,Hsinchu
County303036,Taiwan(R.O.C)

Telephone: (03)566-8000

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

Representation Letter

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

Company name: Darwin Precisions Corporation

Chairman: Kuo-Hsin Tsai

Date: February 6, 2023

Independent Auditors’ Report

To the Board of Directors of Darwin Precisions Corporation:

Opinion

We have audited the consolidated financial statements of Darwin Precisions Corporation (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(15) and Note 6(18) of the consolidated financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Group recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Therefore, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include ensuring the transaction conditions and revenue of the sale contracts have been properly recorded; random sampling of sales transactions within a certain period before and after the financial reporting date; analyzing the client contract of the sample; and evaluating the transaction conditions contained in the sales contract to confirm that revenue recognition has been recorded in an appropriate period.

2. Impairment of long-term non-financial assets (excluding goodwill)

Refer to Note 4(13) “Impairment of nonfinancial assets”, Note 5 “Critical accounting judgments and key sources of estimation and assumption uncertainty”, and Note 6(7) “Impairment-non-financial assets of estimation” of the consolidated financial statements.

Description of key audit matter:

The Group operates in an industry with high investment costs, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets. The impairment assessment includes identifying cash-generating units, determining a valuation model, determining those significant assumptions, and computing the recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding the assumptions used, impairment assessment one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group’s controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Group and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets’ future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; We also performed an inquiry of the management and identified any event after the balance sheet date to determine whether it is able to affect the results of the impairment assessment.

Other Matter

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

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

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

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

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

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

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shyh-Huar Kuo and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 6, 2023

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>				<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 4,058,322	22	5,958,728	30	2100	Short-term loans (note 6(10))	\$ -	-	43,324	-
1110	Financial assets at fair value through profit or loss — current (note 6(2))	9,752	-	13,597	-	2130	Contract liabilities — current (note 6(18) and 7)	54,011	-	77,521	-
1150	Notes receivable (note 6(3))	-	-	68,831	-	2170	Accounts payable	2,095,230	11	3,895,029	20
1170	Accounts receivable (note 6(3))	1,025,278	6	1,589,699	8	2180	Accounts payable to related parties (note 7)	94,113	-	212,511	1
1180	Accounts receivable from related parties (note 6(3) and 7)	1,404,727	8	1,968,934	10	2200	Other payables	1,026,278	6	1,266,546	6
1200	Other receivables (note 6(4))	2,275,537	13	42,076	-	2220	Other payables to related parties (note 7)	14,990	-	19,673	-
1210	Other receivables from related parties (note 6(4) and 7)	557	-	1,967	-	2230	Current tax liabilities	108,172	1	227,753	1
1310	Inventories (note 6(5))	984,181	5	1,691,159	9	2250	Provisions — current (note 6(13))	58,938	-	93,215	1
1476	Other financial assets — current (note 8)	230,490	1	-	-	2320	Long-term borrowings, current portion (note 6(12) and 8)	300,794	2	40,116	-
1479	Other current assets (note 6(9) and 7)	72,177	-	153,047	1	2399	Other current liabilities (note 6(11) and 7)	325,934	2	123,801	1
		<u>10,061,021</u>	<u>55</u>	<u>11,488,038</u>	<u>58</u>			<u>4,078,460</u>	<u>22</u>	<u>5,999,489</u>	<u>30</u>
Noncurrent assets:						Noncurrent liabilities:					
1517	Financial assets at fair value through other comprehensive income — noncurrent (note 6(2))	98,263	1	98,263	-	2540	Long-term borrowings (note 6(12) and 8)	3,787,843	21	3,690,021	19
1535	Financial assets at amortized cost (note 6(2))	1,142,218	6	706,340	4	2550	Provisions — noncurrent (note 6(13))	4,688	-	17,004	-
1550	Investments in equity-accounted investees (note 6(6))	257,410	1	330,192	2	2570	Deferred tax liabilities (note 6(15))	895,320	5	833,861	4
1600	Property, plant and equipment (note 6(7),7 and 8)	5,572,871	31	6,848,937	34	2600	Other noncurrent liabilities	88,785	-	101,887	1
1755	Right-of-use assets (note 6(8) and 8)	204,974	1	210,084	1			<u>4,776,636</u>	<u>26</u>	<u>4,642,773</u>	<u>24</u>
1840	Deferred tax assets (note 6(15))	138,373	1	148,275	1		Total liabilities	<u>8,855,096</u>	<u>48</u>	<u>10,642,262</u>	<u>54</u>
1915	Prepayments for business facilities	10,508	-	20,374	-		Equity attributable to owners of parent (note 6(16)):				
1980	Other financial assets — noncurrent (note 8)	694,751	4	4,048	-	3100	Common stock	6,655,551	37	6,655,551	33
1995	Other noncurrent assets	2,501	-	969	-	3200	Capital surplus	2,837,438	16	3,486,669	17
		<u>8,121,869</u>	<u>45</u>	<u>8,367,482</u>	<u>42</u>	3300	Retained earnings	920,934	5	146,039	1
		<u>\$ 18,182,890</u>	<u>100</u>	<u>19,855,520</u>	<u>100</u>	3400	Other components of equity	(1,086,129)	(6)	(1,075,001)	(5)
							Total equity	<u>9,327,794</u>	<u>52</u>	<u>9,213,258</u>	<u>46</u>
	Total assets	<u>\$ 18,182,890</u>	<u>100</u>	<u>19,855,520</u>	<u>100</u>		Total liabilities and equity	<u>\$ 18,182,890</u>	<u>100</u>	<u>19,855,520</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		Amount	%	Amount	%
4000	Operating Revenue (notes 6(18) and 7)	\$ 14,465,590	100	20,284,221	100
5000	Operating Costs (notes 6(5), (14) and 7)	14,493,310	100	20,287,932	100
	Gross loss from operations	<u>(27,720)</u>	-	<u>(3,711)</u>	-
6000	Operating expenses (notes 6(3), (14) and 7):				
6100	Selling expenses	185,374	1	246,448	1
6200	Administrative expenses	580,586	4	705,710	3
6300	Research and development expenses	355,674	2	321,001	2
		<u>1,121,634</u>	<u>7</u>	<u>1,273,159</u>	<u>6</u>
	Loss from Operations	<u>(1,149,354)</u>	<u>(7)</u>	<u>(1,276,870)</u>	<u>(6)</u>
	Non-operating income and expenses:				
7100	Interest income (note 6(20))	119,364	-	84,313	-
7010	Other income (note 6(20) and 7)	146,197	1	110,918	1
7020	Other gains and losses (note 6(7) 、(20) and 7)	1,330,751	9	744,050	4
7050	Finance costs (note 6(20))	(45,317)	-	(37,046)	-
7370	Share of losses of associates and joint ventures accounted for using the equity method, net (note 6(6))	<u>(12,533)</u>	<u>-</u>	<u>(107,146)</u>	<u>(1)</u>
		<u>1,538,462</u>	<u>10</u>	<u>795,089</u>	<u>4</u>
7900	Profit (loss) before income tax	389,108	3	(481,781)	(2)
7950	Less: Income tax expenses (note 6(15))	<u>263,444</u>	<u>2</u>	<u>167,450</u>	<u>1</u>
	Profit (loss) for the period	<u>125,664</u>	<u>1</u>	<u>(649,231)</u>	<u>(3)</u>
8200	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss (note 6(16))				
8361	Exchange differences on translation of foreign financial statements	(13,910)	-	(82,195)	-
8399	Income tax related to items that may be reclassified subsequently (note 6(15))	2,782	-	16,439	-
8300	Other comprehensive income (loss), net of tax	<u>(11,128)</u>	<u>-</u>	<u>(65,756)</u>	<u>-</u>
8500	Total comprehensive income (loss) for the year	<u>\$ 114,536</u>	<u>1</u>	<u>(714,987)</u>	<u>(3)</u>
	Earnings (loss) per share (NT dollars) (note 6(17))				
9750	Basic earnings (loss) per share	<u>\$ 0.19</u>		<u>(0.98)</u>	
9850	Diluted earnings (loss) per share	<u>\$ 0.19</u>		<u>(0.98)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other components of equity			Total equity
	Share capital		Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2021	\$ 6,655,551	4,308,845	414,023	795,270	(1,236,199)	(26,906)	(1,006,745)	(2,500)	(1,009,245)	9,928,245
Appropriation and distribution of retained earnings:										
Capital surplus used to cover accumulated deficits	-	(822,176)	-	-	822,176	822,176	-	-	-	-
Legal reserve used to cover accumulated deficits	-	-	(414,023)	-	414,023	-	-	-	-	-
	-	(822,176)	(414,023)	-	1,236,199	822,176	-	-	-	-
Loss for the year	-	-	-	-	(649,231)	(649,231)	-	-	-	(649,231)
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(65,756)	-	(65,756)	(65,756)
Total comprehensive income (loss) for the year	-	-	-	-	(649,231)	(649,231)	(65,756)	-	(65,756)	(714,987)
Balance at December 31, 2021	\$ 6,655,551	3,486,669	-	795,270	(649,231)	146,039	(1,072,501)	(2,500)	(1,075,001)	9,213,258
Balance at January 1, 2022	\$ 6,655,551	3,486,669	-	795,270	(649,231)	146,039	(1,072,501)	(2,500)	(1,075,001)	9,213,258
Appropriation and distribution of retained earnings:										
Capital surplus used to cover accumulated deficits	-	(649,231)	-	-	649,231	649,231	-	-	-	-
	-	(649,231)	-	-	649,231	649,231	-	-	-	-
Profit for the year	-	-	-	-	125,664	125,664	-	-	-	125,664
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(11,128)	-	(11,128)	(11,128)
Total comprehensive income (loss) for the year	-	-	-	-	125,664	125,664	(11,128)	-	(11,128)	114,536
Balance at December 31, 2022	\$ 6,655,551	2,837,438	-	795,270	125,664	920,934	(1,083,629)	(2,500)	(1,086,129)	9,327,794

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	\$ 389,108	(481,781)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	965,055	1,090,465
Expected credit gain	-	(2,318)
Net loss (gain) on financial instruments at fair value through profit or loss	80,068	(63,945)
Interest expense	45,317	37,046
Interest income	(119,364)	(84,313)
Dividend income	(1,939)	(1,768)
Share of loss of associates and joint ventures accounted for using equity method	12,533	107,146
Gain on disposal of investment	(148,620)	-
Gains on disposal of property, plant and equipment, net	(1,036,920)	(714,552)
Gains on disposal of right-of-use asset	-	(8,294)
Others	-	(143)
Total adjustments to reconcile profit	(203,870)	359,324
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in Financial assets at fair value through profit or loss	(76,223)	123,166
Decrease in notes and accounts receivable	633,252	269,315
Decrease (increase) in accounts receivable from related parties	564,207	(521,930)
(Increase) decrease in other receivables	(4,883)	1,164
Decrease in other receivables from related parties	1,410	461,684
Decrease (increase) in inventories	698,366	(161,489)
Decrease (increase) in other current assets	71,944	(5,418)
(Increase) decrease in other noncurrent assets	(1,532)	4,350
Total changes in operating assets	1,886,541	170,842
Changes in operating liabilities:		
(Decrease) increase in accounts payable	(1,799,799)	707,389
(Decrease) increase in accounts payable to related parties	(118,398)	10,862
Decrease in other payables	(201,284)	(42,925)
(Decrease) increase in other payable to related parties	(4,683)	3,421
(Decrease) increase in provisions	(46,882)	15,748
Increase in other current liabilities	178,623	34,876
Increase in other noncurrent liabilities	6,834	44,904
Total changes in operating liabilities	(1,985,589)	774,275
Total changes in operating assets and liabilities	(99,048)	945,117
Total adjustments	(302,918)	1,304,441

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash generated from operations	86,190	822,660
Interest received	93,113	61,967
Dividends received	1,939	1,768
Interest paid	(44,477)	(37,235)
Income taxes paid	(299,291)	(126,302)
Net cash (used in) provided by operating activities	(162,526)	722,858
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(402,664)	(695,648)
Proceeds from disposal of financial assets at fair value through profit or loss	-	551,841
Return of capital of investments in equity-accounted investees	83,152	-
Acquisition of property, plant and equipment	(1,159,678)	(798,118)
Proceeds from disposal of property, plant and equipment	2,539,347	1,214,515
Proceed from disposal of right-of-use assets	-	12,752
Decrease in refundable deposits	1,158	3,878
Increase in other receivables	(2,231,952)	-
Increase in other financial assets	(921,960)	-
Increase in prepayments for business facilities	(7,901)	(10,219)
Net cash (used in) provided by investing activities	(2,100,498)	279,001
Cash flows from (used in) financing activities:		
Proceeds from short-term borrowings	118,894	173,426
Repayments of short-term borrowings	(162,814)	(130,000)
Proceeds from long-term borrowings	4,613,616	1,986,000
Repayments of long-term borrowings	(4,255,116)	(2,037,351)
(Decrease) increase in guarantee deposits received	(19,936)	19,546
Payment of lease liabilities	-	(4,857)
Net cash provided by financing activities	294,644	6,764
Effect of exchange rate changes on cash and cash equivalents	67,974	(47,871)
Net (decrease) increase in cash and cash equivalents	(1,900,406)	960,752
Cash and cash equivalents at beginning of year	5,958,728	4,997,976
Cash and cash equivalents at end of year	\$ 4,058,322	5,958,728

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

1. Company history

Forhouse Corporation ("Forhouse") was incorporated on October 13, 1989 approved by the Ministry of Economic Affairs. It mainly engaged in designing, manufacturing, assembling, processing and trading of backlight modules, computer peripherals, and communication equipments.

BriView Corp. ("BriView") was approved to establish on September 8, 2008. It mainly engaged in designing, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

In order to integrate the overall resources and expand the scale of business and enhance operational performance and competitiveness, Forhouse merged with BriView on October 1, 2014 in accordance with the "Business Mergers and Acquisitions Act". After merger, Forhouse was legally the surviving company and BriView was the dissolved company. Forhouse was then changed to Darwin Precisions Corp. ("the Company") with the approval of the Ministry of Economic Affairs. The Company's registered address is No.20-1, Guangfu North Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C).

The Company and its subsidiaries ("the Group") mainly engaged in designing, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

2. Approval date and procedure of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2023.

3. New standards, amendments and interpretations adopted:

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

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

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

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

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants” “	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’ s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

4. Summary of significant accounting policies:

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

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IAS, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC, R.O.C..

(2) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;

(ii) Functional and presentation currency

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

(3) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the equity.

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

Changes in the Group' s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2022	December 31, 2021
The Company	Darwin Precisions (L) Corp. (DPLB)	Holding company	100%	100%
"	Forhouse International Holding Ltd. (FHVI)	"	100%	100%
"	Forefront Corporation (FFMI)	"	100%	100%
DPLB	Darwin Precisions (Hong Kong) Limited (DPHK)	"	100%	100%
"	Darwin Precisions (Slovakia) s.r.o. (DPSK)	Manufacturing and sales of automotive parts	-	100%
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ)	Manufacturing and sales of backlight modules and related parts	100%	100%
"	Darwin Precisions (Xiamen) Corp. (DPXM)	Manufacturing and sales of liquid crystal products \ backlight modules and related parts	100%	100%
FHVI	Fortech International Corp.(FTMI)	Holding company	100%	100%
"	Forward Optronics International Corporation (FWSA)	"	100%	100%
"	Prime Forward International Limited (PMSA)	"	-	100%
FFMI	Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	Manufacturing and sales of backlight modules and related parts	100%	100%
FTMI	Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	"	100%	100%
FTMI and FWSA	Suzhou Forplax Optronics Co., Ltd. (FPWJ)	Manufacturing, sales and trading of precision plastic parts	100%	100%
PMSA	Fortech Electronics (Kunshan) Co., Ltd. (FTKS)	Manufacturing and sales of backlight modules and related parts	-	100%

Note : The liquidation of FTKS and DPSK had been completed on January 7 and March 31, 2022, respectively. The liquidation of PMSA had been completed on March 30, 2022. As of December 31, 2022, the liquidation of DPSZ was still in process.

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Foreign currencies

(i) Foreign currency transactions

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

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

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Classification of current and non-current assets and liabilities

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

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

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

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

(6) Cash and cash equivalents

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

(7) Financial instruments

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than one year past due, or the debtor is unlikely to pay its credit obligations to the Group in full.

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

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

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Offsetting of financial assets and liabilities

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

6) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply applied the policies on accounting for modifications to the additional changes.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Unearned gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Joint venture

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint ventures) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 “Investments in Associates and Joint Ventures”, unless the Group qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(11) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

- | | |
|----------------------------|------------|
| 1) Buildings | 3~50 years |
| 2) Machinery and equipment | 1~10 years |
| 3) Other equipment | 1~20 years |

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 4) The major components of houses, buildings, machinery and equipment, and their useful lives are as follows :

Compose item	Useful Lives	Compose item	Useful Lives
Buildings:		Machinery and equipment:	
Main building	20~50 years	Injection machine and polishing machine	1~10 years
Piping and fire engineering	5~21 years	Press board equipment	5~10 years
Plant construction project	10~20 years	Dehumidification drying and feeding system	2~10 years
Compartment engineering	5 years	Light guide plate polishing machine	2~10 years
Other	3 years	Other	1~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Leases

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

(i) As a lessee

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

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

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory that have a lease term of 12 months or less and leases of low-value assets, including sporadic lease. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income' .

(13) Impairment of nonfinancial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs) .

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(15) Revenue

(i) Revenue from contracts with customers

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Sale of goods

The Group manufactures and sells backlight modules and LCD optoelectronic products and related components. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for backlight module and LCD optoelectronic products under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(13).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(16) Government grants

The Group recognizes an unconditional government grant related to an asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Employee benefits

- (i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

- (ii) Short-term employee benefits

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

(18) Income taxes

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

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

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(19) Earnings per share

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

(20) Operating segments

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment and has reflected the impact on COVID-19 within the next financial year is as follows:

Impairment of property, plant and equipment and right-of-use assets

In the process of evaluating the potential impairment of assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Demand deposits	\$ 1,425,790	2,200,055
Time deposits	2,632,532	3,758,673
	\$ 4,058,322	5,958,728

Please refer to note 6(22) for the credit risk exchange rate risk, interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(2) Financial assets and liabilities

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss :		
Derivative instruments not used for hedging — Forward exchange contracts	\$ 9,752	13,597

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group uses derivative financial instruments to manage the exposure to foreign exchange risk arising from operating, financing and investing activities. The following derivative financial instruments, without the application of hedge accounting in the December 31, 2022 and 2021, were classified as financial assets at fair value through profit or loss:

Forward exchange contracts:

December 31, 2022			
	Amount	Currency	Maturity date
	(in thousands)		
Forward exchange sold	USD 22,000	USD to CNY	112.1.13~112.3.14

December 31, 2021			
	Amount	Currency	Maturity date
	(in thousands)		
Forward exchange sold	USD 48,500	USD to CNY	111.1.25~111.7.1

(ii) Financial assets at fair value through other comprehensive income – noncurrent

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income :		
Unlisted common shares		
Domestic Company	\$ 87,549	78,900
Foreign Company	10,714	19,363
	\$ 98,263	98,263

The purpose that the Group invests in the above-mentioned equity securities is for long-term strategies rather than trading purpose. Therefore, those equity securities are designated as financial assets at fair value through other comprehensive income.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in Year 2022 and 2021.

For credit risk and market risk, please refer to note 6(22).

As of December 31, 2022 and 2021, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

(iii) Financial assets at amortized cost

	December 31, 2022	December 31, 2021
Noncurrent :		
Time deposits	\$ 1,142,218	706,340

Information refers to credit risk of financial assets at amortized cost is provide in note 6(22).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As at December 31, 2022 and 2021, Group's financial assets at amortized cost had not been pledged as collateral.

(3) **Notes and Accounts receivables (Including related parties)**

	December 31, 2022	December 31, 2021
Notes receivable	\$ -	68,831
Accounts receivable—measured at amortized cost	2,430,005	3,558,633
	\$ 2,430,005	3,627,464

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information.

As of December 31, 2022 and 2021, the Group did not provide any allowance for the loss incurred from its notes and accounts receivable. The loss allowance provisions for non-related parties were determined as follows:

December 31, 2022			
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 957,643	-	%
Past due less than 60 days	3,084	-	%
Past due 61~180 days	64,551	-	%
Past due over 181 days	-	-	%
Total	\$ 1,025,278		-

December 31, 2021			
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 1,629,908	-	%
Past due less than 60 days	28,622	-	%
Past due 61~180 days	-	-	%
Past due over 181 days	-	-	%
Total	\$ 1,658,530		-

As of December 31, 2022 and 2021, the accounts receivable from related parties of the Group were mainly derived from the accounts of the parent company amounting to \$467,150 thousand and \$739,201 thousand, respectively, and other related parties of \$937,577 thousand and \$1,229,733 thousand, respectively, with overdue days of less than 30 days. Therefore, there were no loss allowance provisions during the duration of the accounts receivable from related parties.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The movement in the allowance for notes and accounts receivables were as follows:

	2022	2021
Balance at January 1	\$ -	5,994
Impairment losses reversed	-	(2,318)
Amounts written off	-	(3,628)
Foreign exchange gains	-	(48)
Balance at December 31	\$ -	-

As of December 31, 2022 and 2021, the notes and accounts receivables of the Group had not been pledged as collateral.

The credit and exchange rate risks information of the notes and accounts receivable, please refer to note 6(22).

(4) Other receivables

	December 31, 2022	December 31, 2021
Other receivables — proceeds from disposal of property	\$ 2,231,952	-
Other receivables — related parties	557	1,967
Others	43,585	42,076
	\$ 2,276,094	44,043

The amount on the disposal of property in Waipu Dist., Taichung City was recognized as “other receivables—proceeds from disposal of property”. The transaction price has been entrusted to the bank to handle the buying and selling trust of the property, plant and equipment. The disposal of property are described in note 6(7). The amount on the disposal of property mentioned above had been fully received by the trust account as of January 3, 2023.

For further credit risk information, please refers to note 6(22).

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 487,751	718,342
Semi-finished goods	97,096	139,729
Work in progress	77,613	131,028
Finished goods	230,629	566,725
Goods	45,371	51,424
Inventory in transit	45,721	83,911
	\$ 984,181	1,691,159

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Inventory related losses and profits were as follows:

	2022	2021
Loss on valuation and scrap of inventories	\$ 18,963	24,376
Unallocated fixed manufacturing expenses	266,498	278,976
Loss on inventory physical count	-	43
Disposal gain on scraps	(82,390)	(157,554)
Operating costs	\$ 203,071	145,841

As of December 31, 2022 and 2021, the inventories of the Group had not been pledged as collateral.

(6) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Associates	\$ 257,410	258,695
Joint ventures	-	71,497
	\$ 257,410	330,192

(i) Associates

Associates which are material to the Group consisted of the followings:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights	
			December 31, 2022	December 31, 2021
BriView(L) Corp. (BVLB)	Holding company	Malaysia	29.71%	29.71%

The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRSs financial statements of these associates:

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

BVLB Company:

	December 31, 2022	December 31, 2021
Current assets	\$ 827,765	1,432
Non-current assets	-	833,270
Current liabilities	-	(136)
Non-current liabilities	-	-
Net assets	<u>\$ 827,765</u>	<u>834,566</u>
Net assets attributable to non-controlling interests	<u>\$ 245,929</u>	<u>247,949</u>
Net assets attributable to investee company	<u>\$ 581,836</u>	<u>586,617</u>

	2022	2021
Operating revenue	<u>\$ (81,040)</u>	<u>20,359</u>
(Loss) profit from continuing operations	\$ (81,218)	20,174
Other comprehensive income (loss)	74,417	(6,493)
Total comprehensive (loss) income	<u>\$ (6,801)</u>	<u>13,681</u>
Comprehensive income attributable to non-controlling interests	<u>\$ (2,020)</u>	<u>4,064</u>
Comprehensive income attributable to investee company	<u>\$ (4,781)</u>	<u>9,617</u>

	2022	2021
Share of net assets of associates as of January 1	\$ 247,949	243,885
Comprehensive income attributable to the Group	(2,020)	4,064
Share of net assets of associates as of December 31	\$ 245,929	247,949
Less: Elimination of unrealized profit on downstream sales	-	-
Carrying amount of associates' equity	<u>\$ 245,929</u>	<u>247,949</u>

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2022	December 31, 2021
Carrying amount of individually insignificant associates' equity	<u>\$ 11,481</u>	<u>10,746</u>

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Notes to the Consolidated Financial Statements

(ii) Joint ventures

Roehm Forhouse Optical Polymers Corp. (EFOP) is a company established under the joint venture agreement between the Company and other investor. EFOP is a non-public company and is one of the Group's strategic suppliers who mainly engages in the production of plastic pellet. The Group has the residual equity interest in net value of EFOP; hence, the Group use the equity method in measuring the fair value of EFOP.

The registration and legal process of EFOP's liquidation had been completed on January 25, 2022 and November 7, 2022, respectively, based on the resolution approved during the shareholders' meeting of EFOP on May 27, 2021.

The following table summarizes the financial information of EFOP as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information on the carrying amount of the Group's interest in EFOP.

	December 31, 2022	December 31, 2021
Percentage ownership interest	-	49%
	%	%
Current assets	\$ -	220,616
Current liabilities	-	(74,704)
Net assets	<u>\$ -</u>	<u>145,912</u>
Carrying amount of interest in joint venture	<u>\$ -</u>	<u>71,497</u>

	2022	2021
Operating Revenue	<u>\$ -</u>	<u>1,143,180</u>
Profit (loss) from continuing operations	23,786	(233,140)
Other comprehensive income	-	-
Total comprehensive income (loss)	<u>\$ 23,786</u>	<u>(233,140)</u>
Group's share of profit and total comprehensive income	<u>\$ 11,655</u>	<u>(114,238)</u>

The Group does not have any contingent liabilities arising from the equity of the joint venture, as well as contingent liabilities incurred with other joint venture controllers. Also, the Group is not obliged to assume the control of other joint ventures in the joint venture where the liabilities should be borne by the person.

(iii) Guarantee

As of December 31, 2022 and 2021, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and Construction</u>	<u>Machinery and Equipment</u>	<u>Others</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2022	\$ 2,191,245	3,436,722	7,005,085	3,268,212	126,453	16,027,717
Additions	-	3,149	102,170	155,899	870,133	1,131,351
Disposal	(996,050)	(425,603)	(918,826)	(205,281)	-	(2,545,760)
Reclassification and effect of movements in exchange rates	-	56,222	308,366	53,306	(245,003)	172,891
Balance on December 31, 2022	\$ 1,195,195	3,070,490	6,496,795	3,272,136	751,583	14,786,199
Balance on January 1, 2021	\$ 2,247,104	4,324,622	7,738,370	4,148,735	50,856	18,509,687
Additions	-	5,061	188,346	211,685	411,161	816,253
Disposal	(55,859)	(863,372)	(1,226,078)	(1,019,779)	-	(3,165,088)
Reclassification and effect of movements in exchange rates	-	(29,589)	304,447	(72,429)	(335,564)	(133,135)
Balance on December 31, 2021	\$ 2,191,245	3,436,722	7,005,085	3,268,212	126,453	16,027,717
Accumulated depreciation:						
Balance on January 1, 2022	\$ -	1,339,980	4,808,183	3,030,617	-	9,178,780
Depreciation	-	162,764	608,722	187,188	-	958,674
Disposal	-	(86,633)	(753,922)	(202,778)	-	(1,043,333)
Reclassification and effect of movements in exchange rates	-	23,205	58,212	37,790	-	119,207
Balance on December 31, 2022	\$ -	1,439,316	4,721,195	3,052,817	-	9,213,328
Balance on January 1, 2021	\$ -	1,690,140	5,388,575	3,803,009	-	10,881,724
Depreciation	-	190,414	593,264	295,266	-	1,078,944
Disposal	-	(523,706)	(1,168,319)	(973,100)	-	(2,665,125)
Reclassification and effect of movements in exchange rates	-	(16,868)	(5,337)	(94,558)	-	(116,763)
Balance on December 31 2021	\$ -	1,339,980	4,808,183	3,030,617	-	9,178,780
Carrying amounts:						
Balance on December 31, 2022	\$ 1,195,195	1,631,174	1,775,600	219,319	751,583	5,572,871
Balance on January 1, 2021	\$ 2,247,104	2,634,482	2,349,795	345,726	50,856	7,627,963
Balance on December 31, 2021	\$ 2,191,245	2,096,742	2,196,902	237,595	126,453	6,848,937

(i) Guarantee

As of December 31, 2022 and 2021, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Impairment loss

The Group performed impairment assessment on property, plant and equipment at its fair price on December 31, 2022 and 2021. After the assessment on December 31, 2022 and 2021, no impairment loss should be mentioned.

(iii) Plant and equipment under construction

The Group has started construction and costs incurred up to December 31, 2022 and 2021. Included in this amount are capitalized borrowing costs related to the acquisition of the land and the construction of the factory of \$138 thousand and \$95 thousand, calculated using a capitalization rate of 0.90% ~ 2.05% and 0.75% ~ 1.35%, respectively, please refer to note 6(20) for capitalization of interest.

(iv) Leased assets

The Group leased a land. Because it did not intend to obtain long-term capital appreciation or earn rent, the asset was not recognized as investment property, and it was included in property, plant and equipment.

(v) Disposal

In order to optimize its assets and enhance the effectiveness of its working capital, the Company disposed its property and related facilities in Waipu Dist., Taichung City, at the amount of \$880,188 thousand, on December 28, 2022, based on the resolution approved during the board meeting on June 22, 2022. The amount, recognized as other receivables, has yet to be collected as of December 31, 2022.

The other receivables are described in note 6(4).

In order to optimize its assets and enhance the effectiveness of its working capital, the Company disposed the property and related facilities of Darwin Precisions (Suzhou) Corp., at the amount of \$618,916 thousand, on December 27, 2021, based on the resolution approved during the board meeting on June 29, 2021. The amount had been fully received as of December 31, 2021.

(8) **Right-of-use assets**

The Group leases land and buildings. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings and construction	Total
Cost:			
Balance at January 1, 2022	\$ 229,089	-	229,089
Effect of movement in exchange rate	1,370	-	1,370
Balance at December 31, 2022	\$ 230,459	-	230,459

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
Balance at January 1, 2021	\$ 234,746	48,400	283,146
Disposal	(4,822)	(45,732)	(50,554)
Effect of movement in exchange rate	(835)	(2,668)	(3,503)
Balance at December 31, 2021	<u>\$ 229,089</u>	<u>-</u>	<u>229,089</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ 19,005		19,005
Depreciation for the year	6,381	-	6,381
Effect of movement in exchange rate	99	-	99
Balance at December 31, 2022	<u>\$ 25,485</u>	<u>-</u>	<u>25,485</u>
Balance at January 1, 2021	12,971	32,267	45,238
Depreciation for the year	6,440	5,081	11,521
Disposal	(364)	(35,569)	(35,933)
Effect of movement in exchange rate	(42)	(1,779)	(1,821)
Balance at December 31, 2021	<u>\$ 19,005</u>	<u>-</u>	<u>19,005</u>
Carrying amount:			
Balance at December 31, 2022	<u>\$ 204,974</u>	<u>-</u>	<u>204,974</u>
Balance at January 1, 2021	<u>\$ 221,775</u>	<u>16,133</u>	<u>237,908</u>
Balance at December 31, 2021	<u>\$ 210,084</u>	<u>-</u>	<u>210,084</u>

The Group disposes of real estate, please refer to note 6(7).

(9) Other current assets

The other current assets of the Group were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Overpaid sales tax	\$ 32,634	47,900
Tax prepayment	3,269	51,043
Temporary payments	21,348	28,213
Prepayments	14,849	25,000
Other	77	891
	<u>\$ 72,177</u>	<u>153,047</u>

(10) Short-term borrowings

The short-term borrowings of the Group were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	<u>\$ -</u>	<u>43,324</u>
Unused short-term credit lines	<u>\$ 2,113,497</u>	<u>1,507,164</u>
Range of internet rates	<u>-</u>	<u>1.055%</u>

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(11) Other current liabilities

The other current liabilities of the Group were as follows:

	December 31, 2022	December 31, 2021
Other advance receipts – return of capital of BVLB	\$ 255,702	-
Temporary receipts – other	16,613	86,031
Withholding	11,411	14,394
Other	42,208	23,376
	\$ 325,934	123,801

(12) Long-term borrowings

The details were as follows:

		December 31, 2022	
	Maturity year	Amount	
Unsecured bank loans	2024.6~2026.12	\$ 2,446,000	
Unsecured other loans	2024.9	21,333	
Secured bank loans	2024.9~2032.4	699,344	
Secured other loans	2026.3	921,960	
		4,088,637	
Less: current portion		(300,794)	
Total		\$ 3,787,843	
Unused long-term credit lines		\$ 3,939,475	
Range of interest rates		1.375%~4.00%	

		December 31, 2021	
	Maturity year	Amount	
Unsecured bank loans	2022.4~2026.12	\$ 2,404,614	
Secured bank loans	2023.6~2032.4	1,325,523	
		3,730,137	
Less: current portion		(40,116)	
Total		\$ 3,690,021	
Unused long-term credit lines		\$ 3,279,635	
Range of interest rates		0.75%~1.35%	

For the collateral for long-term borrowings, please refer to note 8.

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Provisions

	Warranties
Balance at January 1, 2022	\$ 110,219
Provisions made during the year	24,993
Provisions used during the year	(21,875)
Provisions reversed during the year	(50,000)
Effect of change in exchange rate	289
Balance at December 31, 2022	63,626
Less: Provisions — current	(58,938)
Provisions — non-current	<u>\$ 4,688</u>
Balance at January 1, 2021	\$ 94,747
Provisions made during the year	55,623
Provisions used during the year	(39,875)
Effect of change in exchange rate	(276)
Balance at December 31, 2021	110,219
Less: Provisions — current	(93,215)
Provisions — non-current	<u>\$ 17,004</u>

The provision for warranties during the years ended December 31, 2022 and 2021 is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle most of the liability over the next two years.

(14) Employee benefits

The Company set aside \$19 thousand and \$18 thousand, respectively, of the pension costs under the defined benefit plans for the years ended December 31, 2022 and 2021.

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$27,555 thousand and \$32,412 thousand for the years ended December 31, 2022 and 2021, respectively.

Except for the Company, foreign subsidiaries recognized pension expense of \$121,599 thousand and \$98,190 thousand for the years ended December 31, 2022 and 2021, respectively, for the defined contribution plans based on their respective local government regulations.

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(15) **Income taxes**

(i) Income tax expense

The Group of income tax expense in the years 2022 and 2021 were as follows:

	2022	2021
Current tax expense:		
Current period	\$ 44,707	171,181
Adjustment for prior periods	144,594	56,429
	189,301	227,610
Deferred tax expense (benefit) :		
Origination and reversal of temporary differences	74,143	(60,160)
Income tax expense	\$ 263,444	167,450

The amount of income tax benefit recognized in other comprehensive income for 2022 and 2021 were as follows:

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (2,782)	(16,439)

Reconciliation of income tax and profit before tax 2022 and 2021 is as follows:

	2022	2021
Profit (loss) before income tax	\$ 389,108	(481,781)
Income tax using the Company's domestic tax rate	\$ 77,822	(96,356)
Effect of tax rates in foreign jurisdiction	(40,808)	40,810
Non-deductible expenses	(148,360)	72,367
Impact of loss deduction	220,710	54,599
Changes in unrecognized temporary differences	(8,450)	(19,628)
Changes in provision in prior periods	144,594	56,429
Others	17,936	59,229
Total	\$ 263,444	167,450

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 6,060	14,510
The carry forward of unused tax losses	966,101	829,529
Investment deduction	10,001	11,937
	\$ 982,162	855,976

Tax loss carry forwards is utilized in accordance with the relevant jurisdiction tax laws and regulation that allows net losses to offset taxable income. It was not recognized in deferred tax assets because the Group believed that it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group' s unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Effect	Expiry date
2018	\$ 105,059	2023
2019	171,214	2023~2029
2020	279,958	2024~2030
2021	142,716	2025~2031
2022	267,154	2026~2032
	\$ 966,101	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	Loss of inventory valuation	Exchange differences on translation of foreign financial statements	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2022	\$ 41,401	83,381	23,493	148,275
Recognized in profit (loss)	1,438	-	(14,122)	(12,684)
Recognized in other comprehensive income (loss)	-	2,782	-	2,782
Balance at December 31, 2022	\$ 42,839	86,163	9,371	138,373

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Loss of inventory valuation	Exchange differences on translation of foreign financial statements	Others	Total
Balance at December 31, 2021	\$ 33,613	66,942	15,689	116,244
Recognized in profit or loss	7,788	-	7,804	15,592
Recognized in other comprehensive income (loss)	-	16,439	-	16,439
Balance at December 31, 2021	\$ 41,401	83,381	23,493	148,275

	Recognized foreign investment gains under equity method	Other	Total
Deferred Tax Liabilities:			
Balance at January 1, 2022	\$ 830,628	3,233	833,861
Recognized in profit or loss	61,345	114	61,459
Balance at December 31, 2022	\$ 891,973	3,347	895,320
Balance at December 31, 2021	\$ 869,124	9,305	878,429
Recognized in profit or loss	(38,496)	(6,072)	(44,568)
Balance at December 31, 2021	\$ 830,628	3,233	833,861

(iii) Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the tax authorities.

(16) **Capital and other equity**

As of December 31, 2022 and 2021, the Company's authorized common stock, with par value of \$10 per share, all amounted to \$8,500,000 thousand, and the outstanding ordinary shares both amounted to \$6,655,551 thousand.

(i) **Capital Surplus**

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Capital premium (Including merger and premium)	\$ 1,772,216	1,772,216
Treasury shares transactions	177,139	177,139
Changes in equity of associates and joint ventures accounted for using the equity method	882,890	1,532,121
Employee share options	5,193	5,193
	\$ 2,837,438	3,486,669

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to the R.O.C. Company Act, capital surplus may be used to offset accumulated deficits first, and only the realized capital surplus can be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholders'. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of paid-in capital.

(ii) Retained earnings

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. Certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulations or as requested by the competent authority. If there is still remaining earning, it shall be combined with the accumulated undistributed earnings for the Board of Directors to prepare an earnings distribution proposal in order to execute the distribution thereof through resolution according to the laws. Dividend distribution in the form of shares in whole or in part shall be approved by the shareholders' meeting. Dividend distribution in the form of cash shall be approved by the Board of Directors and a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan. The shareholders' dividend distribution ratio, in principle, could be zero percent to eighty percent of the distributable earnings. The ratio of the cash dividends paid shall not be less than thirty percent of the total amount of the cash and stock dividends paid in the current year.

1) Legal reserve

Legal reserve can be used to offset accumulated deficits. When the company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with Ruling by the FSC, a portion of the current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during the earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. Similarly, a portion of the undistributed prior period earnings shall be reclassified as special earnings reserve to account for cumulative changes in other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The capital surplus — changes in equity of associates and joint ventures accounted for using equity method amounting to \$649,231 thousand was used to offset against the accumulated deficits in 2021 based on the resolution approved during the shareholders' meeting held on June 15, 2022.

The legal reserve of \$414,023 thousand and the capital surplus — merger and premium of \$822,176 thousand were used to offset against accumulated deficits in 2020 based on the resolution approved during the shareholders' meeting held on August 18, 2021.

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (1,072,501)	(2,500)	(1,075,001)
Exchange differences on foreign operations	(11,128)	-	(11,128)
Balance at December 31, 2022	<u>\$ (1,083,629)</u>	<u>(2,500)</u>	<u>(1,086,129)</u>
Balance at January 1, 2021	\$ (1,006,745)	(2,500)	(1,009,245)
Exchange differences on foreign operations	(65,756)	-	(65,756)
Balance at December 31, 2021	<u>\$ (1,072,501)</u>	<u>(2,500)</u>	<u>(1,075,001)</u>

(17) Earnings (loss) per share

The calculation of basic earnings (loss) per share and diluted earnings per share in 2022 and 2021 were as follows:

	2022	2021
Basic earnings (loss) per share		
Profit (loss) of the Company for the year	<u>\$ 125,664</u>	<u>(649,231)</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>\$ 665,555</u>	<u>665,555</u>
Basic earnings (loss) per share(in dollars)	<u>\$ 0.19</u>	<u>(0.98)</u>

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2022
Diluted earnings per share	
Profit of the Company for the year	<u>\$ 125,664</u>
Weighted-average number of outstanding ordinary shares (in thousands)	665,555
Effect of dilutive potential common shares	
Effect of employee share bonus	1,795
Weightier-average number of ordinary shares (in thousands) (diluted)	<u>\$ 667,350</u>
Diluted earnings per share (in dollars)	<u>\$ 0.19</u>

The Group is loss in 2021 and there is no dilution effect.

(18) Revenue from contracts with customers

(i) Disaggregation of revenue

	2022	2021
<u>Primary geographical markets</u>		
Korea	\$ 7,249,466	9,268,182
Taiwan	3,695,854	5,953,872
China	3,216,745	4,078,711
Japan	105,000	158,986
Other	198,525	824,470
	<u>\$ 14,465,590</u>	<u>20,284,221</u>
<u>Major products</u>		
LCD TV and module foundry	\$ 10,894,224	14,710,395
Optoelectronic technology products and peripheral components	3,571,366	5,573,826
	<u>\$ 14,465,590</u>	<u>20,284,221</u>

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021
Contract liabilities	\$ 54,011	77,521

For details on accounts receivable and allowance for impairment, please refer to note 6(3).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$59,074 thousand and \$36,487 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the optoelectronics technology sales contracts, for which revenue is recognized when products are delivered to customers.

(iii) Transaction price allocated to the remaining performance obligations

The Group recognizes revenue related to optoelectronic technology products and peripheral components in the amount to which the Group has a right to invoice, thus the Group applies the practical expedient of IFRS and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

(19) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 1% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific qualifications.

For the year ended December 31, 2022, the Company estimated its employee remuneration amounting to \$15,814 thousand, and directors' remuneration amounting to \$1,581 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Board of Directors. These remunerations were expensed under operating costs or operating expenses during 2022. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors' meeting. Related information would be available at the Market Observation Post System website. In addition, in the year 2021, the Company didn't estimate

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

its employee remuneration and directors' remuneration because of deficit. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022.

(20) Net operating income and expenses

(i) Interest income

The details of the interest income for the years 2022 and 2021 were as follows:

	2022	2021
Interest income – bank deposits	\$ 106,276	83,719
Other interest income	13,088	594
	\$ 119,364	84,313

(ii) Other income

The details of other income for the years 2022 and 2021 were as follows:

	2022	2021
Rent income	\$ 4,362	13,638
Subsidy	44,027	51,396
Dividends	1,939	1,768
Others	95,869	44,116
	\$ 146,197	110,918

(iii) Other gains and losses

The details of other gains and losses for the years 2022 and 2021 were as follows:

	2022	2021
Gain on disposal of investments	\$ 148,620	-
Gain on disposals of property, plant and equipment	1,036,920	714,552
Gain on disposal of right-of-use assets	-	8,294
(Loss) gain from the financial assets (liabilities) at fair value through profit or loss	(80,068)	63,945
Foreign exchange gains (losses)	226,581	(37,537)
Others	(1,302)	(5,204)
	\$ 1,330,751	744,050

The disposal of investment had an interest of \$148,620 thousand after the completion of the liquidation of the subsidiaries – FTKS, DPSK and PMSA in 2022. Please refer to note 4(3).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Finance costs

The details of finance costs for the years 2022 and 2021 were as follows:

	2022	2021
Interest expense	\$ 45,455	37,141
Less: capitalization of interest	(138)	(95)
	\$ 45,317	37,046

(21) **Financial Instruments**

1) Fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments do not have quoted price in active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2022				
	Book Value	Fair Value			
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit and loss					
Derivative financial assets	\$ 9,752	-	9,752	-	9,752
Financial assets at fair value through other comprehensive income					
Stocks in non-listed companies	98,263	-	-	98,263	98,263
Financial assets at amortized cost					
Cash and cash equivalents	4,058,322	-	-	-	-
Notes and trade receivables (Including related parties)	4,706,099	-	-	-	-
Financial asset at amortized cost – non-current	1,142,218	-	-	-	-
Other financial assets – time deposit	921,960	-	-	-	-
Other financial assets – refundable deposit	3,281	-	-	-	-
Subtotal	10,831,880				
Total	\$ 10,939,895				
Financial liabilities measured at amortized cost					
Notes and trade payables (Including related parties)	\$ 2,661,511	-	-	-	-
Long-term borrowings (Including due within one year)	4,088,637	-	-	-	-
Other non-current liabilities – deposits received	14,245	-	-	-	-
Total	\$ 6,764,393				

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Derivative financial assets	\$ 13,597	-	13,597	-	13,597
Financial assets at fair value through other comprehensive income					
Stocks in non-listed companies	98,263	-	-	98,263	98,263
Financial assets at amortized cost					
Cash and cash equivalents	5,958,728	-	-	-	-
Notes and trade receivables (Including related parties)	3,671,507	-	-	-	-
Financial asset at amortized cost — non-current	706,340	-	-	-	-
Other current assets — refundable deposit	391	-	-	-	-
Other financial assets — refundable deposit	4,048	-	-	-	-
Subtotal	10,341,014				
Total	<u>\$ 10,452,874</u>				
Financial liabilities measured at amortized cost					
Notes and trade payables (Including related parties)	\$ 4,809,043	-	-	-	-
Short-term borrowings	43,324	-	-	-	-
Long-term borrowings (Including due within one year)	3,730,137	-	-	-	-
Other non-current liabilities — deposits received	34,181	-	-	-	-
Total	<u>\$ 8,616,685</u>				

2) Valuation techniques of financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

If there is quoted price generated by transactions for financial assets and liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

For domestic and foreign time deposits, their fair value approximate to their carrying amount.

Fair value of long-term borrowings, which approximates to its carrying value is determined by discounting the expected cash flows at a market interest rate.

The refundable deposits and deposits received are based on carrying amount as there is

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

no fixed maturity.

- 3) Valuation techniques of financial instruments measured at fair value

Fair value of forward currency is measured based on the maturity date of each contract with quoted spot rate and quoted swap points from bank quote system.

Fair value of structured investment product is measured based on the discounted future cash flows arising from principal consideration and probable gains estimate to be received.

- 4) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2022 and 2021.

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group' s financial instruments that use Level 3 inputs to measure fair value is "financial assets measured at fair value through other comprehensive income – equity investments" .

The Group' s equity investments without an active market that use Level 3 inputs to measure fair value has a complex significant unobservable inputs. The significant unobservable inputs are not interrelated because they are independent of each other.

For some equity investment instruments held by the Group that do not have active market quotations and are not for short term trading purposes, the management obtains the recent financial report of the investee company, evaluates the development of the industry and reviews the publicly available information; thereafter, inspects it accordingly to evaluate the operating risk and future operating performance of the investee company to assess the fair value of the investee company. Generally, changes in the industry and market prospects are highly positively correlated with changes in the operations and future performance of the investee company.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Market method	<ul style="list-style-type: none"> • Price-Earnings ratio (As of December 31,2022 and 2021 were 7.57~23.38 and 8.82~26.12, respectively) • Price-Book Ratio (As of December 31, 2022 and 2021 were 1.92 and 1.44~2.35, respectively) • Discount for lack of marketability (As of December 31, 2022 and 2021 were both 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • the price-earnings ratio growth rate was higher (lower); • the Price-Book Ratio was higher (lower); or • the degree of lack of marketability were lower (higher).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(22) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group' s objectives, policies and processes for measuring and managing the above mentioned risks.

For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group' s finance management department provides business services for the overall internal department. It coordinates and accesses to domestic and international financial market operations. Besides, the department also supervises and manages the financial risks related to the Group's operations by analyzing the internal risk assessment of exposures according to the degree and breadth of risks. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group' s policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group' s policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group' s receivables from customers and financial assets.

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk were \$10,939,895 thousand and \$10,452,874 thousand, respectively.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral or take out account receivable insurance to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers.

The major customers of the Group are centralized in the LCD optoelectronic products industry. To minimize credit risk, the Group periodically evaluates its financial positions and the possibility of collecting trade receivables. Besides, the Group monitors and reviews the recoverable amounts of the trade receivables to ensure the uncollectible amounts are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, 64% and 57%, respectively, of accounts receivable were derived from three major customers. Thus, the credit risk is significantly centralized. The Group continuously evaluates its customer's financial position and actual collection situation, and, if necessary, the Group flexibly uses credit protection tools such as prepayment, accounts receivable factoring, credit insurance, or requires the customer to provide collateral or guarantees to reduce the customer's credit risk.

For credit risk exposure of accounts receivable, please refer to note 6 (3). Other financial assets at amortized cost include other receivables. For related information, please refer to note 6 (4).

Other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. There were no impairment provisions on other receivables for the years ended December 31, 2022 and 2021.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparties above fail to meet its obligation hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to company with business dealings, company that the group directly or indirectly held more than 50% of the voting rights, and company that directly or indirectly hold more than 50% of the voting rights in the Group. At December 31, 2022 and 2021, there were intercompanies guarantees only, please refer to note 13(1)2. to get guarantees information.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit line were amounted to \$6,052,972 thousand and \$4,786,799 thousand, respectively.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
December 31, 2022						
Non-derivative financial liabilities						
Long-term borrowings (Including due within one year)	\$ 4,088,637	4,215,390	310,449	2,810,020	952,835	142,086
Accounts payable and other payables (Including related-party)	2,661,511	2,661,511	2,661,511	-	-	-
Deposits received	14,245	14,245	-	14,245	-	-
	<u>\$ 6,764,393</u>	<u>6,891,146</u>	<u>2,971,960</u>	<u>2,824,265</u>	<u>952,835</u>	<u>142,086</u>
December 31, 2021						
Non-derivative financial liabilities						
Short-term borrowing	\$ 43,324	43,383	43,383	-	-	-
Long-term borrowings (Including due within one year)	3,730,137	3,808,312	44,340	2,921,578	668,239	174,155
Accounts payable and other payables (Including related-party)	4,809,043	4,809,043	4,809,043	-	-	-
Deposits received	34,181	34,181	-	34,181	-	-
	<u>\$ 8,616,685</u>	<u>8,694,919</u>	<u>4,896,766</u>	<u>2,955,759</u>	<u>668,239</u>	<u>174,155</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, Japanese Yen (JPY) and CNY.

(A) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 147,697	30.732	4,539,024	185,232	27.688	5,128,704
<u>Non-Monetary items</u>						
USD	8,286	30.732	254,645	9,239	27.688	255,809
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	111,760	30.732	3,434,608	140,199	27.688	3,881,830

(B) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, other financial assets, borrowings, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the NTD against the USD as of December 31, 2022 and 2021 would have increased (decreased) the net profit (loss) before tax by \$11,044 thousand and \$12,469 thousand, respectively, with all other variable factors remaining constant. The analysis is performed on the same basis for both periods.

(C) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$226,581 thousand and (\$37,537) thousand, respectively.

2) Interest rate risk

The Group manages interest rate risk by maintaining a portfolio of appropriate floating interest rates. The Group evaluates hedging activities to make them consistent with the interest rate view and established risk appetite to ensure that the most cost-effective hedging strategy is adopted.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when internally reporting to the management, who also represents the Group's assessment on the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Group's profit (loss) before income tax would have decreased / increased by \$20,443 thousand and increased/decreased by \$18,867 thousand for the year ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

(23) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 31 December 2022, the Group's capital management strategy is consistent with the prior year as of 31 December 2021 to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December 2022 and 2021, is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 8,855,096	10,642,262
Less: cash and cash equivalents	(4,058,322)	(5,958,728)
Net debt	4,796,774	4,683,534
Total equity	9,327,794	9,213,258
Total assets	\$ 14,124,568	13,896,792
Debt-to-equity ratio at 31 December	33.96%	33.70%

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(24) **Investing and financing activities not affecting current cash flow**

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Lease Modifications	Foreign exchange movement	
Short-term borrowings	\$ 43,324	(43,920)	-	596	-
Long-term borrowings	3,730,137	358,500	-	-	4,088,637
Total liabilities from financing activities	<u>\$ 3,773,461</u>	<u>314,580</u>	<u>-</u>	<u>596</u>	<u>4,088,637</u>

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Lease Modifications	Foreign exchange movement	
Short-term borrowings	\$ -	43,426	-	(102)	43,324
Long-term borrowings	3,781,488	(51,351)	-	-	3,730,137
Lease liabilities	16,327	(4,857)	(10,305)	(1,165)	-
Total liabilities from financing activities	<u>\$ 3,797,815</u>	<u>(12,782)</u>	<u>(10,305)</u>	<u>(1,267)</u>	<u>3,773,461</u>

7. Related-party transactions:

(1) **Parent company and ultimate controlling company**

AUO Corporation is both the parent company and the ultimate controlling party of the Group. It has issued the consolidated financial statements available for public use.

(2) **Names and relationship with related parties**

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
AUO Corporation (AUO)	Ultimate parent company
AUO Envirotech Inc.(AETTW)	Subsidiary of AUO
AUO Display Plus Corporation(ADPHQ)	Subsidiary of AUO
Star River Energy Corp. (SREC)	Subsidiary of AUO
Space Money Inc. (S4M)	Subsidiary of AUO
Sanda Materials Corporation (SDMC)	Grandson of AUO
AUO (Slovakia) s.r.o. (AUOSK)	Grandson of AUO
AUO MegaInsight (Suzhou) Corp., Ltd (AMISZ)	Grandson of AUO
AUO (Suzhou) Corp., Ltd. (AUOSZ)	Grandson of AUO
AUO (Xiamen) Corp. (AUOXM)	Grandson of AUO
AUO (Shanghai) Corp., Ltd. (AUOSH)	Grandson of AUO

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
AUO (Kunshan) Co., Ltd. (AUOKS)	Grandson of AUO
AFPD Pte., Ltd. (AUST)	Grandson of AUO
Edgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ)	Grandson of AUO
AUO Education Service Corp.(AUES)	Grandson of AUO
Yo-Pei Water Corporation (AET-YP)	Grandson of AUO
Darwin Summit Corporation Ltd. (DSC)	An Associate
BriView (L) Corp. (BVLB)	An Associate
Roehm Forhouse Optical Polymers Corporation (EFOP)	Joint venture (Note 1)
Partner Tech Corp. (PTT)	Other related parties
Webest Solution Corp.(WEBEST)	Other related parties
ChampionGen Power Corporation (CGPC)	Other related parties
Qisda Corporation (Qisda)	Other related parties
Qisda (Suzhou) Co., Ltd. (QCSZ)	Other related parties
Qisda Electronics (Suzhou) Co., Ltd. (QCES)	Other related parties
Qisda Optronics (Suzhou) Co., Ltd (QCOS)	Other related parties
Qisda Precision Industry (Suzhou) Co., Ltd. (QCPS)	Other related parties
Lextar Electronics Corporation (Lextar)	Other related parties
Sheng He Power Corporation (SHPC)	Other related parties
Sheng Yao Power Corporation (SYPC)	Other related parties
Sheng Li Energy Corporation (SLEC)	Other related parties
Sheng Feng Power Corporation (SFPC)	Other related parties
BenQ Asia Pacific Corp.(BQP)	Other related parties
Metaguru Corporation (Metaguru)	Other related parties
BenQ Materials Corp. (BMC)	Other related parties
BenQ Co., Ltd. (BQC)	Other related parties (Note 2)
BenQ Logistic (Shanghai) Co., Ltd. (BQls)	Other related parties
BenQ Healthcare Corporation (BHS)	Other related parties
Raydium Semiconductor Corporation (Raydium)	Other related parties
Star Shining Energy Corporation (SSEC)	Other related parties
DFI Inc. (DFI)	Other related parties
TronGen Power Corporation (TGPC)	Other related parties
Fargen Power Corporation (FGPC)	Other related parties
Data Image Corporation (DIC)	Other related parties
Lextar Electronics (ChuZhou) Corp. (LECZ)	Other related parties
Ri Ji Power Corporation (RJPC)	Other related parties
Ri Jing Power Corporation (RGPC)	Other related parties
Mao Zheng Energy Corporation (MZEC)	Other related parties

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Mao Xin Energy Corporation (MXEC)	Other related parties
ADLINK Technology Inc. (ADLINK)	Other related parties
ADLINK Technology (China) Co., Ltd. (ADLINKCN)	Other related parties
ToYou Display (Suzhou) Co., Ltd. (TYSZ)	Other related parties
BriView (Hefei) Co., Ltd. (BVHF)	Other related parties(Note 3)
Yenrich Technology Corporation (Yenrich)	Other related parties
Shin Sheng Feng Investment Corp. (SSFI)	Other related parties
Sheng Da Power Corporation (SDPC)	Other related parties
WiBase Industrial Solutions Inc. (WIS)	Other related parties
Ace Pillar Co., Ltd. (ACE)	Other related parties

Note1 : The Group disposed its entire equity in Roehm Forhouse Optical Polymers Corp. on May 30, 2022. For relevant information, please refer to Note 6 (6).

Note2 : BenQ Co., Ltd. was no longer a related party beginning from September 2022.

Note3 : The disposal of BriView (Hefei) Co., Ltd. had been completed on July 1, 2022.

(3) Significant transactions with related parties

(i) Sales

	<u>2022</u>	<u>2021</u>
Ultimate parent company – AUO	\$ 2,662,674	3,940,824
Associates	6,804	16,019
Other related parties:		
AUOXM	1,267,569	1,401,979
AUOSZ	1,027,941	1,056,823
Others	357,108	388,446
	<u>\$ 5,322,096</u>	<u>6,804,091</u>

The sales price of the Group to its related parties is not comparable to other clients due to the differences in the sales of the goods. The credit terms for sales to related parties were 30 to 120 days from the end of the month. The credit terms were no different from those given by other clients.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Purchases

Except for the amount that had been written off and not regarded as purchase, the purchase amounts of the Group from its related parties were as follows:

	2022	2021
Ultimate parent company – AUO	\$ 5,535	63,876
Associates	-	19
Joint venture – EFOP	-	797,785
Other related parties		
Lextar	280,312	429,523
ADPHQ	97,084	117,204
Others	689	4,915
	\$ 383,620	1,413,322

The purchase price offered by the Group to its related parties is not comparable to other vendors due to the differences in the purchases of the goods. The payments terms for purchases from related parties were 45 to 120 days or prepayment for purchases. The payment terms were no different from those given by other vendors.

(iii) Receivables from Related Parties

The details of the Group's accounts receivable from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivables	Ultimate parent company – AUO	\$ 467,150	739,201
Accounts receivables	Associates parties	5,109	392
Accounts receivables	Other related parties		
	AUOXM	477,871	570,432
	AUOSZ	357,947	526,942
	Others	96,650	131,967
Other receivables	Ultimate parent company – AUO	-	1,142
Other receivables	Other related parties	557	825
		\$ 1,405,284	1,970,901

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Payables to Related Parties

The details of the Group's payment to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payables	Ultimate parent company – AUO	\$ 24	1,986
Accounts payables	Other related parties		
	Lextar	83,959	185,382
	Others	10,130	25,143
Other payables	Ultimate parent company – AUO	415	166
Other payables	Other related parties	14,575	19,507
		<u>\$ 109,103</u>	<u>232,184</u>

(v) Other current liabilities

The Group's other current liabilities were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other current liabilities	Ultimate parent company – AUO	\$ -	35,896
Other current liabilities	An Associate – BVLB	255,702	-
		<u>\$ 255,702</u>	<u>35,896</u>

The above transactions were mainly due to the Group's advance receipt deriving from the return of capital from an associate, as well as the temporary collection of processing fees and advance receipts of mold payments from the parent company to the Group. For relevant information, please refer to Note 6 (11).

(vi) Contract liabilities

The detail of the Group's contract liabilities were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Current liabilities	Ultimate parent company – AUO	\$ 3,679	10,386
	Other related parties		
	ADPHQ	11,330	-
	Others	-	666
		<u>\$ 15,009</u>	<u>11,052</u>

The relevant information, please refer to Note 6(18).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vii) Other transactions with related parties

	Amounts	
	2022	2021
Ultimate parent company – AUO – other expenses, etc.	\$ 5,083	5,949
Other related parties – Other expenses, etc.	7,478	18,927
Ultimate parent company – AUO – other income, etc.	5,525	883
Other related parties – AUOKS – interest income, etc.	-	594
Other related parties – other income, etc.	4,551	2,525

All outstanding balances with these related parties should be settled in cash within three months of the reporting date, and the general fee payment is deemed to be the current month's payment. Its transaction price is not significantly different from ordinary transactions.

(viii) Property transactions

1) Purchases of property, plant and equipment

The purchases price of property, plant and equipment purchased from related parties are summarized as follows:

Relationship	2022	2021
Other related parties	\$ 5,879	8,166

For the above-mentioned purchases of other equipment from related parties, had been fully paid on December 31, 2022 and 2021, respectively. For detailed information on property, plant and equipment, please refer to Note 6 (7).

2) Disposals of property, plant and equipment

The disposals of property, plant and equipment to related parties are summarized as follows:

	2022		2021	
	Proceeds from Disposal	Gain/Loss on Disposal	Proceeds from Disposal	Gain/Loss on Disposal
Other related parties	\$ -	-	3,574	1,161

The Group's receivables incurred from the sale of other equipment to related parties mentioned above had to be received as of December 31, 2022 and 2021. For detailed information about property, plant and equipment, please refer to Note 6 (7).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ix) Leases

1) Rental expenses

The details of the rental expenses incurred by the Group for renting workshops, dormitories, and transportation equipment from related parties in the 2022 and 2021 were as follows:

	2022	2021
Ultimate parent company – AUO	\$ 1,013	786
Other related parties – BMS	-	1,882
Other related parties – AUOXM	3,095	2,765
Other related parties – AUOSZ	1,633	1,566
Other related parties – Other	193	84
	\$ 5,934	7,083

The payment terms of the Group for renting workshops, dormitories and transportation equipment to related parties are mainly one or three months in one installment, with payment before the 25th of the following month. There was no significant difference between the transaction price and the general price.

2) Rental income

The details of the rental income generated by the Group from renting out land, plant and business equipment to related parties in 2022 and 2021 were as follows:

	2022	2021
Joint venture – EFOP	\$ -	5,509
Other related parties – AUOXM	2,735	-
Other related parties – TYSZ	-	3,720
Other related parties – Other	931	1,424
	\$ 3,666	10,653

The Group leases its land to EFOP, with monthly lease payment; and the Group leases its dormitory to AUOXM, with monthly lease payment. In addition, the Group leases its factory equipment and dormitory to TYSZ with monthly lease payment.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) **Key management personnel compensation**

Key management personnel compensation comprised the following:

	2022	2021
Short-term employee benefits	\$ 41,369	36,832
Post-employment benefits	243	324
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	\$ 41,612	37,156

8. Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2022	December 31, 2021
Land	Guarantee for Bank Loan	\$ 909,333	909,333
Building	Guarantee for Bank Loan	1,406,592	1,499,328
Right-of-use asset	Guarantee for Bank Loan	77,820	79,030
Other financial assets - restricted bank deposits	Guarantee for Bank Loan (Note 1)	921,960	-
		\$ 3,315,705	2,487,691

Note1 : Time deposits that were used to pledge to the banks for the issuance of secured letters of credit as security for other borrowings were recognized as other financial assets restricted bank deposits. Please refer to Note 6 (12) for information on other disclosures of borrowing, and Note 9 for the disclosures of opened and unused letters of credit.

9. Commitments and contingencies:

(1) Unrecognized contractual commitments

The Group' s unrecognized contractual commitments were as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	\$ 304,545	712,218
(2) Outstanding standby letter of credit		
	December 31, 2022	December 31, 2021
Outstanding standby letter of credit	\$ 925,760	2,414

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

10. Losses Due to Major Disasters: None

11. Subsequent Events:

The amount on the disposal of property in Waipu Dist., Taichung City had been collected by the trust account January 3, 2023.

12. Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

By nature	By function	For the year ended December 31					
		2022			2021		
		Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
Employee benefits							
Salary		1,843,296	543,324	2,386,620	2,211,217	636,431	2,847,648
Labor and health insurance		21,457	33,287	54,744	32,281	35,446	67,727
Pension		120,408	28,764	149,172	103,197	27,423	130,620
Remuneration of directors		-	11,961	11,961	-	9,581	9,581
Others		241,275	30,324	271,599	272,422	36,336	308,758
Depreciation		852,413	112,642	965,055	992,706	97,759	1,090,465
Amortization		-	-	-	-	-	-

13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: Please refer to Table 1 attached.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2 attached.
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3 attached.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4 attached.

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5 attached.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 6 attached.
 - (ix) Trading in derivative instruments: Please refer to Note 6(2).
 - (x) Business relationships and significant intercompany transactions: Please refer to Table 7 attached.
- (2) Re-investment business related information: Please refer to Table 8 attached.
- (3) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 9 attached.
 - (ii) Limitation on investment in Mainland China: Please refer to Table 9 attached.
 - (iii) Significant transactions:

The significant intercompany transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the “Information on significant transactions” and “Business relationships and significant intercompany transactions” .

- (4) Major shareholders:

Shareholder's name	Shareholding	Shares	Percentage
AUO Corporation		190,107,961	28.56%
Konly Venture Corp.		42,598,076	6.40%
Ronly Venture Corp.		40,509,046	6.08%

(Continued)

14. Segment information:

(1) General information

The reportable department of the Group is only the Optoelectronics Technology Department, which is engaged in the design, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

(2) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies.

(3) Product and service information: Please refer to note 6(18).

(4) Geographic information: Please refer to note 6(18).

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>2022</u>	<u>2021</u>
Non-current assets:		
Taiwan	\$ 2,539,935	4,310,290
China	<u>3,250,919</u>	<u>2,770,074</u>
Total	<u>\$ 5,790,854</u>	<u>7,080,364</u>

Non-current assets include property, plant and equipment, right-of-use assets and other assets, not including financial instruments, deferred tax assets and pension fund assets.

(5) Major customers

	<u>2022</u>	<u>2021</u>
A customer	\$ 7,249,466	9,257,283
B customer	<u>2,662,674</u>	<u>3,940,824</u>
	<u>\$ 9,912,140</u>	<u>13,198,107</u>

DARWIN PRECISIONS CORPORATION And Subsidiaries

Financings Provided

For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related party	Maximum the Balance for the Period	Ending balance (Note 3)	Amount Actually Drawn Down (Note 3)	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Limits on Financing Company's Total Financing Amount (Note 3)
													Item	Value		
1	DPSZ	FTWJ	Other receivables from related parties	Yes	225,255	-	-	Adjusted by base lending rate of the People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,322,407 (Note 1)	1,322,407 (Note 1)
2	FTWJ	FHWJ	Other receivables from related parties	Yes	21,835	-	-	Adjusted by base lending rate of the People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,251,588 (Note 1)	1,251,588 (Note 1)
3	FPWJ	FTWJ	Other receivables from related parties	Yes	448,750	440,760	220,380 (Note 2)	Adjusted by base lending rate of the People's Bank of China or LPR of China	Needs for short-term financing	-	Operating capital	-	-	-	727,463 (Note 1)	727,463 (Note 1)

Note1: The limit amount for lending to a company shall not exceed the net worth of the lending company. The total amount for lending shall not exceed the net worth of the lending company.

Note2: All inter-company transactions among the Group have been eliminated in the consolidated financial statements.

Note3: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Endorsements/Guarantees Provided
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 2

NO.	Endorser / Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
1	DPXM	The Company	3	1,628,926	436,700	-	-	-	- %	1,628,926	NO	YES	NO
2	FPWJ	FTWJ	4	290,985	225,255	220,380	-	-	30.29%	290,985	NO	NO	YES

Note 1 : The relationship between the endorser / guarantor and the guaranteed party:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. 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 2 : The maximum endorsement/guarantee balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note 3 : The ending balance represents the amounts approved by the Board of Directors.

Note 4 : Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5 : The policy for the limit of total endorsement/guarantee amount and the limit on endorsement/guarantee amount provided to each party are prescribed as follows:

DPXM、FPWJ : The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of the net worth of the endorser/guarantor as stated in its latest financial statement.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)

December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, shares in thousands)

Table 3

Name of holder	Type and name of security	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Maximum Percentage of ownership for the period	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
The Company	Stock-Wibase Industrial Solutions Inc.	Substantive related party	Financial assets at fair value through other comprehensive profit and loss – non-current	3,536	42,432	9.05%	42,432	9.11%	(Note1)
The Company	Stock-D8AI INC.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	8,400	8,649	4.91%	8,649	4.91%	(Note1,2)
The Company	Stock-DISIGN Incorporated	-	Financial assets at fair value through other comprehensive profit and loss – non-current	2	10,714	19.89%	10,714	19.89%	(Note1)
The Company	STOCK-HUAI I PRECISION TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	2,914	34,968	10.00%	34,968	10.00%	(Note1)
The Company	STOCK-EVERTRUST TECHNOLOGY LTD.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	150	1,500	16.13%	1,500	16.13%	(Note1)

Note 1 : All marketable securities had not been pledged as collateral for borrowings, guarantees and others which restricted by agreement.

Note 2 : The 7,000 thousand preferred shares of D8AI Holdings Corp. were converted into 8,400 thousand ordinary shares of D8AI Inc. on December 28, 2022.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Disposal of Individual Real Estate with Costs Exceeding NT\$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 4

Company Name	Property	Date of the Event	Date of Original Acquisition	Carrying Amount	Transaction Amount	Status of Proceeds Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other terms
The Company	Land and buildings	June 2022	December 2005	1,335,020	2,285,894 (Note 3)	150,000 (Note 2)	950,874	Four natural persons	Non-related party	Activating assets and enhancing the efficient use of working capital	A report on the appraisal price of a real estate appraiser	None

Note 1 : This transaction has been completed at December 28, 2022.

Note 2 : The amount of \$2,231,952 thousand, recognized as other receivables, that has yet to be collected as of December 31, 2022, had been received on January 3, 2023.

Note 3 : The disposal amount was the net of the relevant transaction costs and taxes.

DARWIN PRECISIONS CORPORATION And Subsidiaries

Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Counter party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 2)	Credit Terms (Note 2)	Ending Balance	Percentage of Total Notes /Accounts Receivable (Payable)	
The Company	DPXM	Grandson of DPLB	Purchases	1,412,554	22%	EOM 90 Days	-	(474,921)	(25)%	Note 1	
"	FTWJ	Grandson of FHVI	"	3,871,365	59%	EOM 90 Days	-	(1,180,377)	(63)%	"	
DPXM	The Company	Parent company	"	CNY 24,241	2%	EOM 60 Days	-	(17,946)	(7)%	"	
FTWJ	Lextar	Substantive related party	"	CNY 57,962	11%	EOM 120 Days	-	CNY (18,257)	(3)%		
The Company	AUO	Ultimate Parent company	Sales	(2,662,674)	(39)%	EOM 60 Days	-	467,150	27%		
"	AUOSZ	Grandson of AUO	"	(1,027,514)	(15)%	EOM 120 Days	-	357,899	21%		
"	AUOXM	Grandson of AUO	"	(1,064,997)	(16)%	EOM 120 Days	-	394,321	23%		
"	AUOKS	Grandson of AUO	"	(259,455)	(4)%	EOM 120 Days	-	85,573	5%		
"	DPXM	Grandson of DPLB	"	(106,910)	(2)%	EOM 60 Days	-	586	- %	Note 1	
DPXM	AUOXM	Grandson of AUO	"	CNY (45,789)	(2)%	EOM 120 Days	-	CNY 18,956	6%		
DPXM	The Company	Parent company	"	CNY(324,254)	(16)%	EOM 90 Days	-	CNY 126,742	42%	Note 1	
FTWJ	The Company	Parent company	"	CNY(882,568)	(98)%	EOM 90 Days	-	CNY 642,477	99%	"	

Note 1 : All inter-company transactions among the company and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2 : Transaction terms with related parties were similar to those with third parties. Except for those particular transactions with no similar transactions to compare with, their transaction terms were determined based on mutual agreements.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counter party	Relationship	Ending Balance of Receivables (Note 1,2)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AUO	Ultimate parent company	467,150	4.41	25,976	Continuous collection	-	-
"	AUOSZ	Grandson of AUO	357,899	2.33	-	-	-	-
"	AUOXM	Grandson of AUO	394,321	2.45	-	-	-	-
"	FTWJ	Grandson of the FHVI	1,426,858	Note 1	-	-	265,276	-
DPXM	The Company	Parent company	CNY 126,742	1.79	-	-	-	-
FTWJ	The Company	Parent company	CNY 642,477	1.13	-	-	CNY 62,753	-
FPWJ	FTWJ	Grandson of the FHVI	CNY 50,547	Note 1	-	-	-	-

Note 1 : Including other receivables from transactions not related to ordinary sales.

Note 2 : All inter-company transactions among the Company and its subsidiaries have been eliminated in the consolidated financial statements.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Business Relationship and Significant Intercompany Transactions

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 7

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Transactions			
				Financial Statement Account	Amount (Note 2 and 3)	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
1	DPXM	The Company	2	Net revenue	CNY 324,254	No significant difference	10%
2	FTWJ	The Company	2	Net revenue	CNY 882,568	"	27%
0	The Company	FTWJ	1	Accounts receivable	1,426,858	"	8%
1	DPXM	The Company	2	Accounts receivable	CNY 126,742	"	3%
2	FTWJ	The Company	2	Accounts receivable	CNY 642,477	"	16%

Note1 : Transactions labeled as follows:

1. Represents the transactions from parent company to subsidiaries.
2. Represents the transactions from subsidiaries to parent company.
3. Represents the transactions between subsidiaries.

Note2 : This table discloses the information on inter-company sales and receivables which are accounted for 1% or more of the consolidated net revenue or the consolidated total assets, respectively.

Note3 : All inter-company transactions have been eliminated in the consolidated financial statements.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Information on Investees (Excluding Information on Investment in Mainland China)

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 8

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Percentage of ownership during the year	Net Income (Loss) of Investee	Investor' s Share of Profit (Loss) of Investee	Note
				December 31,2022	December 31,2021	Shares	Percentage of Ownership	Carrying Amount				
The Company	DPLB	Malaysia	Holding company	4,350,631	4,362,627	91,846	100.00%	5,332,878	100.00%	12,881	83,257	Subsidiary (Note 2)
"	FHVI	BVI	"	2,362,321	2,362,321	22,006	100.00%	1,934,694	100.00%	(113,564)	(105,164)	Subsidiary (Note 1)
"	FFMI	Mauritius	"	274,700	274,700	653	100.00%	115,435	100.00%	11,302	11,131	Subsidiary (Note 1)
"	EFOP	R.O.C.	Manufacturing and sales of polymer plasticized raw materials	-	338,729	-	- %	-	49.00%	23,786	11,655	Joint venture
"	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	245,929	29.71%	(81,218)	(24,130)	Associate
"	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	11,481	40.00%	(146)	(58)	Associate
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 175,541	100.00%	USD 93	USD 93	Subsidiary (Note 3)
"	DPSK	Slovakia	Manufacturing and sales of automotive parts	EUR -	EUR 4,000	-	- %	USD -	100.00%	USD (2)	USD (2)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 48,541	100.00%	USD (9,140)	USD (9,140)	Subsidiary
"	FWSA	Samoa	"	USD 19,000	USD 19,000	19,000	100.00%	USD 15,858	100.00%	USD 471	USD 471	Subsidiary
"	PMSA	"	"	USD -	USD 39,673	-	- %	USD -	100.00%	USD 12,772	USD 12,772	Subsidiary

Note 1 : The difference is the amortization of the difference between the investment cost and the net equity value.

Note 2 : The difference is the amortization of the difference between the upstream unrealized gross profit and the investment cost and the net equity value.

Note 3 : The registration of the alteration of DPHK' s common stock has not been completed.

DARWIN PRECISIONS CORPORATION And Subsidiaries

Information on Investment in Mainland China

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 9

1. Related information on investment in Mainland China:

Investee Company	Main Activities	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee (Notes 5)	Ownership through Direct or Indirect Investment	Maximum Percentage of ownership for the period	Investor's Share of Profit (Loss) of Investee (Notes 5)	Carrying Amount of the Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow							
DPSZ	Manufacturing and sales of backlight module and related parts	768,300 USD 25,000 (Note 8)	Note 1	460,980 USD 15,000	-	-	460,980 USD 15,000	120,520 USD 4,038	100.00%	100.00%	120,520 USD 4,038	1,322,407 USD 43,030	1,795,783 USD 58,434
DPXM	Manufacturing and sales of liquid crystal products, backlight modules and related parts	2,151,240 USD 70,000	Note 1	2,151,240 USD 70,000	-	-	2,151,240 USD 70,000	(109,662) USD (3,674)	100.00%	100.00%	(109,662) USD (3,674)	4,072,316 USD 132,511	1,932,863 USD 62,894
FTWJ	Manufacturing and sales of backlight module and related parts	1,075,620 USD 35,000 (Note 6)	Note 1	199,758 USD 6,500	-	-	199,758 USD 6,500	(280,225) USD (9,388)	100.00%	100.00%	(280,225) USD (9,388)	1,251,588 USD 40,726	432,539 USD 14,075
FPWJ	Manufacturing, sales and trading of precision plastic parts	891,228 USD 29,000 (Note 7)	Note 1	583,908 USD 19,000	-	-	583,908 USD 19,000	21,464 USD 719	100.00%	100.00%	21,464 USD 719	727,463 USD 23,672	-
FTKS	Manufacturing and sales of backlight module and related parts	USD -	Note 1	1,106,352 USD 36,000	-	(1,106,352) USD (36,000)	- -	7,869 USD 264	- %	100.00%	7,869 USD 264	- -	418,409 USD 13,615 (Note 9)
FHWJ	Manufacturing and sales of backlight module and related parts	199,758 USD 6,500	Note 1	252,002 USD 8,200	-	-	252,002 USD 8,200	11,302 USD 379	100.00%	100.00%	11,302 USD 379	65,730 USD 2,139	-
BVHF	Manufacturing and sales of liquid crystal products and related parts	-	Note 1	491,712 USD 16,000	-	(243,298) USD (7,917)	248,414 USD 8,083	13,088 USD 438	- %	29.71%	3,888 USD 130	- -	-

DARWIN PRECISIONS CORPORATION And Subsidiaries

Information on Investment in Mainland China

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

2.Upper limit on investment in Mainland China :

Accumulated Investment in Mainland China as of December 31, 2022(Note 4)	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 3)
3,896,303 (USD126,783)	2,904,484 (USD94,510)	5,596,677

Note1 : Indirect investments in Mainland China through companies registered in a third region.

Note2 : Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note3 : Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, the Company' s accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note4 : If the relevant figures in this table involve foreign currencies, they will be translated into New Taiwan dollars based on the exchange rate on the reporting date. If they are assets and liabilities, they will be translated at the spot exchange rate; if they are profit or loss accounts, they will be translated at the average exchange rate.

Note5 : Amounts were recognized based on the investees' audited financial statements.

Note6 : The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note7 : The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ' s appropriation of earnings.

Note8 : The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.

Note9 : The liquidation of FTKS at the amount of USD13,615 thousand (the net of the relevant transaction taxes of USD1,445 thousand).

Appendix 3. Parent Company Only Financial Statements and Independent Auditor's
Report for the recent fiscal year

Stock Code:6120

DARWIN PRECISIONS CORPORATION.

Parent Company Only Financial Statements

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

Address: No.20-1,Guangfu North Rd.,Hukou Township.,Hsinchu County
303036,Taiwan(R.O.C)
Telephone: (03)566-8000

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

Independent Auditors' Report

To the Board of Directors of Darwin Precisions Corporation.:

Opinion

We have audited the financial statements of Darwin Precisions Corporation. ("the Company"), which comprise the balance sheet as of December 31, 2022 and 2021, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to individual financial report Note 4(15) and Note 6(16) of the financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. If the recognition occurs at inappropriate time, transactions that happened near the financial reporting date can have a significant impact on the financial statement. Therefore, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include ensuring the transaction conditions and revenue of the sale contracts have been properly recorded; random sampling of sales transactions within a certain period before and after the financial reporting date; analyzing the client contract of the sample; and evaluating the transaction conditions contained in the sales contract to confirm that revenue recognition has been recorded in an appropriate period.

2. Impairment of long-term non-financial assets (excluding goodwill)

Refer to Note 4(13) “Impairment of nonfinancial assets”, Note 5 “Critical accounting judgments and key sources of estimation and assumption uncertainty”, and Note 6(7) Impairment-non-financial assets of estimation” to the financial statements.

Description of key audit matter:

The Company operates in an industry with high investment costs, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets. The impairment assessment includes identifying cash-generating units, determining a valuation model, determining those significant assumptions, and computing the recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding the assumptions used, impairment assessment one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company’s controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets’ future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; we also appointed an inquiry of the management and identified any event after the balance sheet date to determine whether it is able to affect the results of the impairment assessment.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shyh-Huar Kuo and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 6, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 1,523,896	8	898,828	4	2130	Contract liabilities – current (Note 6(16) and 7)	24,659	-	52,449	-
1170	Accounts receivable (Note 6(3))	311,889	2	699,638	4	2170	Accounts payable	208,432	1	247,636	1
1180	Accounts receivable from related parties (Note 6(3) and 7)	1,413,805	8	2,076,978	10	2180	Accounts payable to related parties (Note 7)	1,664,177	9	2,516,910	13
1200	Other receivables (Note 6(4))	2,236,841	12	54	-	2200	Other payables	471,821	3	474,743	2
1210	Other receivables from related parties (Note 6(4) and 7)	1,420,658	8	2,021,961	10	2220	Other payables to related parties (Note 7)	1,738,178	9	2,638,762	13
1310	Inventories (Note 6(5))	232,379	1	399,396	2	2250	Provisions – current (Note 6(11))	37,574	-	89,228	1
1476	Other financial assets – current (Note 8)	230,490	1	-	-	2320	Long-term borrowings, current portion (Note 6(10) and 8)	299,912	2	40,116	-
1479	Other current assets (Note (6)8)	14,386	-	13,707	-	2399	Other liabilities – current (Note 6(9) and 7)	464,442	3	466,159	2
		<u>7,384,344</u>	<u>40</u>	<u>6,110,562</u>	<u>30</u>			<u>4,909,195</u>	<u>27</u>	<u>6,526,003</u>	<u>32</u>
Noncurrent assets:						Noncurrent liabilities:					
1517	Financial assets at fair value through other comprehensive income – noncurrent (Note 6(2))	98,263	-	98,263	1	2540	Long-term borrowings (Note 6(10) and 8)	3,362,069	18	3,690,021	19
1550	Investments in equity-accounted investees (Note 6(6))	7,640,417	41	9,594,262	47	2570	Deferred tax liabilities (Note 6(13))	895,320	5	833,861	4
1600	Property, plant and equipment (Note 6(7) 、7 and 8)	2,529,427	14	4,289,917	21	2600	Other liabilities – noncurrent	92	-	272	-
1840	Deferred tax assets (Note 6(13))	138,373	1	148,275	1			<u>4,257,481</u>	<u>23</u>	<u>4,524,154</u>	<u>23</u>
1915	Prepayments for business facilities	10,508	-	20,374	-		Total liabilities	<u>9,166,676</u>	<u>50</u>	<u>11,050,157</u>	<u>55</u>
1980	Other financial assets – noncurrent (Note 8)	693,138	4	1,762	-		Equity attributable to owners of parent (Note 6(14)):				
		<u>11,110,126</u>	<u>60</u>	<u>14,152,853</u>	<u>70</u>	3100	Common Stock	6,655,551	36	6,655,551	32
						3200	Capital surplus	2,837,438	15	3,486,669	17
						3300	Retained earnings	920,934	5	146,039	1
						3400	Other components of equity	(1,086,129)	(6)	(1,075,001)	(5)
							Total equity	<u>9,327,794</u>	<u>50</u>	<u>9,213,258</u>	<u>45</u>
Total assets		\$ 18,494,470	100	20,263,415	100	Total liabilities and equity		\$ 18,494,470	100	20,263,415	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(16) and 7)	\$ 6,809,294	100	10,740,173	100
5000	Operating costs (Note 6(5), (12), (17), Note 7)	6,886,017	101	10,767,523	100
	Gross loss from operations	(76,723)	(1)	(27,350)	-
6000	Operating expenses (Note 6(12), (17) , Note 7):				
6100	Selling expenses	134,316	2	183,107	2
6200	Administrative expenses	359,512	6	331,897	3
6300	Research and development expenses	355,673	5	321,001	3
		849,501	13	836,005	8
	Loss from Operations	(926,224)	(14)	(863,355)	(8)
7000	Non-operating income and expenses:				
7100	Interest income (Note 6(18))	36,684	1	1,431	-
7010	Other income (Note 6(18) and 7)	167,852	2	163,314	2
7020	Other gains and losses (Note 6(7), (18) and 7)	1,085,178	16	19,295	-
7050	Finance costs (Note 6(18))	(41,290)	(1)	(36,790)	-
7370	Share of (losses) profit of subsidiaries, associates and joint ventures accounted for using the equity method, net (Note 6(6))	(23,309)	-	43,984	-
		1,225,115	18	191,234	2
7900	Profit (loss) before income tax	298,891	4	(672,121)	(6)
7950	Less: Income tax expenses (benefit) (Note 6(13))	173,227	2	(22,890)	-
8200	Profit (loss) for the period	125,664	2	(649,231)	(6)
	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss (Note 6(14))				
8361	Exchange differences on translation of foreign financial statements	(13,910)	-	(82,195)	(1)
8399	Income tax related to items that may be reclassified subsequently(Note 6(13))	2,782	-	16,439	-
8300	Other comprehensive income(loss), net of tax	(11,128)	-	(65,756)	(1)
8500	Total comprehensive income (loss) for the year	\$ 114,536	2	(714,987)	(7)
	Earnings (loss) per share (NT dollars) (Note 6(15))				
9750	Basic earnings (loss) per share	\$	0.19		(0.98)
9850	Diluted earnings (loss) per share	\$	0.19		(0.98)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARWIN PRECISIONS CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficit)	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2021	\$ 6,655,551	4,308,845	414,023	795,270	(1,236,199)	(26,906)	(1,006,745)	(2,500)	(1,009,245)	9,928,245
Appropriation and distribution of retained earnings:										
Capital surplus used to cover accumulated deficits	-	(822,176)	-	-	822,176	822,176	-	-	-	-
Legal reserve used to cover accumulated deficits	-	-	(414,023)	-	414,023	-	-	-	-	-
	-	(822,176)	(414,023)	-	1,236,199	822,176	-	-	-	-
Loss for the year	-	-	-	-	(649,231)	(649,231)	-	-	-	(649,231)
Other comprehensive income for the year	-	-	-	-	-	-	(65,756)	-	(65,756)	(65,756)
Total comprehensive income (loss) for the year	-	-	-	-	(649,231)	(649,231)	(65,756)	-	(65,756)	(714,987)
Balance at December 31, 2021	\$ 6,655,551	3,486,669	-	795,270	(649,231)	146,039	(1,072,501)	(2,500)	(1,075,001)	9,213,258
Balance at January 1, 2022	\$ 6,655,551	3,486,669	-	795,270	(649,231)	146,039	(1,072,501)	(2,500)	(1,075,001)	9,213,258
Appropriation and distribution of retained earnings:										
Capital surplus used to cover accumulated deficits	-	(649,231)	-	-	649,231	649,231	-	-	-	-
	-	(649,231)	-	-	649,231	649,231	-	-	-	-
Profit for the year	-	-	-	-	125,664	125,664	-	-	-	125,664
Other comprehensive income for the year	-	-	-	-	-	-	(11,128)	-	(11,128)	(11,128)
Total comprehensive income (loss) for the year	-	-	-	-	125,664	125,664	(11,128)	-	(11,128)	114,536
Balance at December 31, 2022	\$ 6,655,551	2,837,438	-	795,270	125,664	920,934	(1,083,629)	(2,500)	(1,086,129)	9,327,794

See accompanying notes to parent company only financial statements.

DARWIN PRECISIONS CORPORATION**Statements of Cash Flows****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities:		
Profit (Loss) before income tax	\$ 298,891	(672,121)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	316,328	346,956
Interest expense	41,290	36,790
Interest income	(36,684)	(1,431)
Dividend income	(1,939)	(1,768)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	23,309	(43,984)
Gain on disposal of propoerty, plant and equipment, net	(970,015)	(24,444)
Total adjustments to reconcile (loss) profit	<u>(627,711)</u>	<u>312,119</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in accounts receivable	387,749	50,589
Decrease (increase) in accounts receivable from related parties	663,173	(452,014)
Increase in other receivables	(4,835)	(26)
Decrease (increase) in other receivable from related parties	601,303	(884,554)
Decrease in inventories	167,017	94,316
(Increase) decrease in prepaid asstes	(1,442)	4,947
Decrease in other current assets	3,532	7,158
Total changes in operating assets	<u>1,816,497</u>	<u>(1,179,584)</u>
Changes in operating liabilities:		
Decrease in accounts payable	(39,204)	(130,131)
(Decrease) increase in accounts payable to related parties	(852,733)	140,173
Increase (decrease) in other payables	5,665	(89,573)
(Decrease) increase in other payable to related parties	(900,584)	822,026
(Decrease) increase in provisions	(51,654)	29,505
(Decrease) increase in other current liabilities	(29,507)	196,356
Total changes in operating liabilities	<u>(1,868,017)</u>	<u>968,356</u>
Total changes in operating assets and liabilities	<u>(51,520)</u>	<u>(211,228)</u>
Total adjustments	<u>(679,231)</u>	<u>100,891</u>
Cash generated from operations	(380,340)	(571,230)
Interest received	36,684	1,431
Dividends received	1,823,418	352,471
Interest paid	(40,841)	(37,038)
Income taxes paid	(101,853)	(35,877)
Net cash flows from (used in) operating activities	<u>1,337,068</u>	<u>(290,243)</u>
Cash flows from (used in) investing activities:		
Return of capital of investments in equity-accounted investees	95,147	-
Acquisition of property, plant and equipment	(35,310)	(90,276)
Proceeds from disposal of property, plant and equipment	2,458,218	93,069
Decrease (Increase) in refundable deposits	94	(148)
Increase in other receivables	(2,231,952)	-
Increase in other financial assets	(921,960)	-
Increase in prepayments for business facilities	(7,901)	(10,219)
Net cash used in investing activities	<u>(643,664)</u>	<u>(7,574)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	4,186,960	1,986,000
Repayments of long-term borrowings	(4,255,116)	(2,037,351)
Decrease in guarantee deposits received	(180)	-
Net cash used in financing activities	<u>(68,336)</u>	<u>(51,351)</u>
Net increase (decrease) in cash and cash equivalents	<u>625,068</u>	<u>(349,168)</u>
Cash and cash equivalents at beginning of period	<u>898,828</u>	<u>1,247,996</u>
Cash and cash equivalents at end of period	<u>\$ 1,523,896</u>	<u>898,828</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

1 Company history

Forhouse Corporation (“Forhouse”) was incorporated on October 13, 1989 approved by the Ministry of Economic Affairs. It mainly engaged in designing, manufacturing, assembling, processing and trading of backlight modules, computer peripherals, and communication equipment.

BriView Corp.(“BriView”) was approved to establish on September 8, 2008. It mainly engaged in designing, manufacturing and sale of LCD modules, backlight modules, LCD TVs and related components.

In order to integrate the overall resources and expand the scale of operations to enhance operational performance and competitiveness, Forhouse merged with BriView on October 1, 2014 in accordance with the "Business Mergers and Acquisitions Act". After merger, Forhouse was legally the surviving company and BriView was the dissolved company. Forhouse was then changed to Darwin Precisions Corp. (“the Company”) with the approval of the Ministry of Economic Affairs. The Company’ s registered address is No.20-1, Guangfu North Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C). The Company mainly engaged in designing, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

2 Approval date and procedures of the financial statements:

These financial statements were authorized for issue by the Board of Directors on February 6, 2023.

3 New standards, amendments and interpretations adopted:

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

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

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

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

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

- Amendments to IAS 1 “Disclosure of Accounting Policies”

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’ s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS 16 “Requirements for Sales and Leaseback Transactions”

4 Summary of significant accounting policies:

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

(1) Statement of compliance

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

(2) Basis of preparation

(i) Basis of measurement

Except for the financial assets at fair value through other comprehensive income, the parent company only financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(3) Foreign currencies

(i) Foreign currency transactions

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

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

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

(5) Cash and cash equivalents

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

(6) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and Fair value through other comprehensive income (FVOCI) – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

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

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

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

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

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

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

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor', Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than one year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

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

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

ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

6) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company will apply applied the policies on accounting for modifications to the additional changes.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(8) Investment in associates

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

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

The independent financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Unearned gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(9) Investment in subsidiaries

The investees which are controlled by the Company were measured using the equity method in preparing the parent-company-only financial statements. The profit or loss, other comprehensive income and equity in the parent-company-only financial statements are equal to those attributable to the shareholders of the parent in the consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(10) Joint venture

A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint ventures) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Company qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(11) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

- 1) Buildings 3~50 years
- 2) Machinery and equipment 3~6 years
- 3) Other equipment 1~6 years
- 4) The major components of houses, buildings, machinery and equipment and their useful lives are as follows :

Compose item	Useful lives	Compose item	Useful lives
Buildings :		Machinery and equipment :	
Main building	50 years	Injection machine and polishing machine	5 years
Piping and fire engineering	20 years	Press board equipment	5~10 years
Plant construction project	20 years	Dehumidification drying and feeding system	5 years
Compartment engineering	5 years	Light guide plate polishing machine	5 years
Other	3 years	Other	3~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Leases

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

(i) As a lessee

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

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

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

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

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

The lease liability is measured at amortized cost using the effective interest method. It is measured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification.

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory that have a lease term of 12 months or less and leases of low-value assets, including sporadic lease. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(ii) As a lessor

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

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of rental income.

(13) Impairment of nonfinancial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(15) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells backlight modules and LCD optoelectronic products and related components. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company's obligation to provide a refund for backlight modules and LCD optoelectronic products under the standard warranty terms is recognized as a provision for warranty, please refer to Note 6(11).

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(16) Government grants

The Company recognizes an unconditional government grant related to an asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

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Notes to the Financial Statements

(ii) Short-term employee benefits

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

(18) **Income taxes**

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

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

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

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

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

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

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

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

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

(19) Earnings per share

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

(20) Operating segments

The Company has provided the disclosure of the operating segments in its consolidated financial statements. Thus, the disclosure of the segment information in the parent-company-only financial statements is no longer required.

5 Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment and has reflected the impact on COVID-19 within the next financial year is as follows:

- Impairment of property, plant and equipment

In the process of evaluating the potential impairment of assets, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

(Continued)

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Notes to the Financial Statements

6 Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Demand deposits	\$ 847,792	898,828
Time deposits	676,104	-
	\$ 1,523,896	898,828

Please refer to Note 6(20) for the credit risk, exchange rate risk, interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income		
Unlisted common shares		
Domestic Company	\$ 87,549	78,900
Foreign Company	10,714	19,363
	\$ 98,263	98,263

The purpose that the Company invests in the above-mentioned equity securities is for long-term strategies rather than trading purpose. Therefore, those equity securities are designated as financial assets at fair value through other comprehensive income.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as in Year 2022 and 2021.

For credit risk and market risk, please refer to Note 6(20).

As of December 31, 2022 and 2021, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral.

(3) Accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Accounts receivable (including related parties) - measured at amortized cost	\$ 1,725,694	2,776,616
Less: Loss allowance	-	-
	\$ 1,725,694	2,776,616

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information.

As of December 31, 2022 and 2021, the Company did not provide the allowance loss for its notes and accounts receivable. The loss allowance provisions for non related parties were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 306,251	-	%
1 to 60 days past due	2,913	-	%
61 to 180 days past due	2,725	-	%
181 days past due	-	-	%
Total	\$ 311,889		-

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 671,153	-	%
1 to 60 days past due	28,485	-	%
61 to 180 days past due	-	-	%
181 days past due	-	-	%
Total	\$ 699,638		-

As of December 31, 2022 and 2021, the accounts receivable from related parties of the Company was mainly derived from the accounts of the parent company amounting to \$467,150 thousand and \$739,201 thousand, respectively, and other related parties of \$946,655 thousand and \$1,337,777 thousand, respectively, with overdue days of less than 30 days. Therefore, there were no loss allowance provisions during the duration of the accounts receivable from related parties.

The movement in the allowance for accounts receivable was as follows:

	For the years ended December 31,	
	2022	2021
Balance at on January 1 (as the same Balance at December 31)	\$ -	-

As of December 31, 2022 and 2021, accounts receivable of the Company had not been pledged as collateral.

For credit risk and exchange rate risk information of accounts receivable, please refers to Note 6(20).

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Notes to the Financial Statements

(4) Other receivables

	December 31, 2022	December 31, 2021
Other receivables-proceeds from disposal of property	\$ 2,231,952	-
Other receivables-related parties	1,420,658	2,021,961
Other receivables-others	4,889	54
	\$ 3,657,499	2,022,015

The amount on the disposal of property in Waipu Dist., Taichung City was recognized as “other receivables—proceeds from disposal of property”. The transaction price has been entrusted to the bank to handle the buying and selling trust of the property, plant and equipment. The disposal of property are described in note 6(7). The amount on the disposal of property mentioned above had been fully received by the trust account as of January 3, 2023.

Other receivables-related parties arising from the purchase on behalf of raw materials by the Company.

For further credit risk information, please refers to Note 6(20).

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 76,402	162,509
Semi-finished goods	51	15,916
Work in progress	18,015	9,800
Finished goods	69,477	116,204
Goods	45,371	51,423
Inventory in transit	23,063	43,544
	\$ 232,379	399,396

Inventory related losses and profits were as follows:

	2022	2021
Loss on valuations and scrap of inventories	\$ 20,037	41,778
Unallocated fixed manufacturing expenses	24,710	85,265
Loss on physical inventory	-	43
Income from sale of scraps	(10,117)	(35,095)
Operating costs	\$ 34,630	91,991

As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(6) Investments accounted for using equity method

The Company's financial information for investments accounted for using equity method at the reporting date was as follow:

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 7,383,007	9,264,070
Associates	257,410	258,695
Joint ventures	-	71,497
	\$ 7,640,417	9,594,262

(i) Subsidiaries

Please refer to consolidated financial statements for the years ended December 31, 2022 and 2021 for the details.

(ii) Associates

Associates which are material to the Company consisted of the followings:

			Proportion of shareholding and voting rights	
Name of Associates	Nature of Relationship with the Company	Main operating location/ Registered Country of the Company	December 31, 2022	December 31, 2021
BriView(L) Corp.(BVLB)	Holding company	Malaysia	29.71%	29.71%

The following financial information of significant associates has been adjusted according to individually prepared IFRSs financial statements of these associates:

BVLB:

	December 31, 2022	December 31, 2021
Current assets	\$ 827,765	1,432
Non-current assets	-	833,270
Current liabilities	-	(136)
Non-current liabilities	-	-
Net assets	\$ 827,765	834,566
Net assets attributable to non-controlling interests	\$ 245,929	247,949
Net assets attributable to investee interests	\$ 581,836	586,617

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

	2022	2021
Operating revenue	<u>\$ (81,040)</u>	<u>20,359</u>
(Loss) profit from continuing operations	\$ (81,218)	20,174
Other comprehensive income	74,417	(6,493)
Total comprehensive income	<u>\$ (6,801)</u>	<u>13,681</u>
Comprehensive income (loss) attributable to non-controlling interests	<u>\$ (2,020)</u>	<u>4,064</u>
Comprehensive income (loss) attributable to investee interests	<u>\$ (4,781)</u>	<u>9,617</u>
	2022	2021
Share of net assets of associates as of January 1	\$ 247,949	243,885
Comprehensive income attributable to the Company	(2,020)	4,064
Share of net assets of associates as of December 31	245,929	247,949
Less : Elimination of unrealized profit on downstream sales	-	-
Carrying amount of associates' equity	<u>\$ 245,929</u>	<u>247,949</u>

The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2022	December 31, 2021
Carrying amount of individually insignificant associates' equity	<u>\$ 11,481</u>	<u>10,746</u>

(iii) Joint ventures

Roehm Forhouse Optical Polymers Corporation (EFOP) is a company established under the joint venture agreement between the Company and other investor. EFOP is a non-public company and is one of the Company's strategic suppliers who mainly engages in the production of plastic pellet. The Company has the residual equity interest in net value of EFOP; hence, the Company use the equity method in measuring the fair value of EFOP.

The registration and legal process of EFOP's liquidation had been completed on January 25, 2022 and November 7, 2022, respectively, based on the resolution approved during the shareholders' meeting of EFOP on May 27, 2021.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

The following table summarizes the financial information of EFOP as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in EFOP.

	December 31, 2022	December 31, 2021
Percentage ownership interest	<u>- %</u>	<u>49%</u>
Current assets	\$ -	220,616
Current liabilities	-	(74,704)
Net assets	<u>\$ -</u>	<u>145,912</u>
Carrying amount of interest in joint venture	<u>\$ -</u>	<u>71,497</u>
	2022	2021
Operating revenue	<u>\$ -</u>	<u>1,143,180</u>
Profit (loss) from continuing operations	\$ 23,786	(233,140)
Other comprehensive income	-	-
Total comprehensive income (loss)	<u>\$ 23,786</u>	<u>(233,140)</u>
The company's share of profit and total comprehensive income	<u>\$ 11,655</u>	<u>(114,238)</u>

The Company does not have any contingent liabilities arising from the equity of the joint venture, contingent liabilities incurred with other joint venture controllers. Also, the Company is not obliged to assume the control of other joint ventures in the joint venture where the liabilities should be borne by the person.

(iv) Guarantee

As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(7) **Property, plant and equipment**

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

	Land	Buildings and Structures	Machinery and Equipment	Others	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2022	\$ 2,191,245	1,383,618	2,324,201	512,931	1,558	6,413,553
Additions	-	-	9,664	16,490	3,006	29,160
Disposal	(996,050)	(425,603)	(525,950)	(117,076)	-	(2,064,679)
Reclassification	-	-	8,868	1,567	4,446	14,881
Balance on December 31, 2022	<u>\$ 1,195,195</u>	<u>958,015</u>	<u>1,816,783</u>	<u>413,912</u>	<u>9,010</u>	<u>4,392,915</u>

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

	Land	Buildings and Structures	Machinery and Equipment	Others	Construction in progress and testing equipment	Total
Balance on January 1, 2021	\$ 2,247,104	1,398,929	2,279,031	509,332	15,204	6,449,600
Additions	-	-	44,940	17,338	7,600	69,878
Disposal	(55,859)	(15,311)	(20,373)	(19,866)	-	(111,409)
Reclassification	-	-	20,603	6,127	(21,246)	5,484
Balance on December 31, 2021	\$ 2,191,245	1,383,618	2,324,201	512,931	1,558	6,413,553
Accumulated depreciation:						
Balance on January 1, 2022	\$ -	269,692	1,402,389	451,555	-	2,123,636
Depreciation	-	39,729	247,366	29,233	-	316,328
Disposal	-	(86,633)	(374,649)	(115,194)	-	(576,476)
Balance on December 31, 2022	\$ -	222,788	1,275,106	365,594	-	1,863,488
Balance on January 1, 2021	\$ -	232,502	1,148,500	438,462	-	1,819,464
Depreciation	-	39,896	274,262	32,798	-	346,956
Disposal	-	(2,706)	(20,373)	(19,705)	-	(42,784)
Balance on December 31, 2021	\$ -	269,692	1,402,389	451,555	-	2,123,636
Carrying amounts:						
Balance on December 31, 2022	\$ 1,195,195	735,227	541,677	48,318	9,010	2,529,427
Balance on January 1, 2021	\$ 2,247,104	1,166,427	1,130,531	70,870	15,204	4,630,136
Balance on December 31, 2021	\$ 2,191,245	1,113,926	921,812	61,376	1,558	4,289,917

(i) Guarantee

As of December 31, 2022 and 2021, the property, plant and equipment of the Company had been pledged as collateral for long-term borrowings, please refer to Note 8.

(ii) Impairment loss

The Company conducted its impairment tests on property, plant and equipment on December 31, 2022 and 2021; and there was no impairment loss incurred by the Company after the assessment.

(iii) Plant and equipment under construction

The Company has started construction and costs incurred up to December 31, 2022 and 2021. Included in this amount are capitalized borrowing costs related to the acquisition of the land and the construction of the factory of \$138 thousand and \$95 thousand, calculated using a capitalization rate of 0.90%~2.05% and 0.75%~1.35%. Please refer to Note 6(18) for capitalization of interest.

(iv) Leased assets

The Company leased a parcel of land, which was recognized as property, plant and equipment instead of investment property, because it did not intend to obtain long term capital appreciation or earn rent.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(v) Disposal of assets

In order to optimize its assets and enhance the effectiveness of its working capital, the Company disposed its property and related facilities in Waipu Dist., Taichung City, at the amount of \$880,188 thousand, on December 28, 2022, based on the resolution approved during the board meeting on June 22, 2022. The amount, recognized as other receivables, has yet to be collected as of December 31, 2022.

The other receivables are described in note 6(4).

(8) **Other current assets**

The other current assets were as follows:

	December 31, 2022	December 31, 2021
Prepayments	\$ 12,161	7,528
Temporary payments	2,147	1,352
Other	78	500
Overpaid sales tax	-	4,327
	\$ 14,386	13,707

(9) **Other current liabilities**

The other current liabilities were as follows:

	December 31, 2022	December 31, 2021
Other advance receipts-return of capital of BVLB	\$ 255,702	-
Customer supply materials payable	172,257	376,774
Temporary receipts	15,168	81,735
Withholding	7,121	7,650
Other	14,194	-
	\$ 464,442	466,159

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(10) **Long-term borrowings**

The details were as follow:

	December 31, 2022	
	Maturity year	Amount
Unsecured bank loans	2024.6~2026.12	\$ 2,446,000
Secured bank loans	2032.4	294,021
Secured other loans	2026.3	921,960
		3,661,981
Less: current portion		(299,912)
Total		\$ 3,362,069
Unused long-term credit lines		\$ 3,109,965
Range of interest rates		1.375%~2.05%

	December 31, 2021	
	Maturity year	Amount
Unsecured bank loans	2022.4~2026.12	\$ 2,404,614
Secured bank loans	2023.6~2032.4	1,325,523
		3,730,137
Less: current portion		(40,116)
Total		\$ 3,690,021
Unused long-term credit lines		\$ 2,105,575
Range of interest rates		0.75%~1.35%

The assets pledged as collateral to secure the long-term borrowings, please refer to Note 8.

(11) **Provisions**

	Warranties
Balance at January 1, 2022	\$ 89,228
Provisions made during the year	4,636
Provisions used during the year	(6,290)
Provisions reversed during the year	(50,000)
Balance at December 31, 2022	\$ 37,574
Balance at January 1, 2021	\$ 59,723
Provisions made during the year	45,305
Provisions used during the year	(15,800)
Balance at December 31, 2021	\$ 89,228

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

The provision for warranties during the years ended 31 December 2022 and 2021 is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next two years.

(12) Employee benefits

The Company set aside \$19 thousand and \$18 thousand, respectively, of the pension costs under the defined benefit plans for the years ended December 31, 2022 and 2021.

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$27,555 thousand and \$32,412 thousand for the years ended December 31, 2022 and 2021, respectively.

(13) Income taxes

(i) Income tax expense (benefit)

The components of income tax expense (benefit) in the years 2022 and 2021 were as follows:

	2022	2021
Current tax expense:		
Current period	\$ 99,084	37,270
Deferred tax expense (benefit) :		
Reversed of temporary differences	74,143	(60,160)
Income tax expense (benefit)	\$ 173,227	(22,890)

The amount of income tax benefit recognized in other comprehensive income for 2022 and 2021 was as follows:

	2022	2021
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (2,782)	(16,439)

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

Reconciliation of income tax expense (benefit) and profit (loss) before tax 2022 and 2021 were as follows:

	2022	2021
Profit (Loss) before income tax	<u>\$ 298,891</u>	<u>(672,121)</u>
Income tax using the Company's domestic tax rate	\$ 59,778	(134,424)
Non-deductible expenses	(93,394)	70,095
Impact of loss deduction	197,358	58,787
Changes in unrecognized temporary differences	(8,450)	(19,628)
Others	17,935	2,280
Total	<u>\$ 173,227</u>	<u>(22,890)</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 6,060	14,510
The carry forward of unused tax losses	463,870	256,204
Investment deduction	10,001	11,937
	<u>\$ 479,931</u>	<u>282,651</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2022, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2019	68,816	2029
2020	124,320	2030
2021	73,376	2031
2022	197,358	2032
	<u>\$ 463,870</u>	

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	Loss of inventory valuation	Exchange differences on translation of foreign financial statements	Others	Total
Deferred Tax Assets:				
Balance at January 1, 2022	\$ 41,401	83,381	23,493	148,275
Recognized in profit or loss	1,438	-	(14,122)	(12,684)
Recognized in other comprehensive income (loss)	-	2,782	-	2,782
Balance at December 31, 2022	\$ 42,839	86,163	9,371	138,373
Balance at January 1, 2021	\$ 33,613	66,942	15,689	116,244
Recognized in profit or loss	7,788	-	7,804	15,592
Recognized in other comprehensive income (loss)	-	16,439	-	16,439
Balance at December 31, 2021	\$ 41,401	83,381	23,493	148,275
	Recognized foreign investment gains under equity method		Other	Total
Deferred Tax Liabilities:				
Balance at January 1, 2022	\$ 830,628		3,233	833,861
Recognized in profit or loss	61,345		114	61,459
Balance at December 31, 2022	\$ 891,973		3,347	895,320
Balance at January 1, 2021	\$ 869,124		9,305	878,429
Recognized in profit or loss	(38,496)		(6,072)	(44,568)
Balance at December 31, 2021	\$ 830,628		3,233	833,861

(iii) Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the tax authorities.

(14) **Capital and other equity**

As of December 31, 2022 and 2021, the Company's authorized common stock, with per value of \$10 per share, all amounted to \$8,500,000 thousand, and the outstanding ordinary shares each amounted to \$6,655,551 thousand.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(i) Capital Surplus

The balance of capital surplus as of December 31, 2022 and 2021, was as follows:

	December 31, 2022	December 31, 2021
Capital premium (Including merger and premium)	\$ 1,772,216	1,772,216
Treasury shares transactions	177,139	177,139
Changes in equity of associates and joint ventures accounted for using the equity method	882,890	1,532,121
Employee share options	5,193	5,193
	<u>\$ 2,837,438</u>	<u>3,486,669</u>

According to the R.O.C. Company Act, capital surplus may be used to offset accumulated deficits first, and only the realized capital surplus can be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholders'. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of paid-in capital.

(ii) Retained earnings

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. Certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulations or as requested by the competent authority. If there is still remaining earning, it shall be combined with the accumulated undistributed earnings for the Board of Directors to prepare an earnings distribution proposal in order to execute the distribution thereof through resolution according to the laws. Dividend distribution in the form of shares in whole or in part shall be approved by the shareholders' meeting. Dividend distribution in the form of cash shall be approved by the Board of Directors and a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan. The shareholders' dividend distribution ratio, in principle, could be zero percent to eighty percent of the distributable earnings. The ratio of the cash dividends paid shall not be less than thirty percent of the total amount of the cash and stock dividends paid in the current year.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

1) Legal reserve

Legal reserve can be used to offset accumulated deficits. When the company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

In accordance with Ruling by the FSC, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during the earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of the undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes in other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The capital surplus —changes in equity of associates and joint ventures accounted for using equity method amount to \$649,231 thousand was used to offset against the accumulated deficits in 2021 based on the resolution approved during shareholders' meeting held on June 15, 2022.

The legal reserve of \$414,023 thousand and the capital surplus —merger and premium of \$822,176 thousand were used to offset against accumulated deficits in 2020 based on the resolution approved during the shareholders' meeting on August 18, 2021.

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains losses on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (1,072,501)	(2,500)	(1,075,001)
Exchange differences on foreign operations	(11,128)	-	(11,128)
Balance at December 31, 2022	\$ (1,083,629)	(2,500)	(1,086,129)
Balance at January 1, 2021	\$ (1,006,745)	(2,500)	(1,009,245)
Exchange differences on foreign operations	(65,756)	-	(65,756)
Balance at December 31, 2021	\$ (1,072,501)	(2,500)	(1,075,001)

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(15) **Earnings (loss) per share**

The calculation of basic earnings (loss) per share and diluted earnings per share in 2022 and 2021 were as follows:

	2022	2021
Basic earnings (loss) per share		
Profit (loss) of the Company for the year	<u>\$ 125,664</u>	<u>(649,231)</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>\$ 665,555</u>	<u>665,555</u>
Basic earnings (loss) per share (in dollars)	<u>\$ 0.19</u>	<u>(0.98)</u>
Diluted earnings per share		
Profit of the Company for the year	<u>\$ 125,664</u>	
Weighted average number of outstanding ordinary shares (in thousands)	665,555	
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	1,795	
Weighted average number of outstanding ordinary shares (dilution) (in thousands)	<u>667,350</u>	
Dilution earnings per share (in dollars)	<u>\$ 0.19</u>	

The Company is loss in 2021 and there is no dilution effect.

(16) **Revenue from contracts with customers**

(i) Disaggregation of revenue

	2022	2021
<u>Primary geographical markets</u>		
Taiwan	\$ 3,694,306	5,940,406
China	2,951,959	4,134,960
Japan	105,000	158,986
Other	58,029	505,821
	<u>\$ 6,809,294</u>	<u>10,740,173</u>
<u>Major products</u>		
LCD TV and module foundry	\$ 3,506,395	5,107,573
Optoelectronic technology products and peripheral components	3,302,899	5,632,600
	<u>\$ 6,809,294</u>	<u>10,740,173</u>

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Notes to the Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021
Contract liabilities	<u>\$ 24,659</u>	<u>52,449</u>

For details on accounts receivable and allowance for impairment, please refer to Note 6(3).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$36,732 thousand and \$6,083 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the optoelectronics technology sales contracts, for which revenue is recognized when products are delivered to customers.

(iii) Transaction price allocated to the remaining performance obligations

The Company recognizes revenue related to optoelectronic technology products and peripheral components in the amount to which the Company has a right to invoice, thus the Company applies the practical expedient of IFRS and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

(17) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 1% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific qualifications.

For the years ended December 31, 2022, the Company estimated its employee remuneration amounting to 15,814 thousand, and directors' remuneration amounting to 1,581 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors resolved by Board of Directors. These remunerations were expensed under operating costs or operating expenses during 2022.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors' meeting. Related information would be available at the Market Observation Post System website. In addition, in the year 2021, the Company didn't estimate its employee remuneration and director's remuneration because of deficit. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022.

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Notes to the Financial Statements

(18) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2022	2021
Interest income from bank deposits	\$ 23,596	1,401
Other interest income	13,088	30
	\$ 36,684	1,431

(ii) Other income

The details of other income were as follows:

	2022	2021
Rent income	\$ 1,003	6,488
Subsidy	6,490	26,194
Commission	72,424	92,862
Dividend	1,939	1,768
Others	85,996	36,002
	\$ 167,852	163,314

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2022	2021
Gain on disposals of property, plant and equipment	\$ 970,015	24,444
Foreign exchange gains (losses)	115,163	(5,127)
Others	-	(22)
	\$ 1,085,178	19,295

(iv) Finance costs

The details of finance costs were as follows:

	2022	2021
Interest expense	\$ 41,428	36,885
Less: capitalization of interest	(138)	(95)
	\$ 41,290	36,790

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Notes to the Financial Statements

(19) Financial Instruments

(i) Fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments do not have quoted price in active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in non-listed companies	\$ 98,263	-	-	98,263	98,263
Financial assets at amortized cost					
Cash and cash equivalents	1,523,896	-	-	-	-
Trade and other receivables (Including related parties)	5,383,193	-	-	-	-
Other financial assets—time deposit	921,960	-	-	-	-
Other financial assets—refundable deposit	1,668	-	-	-	-
Subtotal	<u>7,830,717</u>				
Total	<u>\$ 7,928,980</u>				
Financial liabilities measured at amortized cost					
Trade and other receivables (Include related parties)	\$ 3,790,026	-	-	-	-
Long-term borrowings (Including due within one year)	3,661,981	-	-	-	-
Other noncurrent liabilities—deposits received	92	-	-	-	-
Total	<u>\$ 7,452,099</u>				

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in non-listed companies	\$ 98,263	-	-	98,263	98,263
Financial assets at amortized cost					
Cash and cash equivalents	898,828	-	-	-	-
Trade and other receivables (Including related parties)	4,798,631	-	-	-	-
Other financial assets—refundable deposit	1,762	-	-	-	-
Subtotal	<u>5,699,221</u>	-	-	-	-
Total	<u>\$ 5,797,484</u>				

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Trade and other receivables (Include related parties)	\$ 5,594,821	-	-	-	-
Long-term borrowings (Including due within one year)	3,730,137	-	-	-	-
Other noncurrent liabilities — deposits received	<u>272</u>	-	-	-	-
Total	<u>\$ 9,325,230</u>				

(ii) Valuation techniques of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

If there is quoted price generated by transactions for financial assets and liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

For domestic and foreign time deposits, their fair value approximate to their Carrying amount.

Fair value of long-term borrowings, which approximates to its carrying value is determined by discounting the expected cash flows at a market interest rate.

The refundable deposits and guarantee deposits are based on carrying amount as there is no fixed maturity.

(iii) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2022 and 2021.

(iv) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value is "financial assets measured at fair value through other comprehensive income – equity investments".

The Company's equity investments without an active market that use Level 3 inputs to measure fair value has a complex significant unobservable inputs. The significant unobservable inputs are not interrelated because they are independent of each other.

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Notes to the Financial Statements

For some equity investment instruments held by the Company that do not have active market quotations and are not for short-term trading purposes, the management obtains the recent financial report of the investee company, evaluates the development of the industry and reviews the publicly available information; thereafter, inspects it accordingly to evaluate the operating risk and future operating performance of the investee company to assess the fair value of the investee company. Generally, changes in the industry and market prospects are highly positively correlated with changes in the operations and future performance of the investee company.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Market method	<ul style="list-style-type: none"> • Price-Earning ratio (As of December 31,2022 and 2021 were 7.57~23.38 and 8.82~26.12, respectively) • Price-Book Ratio (As of December 31, 2022 and 2021 were 1.92 and 1.44~2.35, respectively) • Discount for lack of marketability (As of December 31, 2022 and 2021 were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • the price earning ratio growth rate was higher (lower); • the Price-Book Ratio were higher (lower); or • the degree of lack of marketability were lower (higher).

(20) Financial risk management

(i) Overview

The Company exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It coordinates and accesses to domestic and international financial market operations. Besides, the department also supervises and manages the financial risks related to the Company's operations by analyzing the internal risk assessment of exposures according to the degree and breadth of risks. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and nonderivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and financial assets.

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk are \$7,928,980 thousand and \$5,797,484 thousand, respectively.

1) Trade and other receivables

The Company established a credit policy to obtain the necessary collateral or take out account receivable insurance to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers.

The major customers of the Company are centralized in the LCD optoelectronic products industry. To minimize credit risk, the Company periodically evaluates its financial positions and the possibility of collecting trade receivables. Besides, the Company monitors and reviews the recoverable amounts of the trade receivables to ensure the uncollectible amounts are recognized appropriately as impairment loss. As of December 31, 2022 and 2021, 71% and 63% respectively, of accounts receivable were derived from three major customers. Thus, the credit risk is significantly centralized. The Company continuously evaluates its customer's financial position and actual collection situation, and, if necessary, the Company flexibly uses credit protection tools such as prepayments, accounts receivable factoring, credit insurance, or requires the customer to provide collaterals or guarantees to reduce the customer's credit risk.

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

For credit risk exposure of accounts receivable, please refer to Note 6(3). Other financial assets at amortized cost include other receivables. For related information, please refer to Note 6(4).

Other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. There were no impairment provisions on other receivables for the years ended December 31, 2022 and 2021.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any of the counterparties above fail to meet its obligation hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to company with business dealings, company that directly or indirectly held more than 50% of the voting rights, and company that directly or indirectly hold voting rights in the Company. No other guarantees were outstanding at December 31, 2022 and 2021.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company's unused credit line were amounted to \$3,583,165 thousand and \$2,721,575 thousand, respectively.

The following, except for accounts payable and other payables, are the contractual maturities of other financial liabilities. The amounts include estimated interest payments but exclude the impact of netting agreement.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Long-term borrowings (Including due within one year)	\$ 3,661,981	3,760,363	309,543	2,355,899	952,835	142,086
Accounts payable and other payables (Including related-party)	3,790,026	3,790,026	3,790,026	-	-	-
Deposits received	92	92	-	92	-	-
	\$ 7,452,099	7,550,481	4,099,569	2,355,991	952,835	142,086

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	over 5 years
December 31, 2021						
Non-derivative financial liabilities						
Long-term borrowings (Including due within one year)	\$ 3,730,137	3,808,312	44,340	2,921,578	668,239	174,155
Accounts payable and other payables (Including related-party)	5,594,821	5,594,821	5,594,821	-	-	-
Deposits received	272	272	-	272	-	-
	\$ 9,325,230	9,403,405	5,639,161	2,921,850	668,239	174,155

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(v) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) **Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings. The currencies used in these transactions are the NTD, USD and JPY.

(A) **Exposure to foreign currency risk**

The Company's significant exposure to foreign currency risk were as follows:

(in thousands)

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 169,961	30.732	5,223,241	200,498	27.688	5,551,389
<u>Non-monetary items</u>						
USD	250,365	30.732	7,694,217	348,710	27.688	9,655,082
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	151,945	30.732	4,669,573	208,263	27.688	5,766,386

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(B) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD as of December 31, 2022 and 2021 would have increased (decreased) the net profit before tax by \$5,537 thousand and \$2,150 thousand, respectively, with all other variable factors remaining constant. The analysis is performed on the same basis for both periods.

(C) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$115,163 thousand and (\$5,127) thousand, respectively.

2) Interest rate risk

The Company manages interest rate risk by maintaining a portfolio of appropriate floating interest rates. The Company evaluates hedging activities to make them consistent with the interest rate view and established risk appetite to ensure that the most cost-effective hedging strategy is adopted.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when internally reporting to the management, who also represents the Company's assessment on the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Company's profit (loss) before income tax would have decreased / increased by \$18,310 thousand and increased / decreased by \$18,651 thousand for the year ended 31 December 2022 and 2021, respectively, with all other variable factors remaining constant. This was mainly due to the Company's borrowing at variable rates.

(21) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 31 December 2021, the Company's capital management strategy is consistent with the prior year as of 31 December 2020 to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of 31 December 31, 2022 and 2021, was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 9,166,676	11,050,157
Less: cash and cash equivalents	(1,523,896)	(898,828)
Net debt	7,642,780	10,151,329
Total equity	9,327,794	9,213,258
Total assets	\$ 16,970,574	19,364,587
Debt-to-equity ratio at 31 December	45.04%	52.42%

(22) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Lease Modifications	Foreign exchange movement	
Long-term borrowings	\$ 3,730,137	(68,156)	-	-	3,661,981

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Lease Modifications	Foreign exchange movement	
Long-term borrowings	\$ 3,781,488	(51,351)	-	-	3,730,137

7 Related-party transactions

(1) Parent company and ultimate controlling company

AUO Corporation is both the parent company and the ultimate controlling party of the Company. It has issued the Consolidated Financial Statements Available for Public Use.

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(2) **Names and relationship with related parties**

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
AUO Corporation (AUO)	Ultimate parent company
Darwin Precisions (Suzhou) Corp. (DPSZ)	Subsidiary of the company
Darwin Precisions (Xiamen) Corp. (DPXM)	Subsidiary of the company
Darwin Precisions (Slovakia) s. r. o.(DPSK)	Subsidiary of the company
Darwin Precisions (L) Corp.	Subsidiary of the company
Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	Subsidiary of the company
Suzhou Forplax Optronics Co., Ltd. (FPWJ)	Subsidiary of the company
AUO Envirotech Inc. (AETTW)	Subsidiary of AUO
AUO Display Plus Corporation (ADPHQ)	Subsidiary of AUO
Star River Energy Corp. (SREC)	Subsidiary of AUO
Space Money Inc. (S4M)	Subsidiary of AUO
Sanda Materials Corporation (SDMC)	Grandson of AUO
AUO (Slovakia) s.r.o. (AUOSK)	Grandson of AUO
AUO (Suzhou) Corp., Ltd. (AUOSZ)	Grandson of AUO
AUO (Xiamen) Corp., Ltd. (AUOXM)	Grandson of AUO
AUO (Kunshan) Co., Ltd. (AUOKS)	Grandson of AUO
AFPD Pte., Ltd.(AUST)	Grandson of AUO
AUO Education Service Corp. (AUES)	Grandson of AUO
Yo-Pei Water Corporation (AET-YP)	Grandson of AUO
Darwin Summit Corporation Ltd. (DSC)	An associate
BriView (L) Corp. (BVLB)	An associate
Roehm Forhouse Optical Polymers Corporation (EFOP)	Joint Venture(Note 2)
Partner Tech Corp. (PTT)	Other related parties
Webest Solution Corp. (WEBEST)	Other related parties
ChampionGen Power Corporation (CGPC)	Other related parties
Qisda Corporation (Qisda)	Other related parties
Qisda (Suzhou) Co., Ltd. (QCSZ)	Other related parties
Qisda Electronics (Suzhou) Co., Ltd. (QCES)	Other related parties
Qisda Optronics (Suzhou) Co., Ltd. (QCOS)	Other related parties
Lextar Electronics Corporation (Lextar)	Other related parties
Sheng He Power Corporation (SHPC)	Other related parties
Sheng Yao Power Corporation (SYPC)	Other related parties

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Sheng Li Energy Corporation (SLEC)	Other related parties
Sheng Feng Power Corporation (SFPC)	Other related parties
BenQ Asia Pacific Corp. (BQP)	Other related parties
Metaguru Corporation (Metaguru)	Other related parties
BenQ Materials Corp. (BMC)	Other related parties
BenQ Healthcare Corporation (BHS)	Other related parties
Star Shining Energy Corporation (SSEC)	Other related parties
DFI Inc. (DFI)	Other related parties
TronGen Power Corporation (TGPC)	Other related parties
Fargen Power Corporation (FGPC)	Other related parties
Data Image Corporation (DIC)	Other related parties
Lextar Eletronics (Chuzhou) Corp. (LECZ)	Other related parties
Ri Ji Power Corporation (RJPC)	Other related parties
Ri Jing Power Corporation (RGPC)	Other related parties
Mao Zheng Energy Corporation (MZEC)	Other related parties
Mao Xin Energy Corporation (MXEC)	Other related parties
ADLINK Technology, Inc. (ADLINK)	Other related parties
ADLINK Technology (China) Co., Ltd. (ADLINKCN)	Other related parties
Yenrich Technology Corporation (Yenrich)	Other related parties
Shin Sheng Feng Investment Corp. (SSFI)	Other related parties
Sheng Da Power Corporation (SDPC)	Other related parties
WiBase Industrial Solutions Inc. (WIS)	Other related parties
Ace Pillar Co., Ltd. (ACE)	Other related parties

Note 1: The liquidation of Darwin Precisions (Slovakia) s .r .o. had been completed on March 31, 2022.

Note 2: The Company disposed its entire equity in Roehm Forhouse Optical Polymers Corp. on May 30, 2022. For relevant information, please refer to Note 6(6).

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DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(3) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follow :

	2022	2021
Ultimate parent company- AUO	\$ 2,662,674	3,940,824
Subsidiaries	145,880	785,238
Associates	6,804	16,019
Others:		
AUOXM	1,064,997	1,202,710
AUOSZ	1,027,514	1,053,928
Others	339,918	359,467
	\$ 5,247,787	7,358,186

The sales price of the Company to its related parties is not comparable to that of others due to the differences in the sales of the goods. The collection terms for sales to related parties were 30 to 120 days from the end of the month. The credit terms were no different from those the credit terms given by other clients.

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2022	2021
Ultimate parent company- AUO	\$ 4,291	59,609
Subsidiaries:		
DPXM	1,412,554	2,121,540
FTWJ	3,871,365	4,458,571
Other subsidiaries	-	432,225
Associate	-	19
Joint venture- EFOP	-	797,785
Others	73,430	69,796
	\$ 5,361,640	7,939,545

The purchase price offered by the Company to its related parties is not comparable to that of others due to the differences in the purchases of the goods. The payments terms for purchases from related parties were 45 to 120 days or prepayment for purchases. The payment terms were no different from those given by other vendors.

(iii) Receivables from Related Parties

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

The details of the Company's accounts receivable from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivables	Ultimate parent company- AUO	\$ 467,150	739,201
Accounts receivables	Subsidiaries	93,536	213,108
Accounts receivables	Associates	5,109	392
Accounts receivables	Others:		
	AUOXM	394,321	475,091
	AUOSZ	357,899	524,735
	Others	95,790	124,451
Other receivables	Ultimate parent company-AUO	-	1,143
Other receivables	Subsidiaries:		
	DPXM	86,750	152,568
	FTWJ	1,333,908	1,868,250
		<u>\$ 2,834,463</u>	<u>4,098,939</u>

(iv) Payables to Related Parties

The detail of the Company's payable to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Ultimate parent company- AUO	\$ (3)	1,616
Accounts payables	Subsidiaries:		
	DPXM	474,921	764,544
	FTWJ	1,180,377	1,633,262
	Other subsidiaries	-	97,279
Accounts payables	Other related parties	8,882	20,209
Other payables	Ultimate parent company- AUO	415	166
Other payables	Subsidiaries:		
	DPXM	84,341	259,961
	FTWJ	1,652,773	2,375,807
Other payables	Other related parties	649	2,828
		<u>\$ 3,402,355</u>	<u>5,155,672</u>

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(v) Other current liabilities

The Company's other current liabilities are as follow:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current liabilities	Ultimate parent company-AUO	-	35,896
	Subsidiaries:		
	DPXM	9,242	53,031
	FTWJ	163,015	323,743
	An Associate- BVLB	255,702	-
		<u>\$ 427,959</u>	<u>412,670</u>

The above transactions were mainly due to the Company's advance receipt deriving from the return of capital from related companies, as well as the temporary collection of processing fees and advance receipts of mold payments from the parent company to the Company and the payment of customer supply materials payable to related companies. For relevant information, please refer to Note 6 (9).

(vi) Contract liability

The Company's other current liabilities are as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liabilities	Ultimate parent company- AUO	\$ 3,679	10,386
	Other related parties:		
	ADPHQ	11,330	-
	Others	-	666
		<u>\$ 15,009</u>	<u>11,052</u>

The relevant information, please refer to None 6(16).

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(vii) Other related party transactions :

	Amounts	
	2022	2021
Ultimate parent company- AUO - Other expenses	\$ 5,083	5,949
Subsidiaries- Other expenses	455	295
Other related party- Other expenses	8,124	5,220
Ultimate parent company- AUO - Other revenue	5,525	883
Subsidiaries- FTWJ - Other revenue	5,677	21,128
Subsidiaries- DPXM-Other revenue	73,246	94,392
Subsidiaries- Other income	-	30
Other related parties- Other revenue	4,005	2,342

All outstanding balances with the above related parties should be settled in cash within three months after the reporting date, in which the general fee payment is deemed to be the current month's payment. Furthermore, the above transaction prices were not significantly different from those of the ordinary transactions.

In 2022 and 2021, the Company purchased semi-finished products from its subsidiary, wherein certain materials used for producing the semi-finished products amounting to \$5,523,197 thousand and \$7,567,217 thousand, respectively, were purchased from the Company. All purchases and sales of the above transactions were expressed in net amounts. The relevant accounts receivable and accounts payable which were non-compliant with the conditions of the disposal were recognized as other receivables and other payables.

(viii) Property transactions

1) Purchases of property, plant and equipment

The purchases price of property, plant and equipment purchased from related parties are summarized as follows:

	2022	2021
Subsidiaries	\$ 4,199	775
Other related parties	-	2,290
	\$ 4,199	3,065

For the above-mentioned purchases of other equipment from related parties, had been fully paid on December 31, 2022 and 2021, respectively. For detailed information on property, plant and equipment please refer to Note 6(7).

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

2) Disposal of property, plant and equipment

The disposals of property, plant and equipment purchased to related parties are summarized as follows:

	2022		2021	
	Proceeds from disposal	Gains on disposal	Proceeds from disposal	Gains on disposal
Subsidiaries	\$ 2,832	1,034	-	-

The Company's receivables incurred from the sale of other equipment to related parties mentioned above had been received as of December 31, 2022. For detailed information about real estate, plant and equipment, please refer to Note 6(7).

(ix) Leases

1) Rental expenses

The details of the rental expenses incurred by the Company for renting workshops from related parties in the 2022 and 2021 were as follows:

	2022	2021
Ultimate parent company-AUO	\$ 1,013	786
Other related parties	189	-
	\$ 1,202	786

The payment terms of the Company for renting workshops to related parties are three months in one installment, with payment before the 25th of the first month. There was no significant difference between the transaction price and the general price.

2) Rental income

The details of the rental income generated by the Company from renting out land and business equipment to related parties in 2022 and 2021 were as follows:

	2022	2021
The joint venture under the agreement - EFOP	\$ -	5,509
Other related parties	732	671
	\$ 732	6,180

The Company leases its land to EFOP in 2022 and 2021, with monthly lease payment.

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(4) Key management personnel compensation

Key management personnel compensation comprised the following:

	2022	2021
Short-term employee benefits	\$ 41,369	36,832
Post-employment benefits	243	324
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	\$ 41,612	37,156

8 Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Land	Guarantee for Bank loans	\$ 909,333	909,333
Building	Guarantee for Bank loans	698,101	723,332
Other financial asstes- restricted bank deposits	Guarantee for other loans (Note 1)	921,960	-
		\$ 2,529,394	1,632,665

Note1: Time deposits that were used to pledge to the banks for the issuance of secured letters of credit as security for other borrowings were recognized as other financial assets restricted bank deposits. Please refer to Note 6(10) for information on other disclosures of borrowing, and Note 9 for the disclosures of opened and unused letters of credit.

9 Commitments and contingencies:

(a) Unrecognized contractual commitments

The Company's unrecognized contractual commitments were as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	\$ 37,168	34,272

(b) Outstanding standby letter of credit

	December 31, 2022	December 31, 2021
Outstanding standby letter of credit	\$ 921,960	-

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

10 Losses Due to Major Disasters:None

11 Subsequent Events:

The amount on the disposal of property in Waipu Dist., Taichung City had been collected by the trust account January 3, 2023.

12 Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	For the year ended December 31					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		223,020	464,186	687,206	317,818	488,165	805,983
Labor and health insurance		21,457	33,287	54,744	32,281	35,217	67,498
Pension		8,416	19,158	27,574	12,450	19,980	32,430
Remuneration of directors		-	11,961	11,961	-	9,581	9,581
Others		16,772	21,109	37,881	28,243	28,293	56,536
Depreciation		250,534	65,794	316,328	314,006	32,950	346,956
Amortization		-	-	-	-	-	-

The number of employees of the Company in 2022 and 2021 is 596 and 762 respectively, of which the number of directors who are not employees are 5 and 5 respectively.

Additional information of the number of employees and employees benefits of the Company in 2022 and 2021 were as follows:

	2022	2021
The number of employees	<u>596</u>	<u>762</u>
The number of directors excluding the employees	<u>5</u>	<u>5</u>
The average of employees' benefits	<u>1,366</u>	<u>1,271</u>
The average of salary	<u>1,163</u>	<u>1,065</u>
The average of salary adjustment	<u>9.20%</u>	<u>24.27%</u>
Remuneration of supervisor	<u>-</u>	<u>-</u>

(Continued)

DARWIN PRECISIONS CORPORATION

Notes to the Financial Statements

(i) **Employee payroll and benefit policy**

- 1) The Company is committed to provide remuneration and benefits, and implement the goals for gender equality and equal payment to attract outstanding talents. The Company will also compensate its employees for their contributions. As for the payroll system, the Company will take a comprehensive consideration based on market salary standards, external competitiveness and internal fairness of talents, labor market supply and demand, overall economic indicators, etc. It will also design a salary system that is competitive and compliance with the local laws and regulations while simultaneously taking into consideration its personnel's academic background, professional technical capabilities and work qualifications. Gender, religion, race, nationality, political stance, marital status, trade union, will all share the same remuneration and benefit.
- 2) The Company has established a performance review mechanism, wherein it will evaluate its employees' performance every mid and end of the year in order to strengthen its organizational effectiveness and enhance its employee capabilities. Promotion is based on the ability and qualifications of each individual; and factors such as age, gender or region will not be taken in consideration. In addition, employees can share the profitability and compensation based on the Company's operating performance.

(ii) **Remuneration policy for directors and managers:**

The Remuneration Committee and the Board of Directors have been authorized to evaluate the remuneration for directors and managers in accordance with their participation and contribution, where both factors shall be negotiated based on the standards of the industry. In response to the competitive environment of the industry, both corporate transformation and organizational restructuring cost have substantially increased, reward to the director are according to their responsibilities.

According to Article 18, if the Company makes profit in the year, the remuneration to directors shall not exceed 1% of the earnings, which will result in the correlation between operating performance and changes in remuneration to be reasonable.

Manager's remuneration includes salary, bonus, employee remuneration and pension benefits, wherein the employee's position, responsibilities, contributions to the Company and the level of other industry, are being taken into consideration. Furthermore, the future operational risks, which is positively related to the business performance, will also be taken into consideration. Manager's remuneration is evaluated by the Remuneration Committee and approved by the Board of Directors.

13 Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- (i) Loans to other parties: Please refer to Table 1 attached.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2 attached.

(Continued)

- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):Please refer to see Table 3 attached.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:Please refer to Table 4 attached.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:Please refer to Table 5 attached.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:Please refer to Table 6 attached.
 - (ix) Trading in derivative instruments:Please refer to notes 6(2).
- (2) Information on investees: Please refer to Table 7 attached
- (3) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information:Please refer to Table 8 attached.
 - (ii) Limitation on investment in Mainland China:Please refer to Table 8 attached.
 - (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” .
- (4) Major shareholders:None

Shareholder' s Name	Shareholding	Shares	Percentage
AUO Corporation		190,107,961	28.56%
Konly Venture Corp.		42,598,076	6.40%
Ronly Venture Corp.		40,509,046	6.08%

14 Segment information:

The Company has provided the disclosure of the operating segments in its consolidated financial statements. Thus, the disclosure of the segment information in the parent-company-only financial statements is no longer required.

(Continued)

DARWIN PRECISIONS CORPORATION
Financings Provided
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related party	Maximum the Balance for the Period	Ending balance (Note3)	Amount Actually Drawn Down (Note3)	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Limits on Financing Company's Total Financing Amount (Note 3)
													Item	Value		
1	DPSZ	FTWJ	Other receivables from related parties	Yes	225,255	-	-	Adjusted by base lending rate of the People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,322,407 (Note 1)	1,322,407 (Note 1)
2	FTWJ	FHWJ	Other receivables from related parties	Yes	21,835	-	-	Adjusted by base lending rate of the People's Bank of China	Needs for short-term financing	-	Operating capital	-	-	-	1,251,588 (Note 1)	1,251,588 (Note 1)
3	FPWJ	FTWJ	Other receivables from related parties	Yes	448,750	440,760	220,380 (Note 2)	Adjusted by base lending rate of the People's Bank of China or China LPR	Needs for short-term financing	-	Operating capital	-	-	-	727,463 (Note 1)	727,463 (Note 1)

Note1: The limit amount for lending to a company shall not exceed the net worth of the lending company. The total amount for lending shall not exceed the net worth of the lending company.

Note2: All inter-company transactions among the Group have been eliminated in the consolidated financial statements.

Note3: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

DARWIN PRECISIONS CORPORATION
Endorsements/Guarantees Provided
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 2

NO.	Endorser / Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)	Each Party (Notes 4 and 5)									
1	DPXM	The Company	3	1,628,926	436,700	-	-	-	- %	1,628,926	NO	YES	NO
2	FPWJ	FTWJ	4	290,985	225,255	220,380	-	-	30.29%	290,985	NO	NO	YES

Note 1 : The relationship between the endorsement guarantor and the endorsed guarantor is as follows:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly or indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note2 : The maximum endorsement/guarantee balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note3 : The ending balance represents the amounts approved by the Board of Directors.

Note4 : Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note5 : The policy for the limit of total endorsement/guarantee amount and the limit on endorsement/guarantee amount provided to each party are prescribed as follows:

DPXM, FPWJ : The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of the net worth of the endorser/guarantor as stated in its latest financial statement.

DARWIN PRECISIONS CORPORATION
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2022
(Amount in thousands of New Taiwan Dollars and and foreign currencies indicated, shares in thousands)

Table 3

Name of holder	Type and name of security	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Maximum Percentage of ownership for the period	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
The Company	Stock-Wibase Industrial Solutions Inc.	Substantive related party	Financial assets at fair value through other comprehensive profit and loss – non-current	3,536	42,432	9.05%	42,432	9.11%	(Note 1)
The Company	Stock-D8AI INC.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	8,400	8,649	4.91%	8,649	4.91%	(Note 1 & 2)
The Company	Stock-DISIGN Incorporated	-	Financial assets at fair value through other comprehensive profit and loss – non-current	2	10,714	19.89%	10,714	19.89%	(Note 1)
The Company	STOCK-HUAI I PRECISION TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	2,914	34,968	10.00%	34,968	10.00%	(Note 1)
The Company	STOCK-EVERTRUST TECHNOLOGY LTD.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	150	1,500	16.13%	1,500	16.13%	(Note 1)

Note1 : All marketable securities had not been pledged as collateral for borrowings, guarantees and others which restricted by agreement.

Note2 : The 7,000 thousand preferred shares of D8AI Holdings Corp. were converted into 8,400 thousand ordinary shares of D8AI Inc. on December 28,2022.

DARWIN PRECISIONS CORPORATION
Disposal of Individual Real Estate with Costs Exceeding NT\$300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2022
(Amount in thousands of New Taiwan Dollars)

Table 4

Company Name	Property	Date of the Event	Date of Original Acquisition	Carrying Amount	Transaction Amount	Status of Proceeds Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Pricing Reference	Other terms
The company	Land and buildings	June 2022	December 2005	1,335,020	2,285,894 (Note 3)	150,000 (Note 2)	950,874	Four natural persons	Non-related party	Activating assets and enhancing the efficient use of working capital	A report on the appraisal price of a real estate appraiser	None

Note1 : This transaction has been completed at December 28, 2022.

Note2 : The amount of \$2,231,952 thousand, recognized as other receivables, that has yet to be collected as of December 31, 2022, had been received on January 3, 2023.

Note3 : The disposal amount was the net of the relevant transaction costs and taxes.

DARWIN PRECISIONS CORPORATION

Purchases from or Sales to Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Counter party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 2)	Credit Terms (Note 2)	Ending Balance	Percentage of Total Notes /Accounts Receivable (Payable)	
The Company	DPXM	Grandson of DPLB	Purchases	1,412,554	22%	EOM 90 Days	-	(474,921)	(25)%	Note 1	
"	FTWJ	Grandson of FHVI	"	3,871,365	59%	EOM 90 Days	-	(1,180,377)	(63)%	"	
DPXM	The Company	Parent company	"	CNY 24,241	2%	EOM 60 Days	-	(17,946)	(7)%	"	
FTWJ	Lextar	Substantive related party	"	CNY 57,962	11%	EOM 120 Days	-	CNY (18,257)	(3)%		
The Company	AUO	Ultimate parent company	Sales	(2,662,674)	(39)%	EOM 60 Days	-	467,150	27%		
"	AUOSZ	Grandson of AUO	"	(1,027,514)	(15)%	EOM 120 Days	-	357,899	21%		
"	AUOXM	"	"	(1,064,997)	(16)%	EOM 120 Days	-	394,321	23%		
"	AUOKS	"	"	(259,455)	(4)%	EOM 120 Days	-	85,573	5%		
"	DPXM	Grandson of DPLB	"	(106,910)	(2)%	EOM 60 Days	-	586	- %	Note 1	
DPXM	AUOXM	Grandson of AUO	"	CNY (45,789)	(2)%	EOM 120 Days	-	CNY 18,956	6%		
"	The Company	Parent company	"	CNY (324,254)	(16)%	EOM 90 Days	-	CNY 126,742	42%	Note 1	
FTWJ	The Company	Parent company	"	CNY (882,568)	(98)%	EOM 90 Days	-	CNY 642,477	99%	"	

Note 1 : All inter-company transactions among the company and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2 : Transaction terms with related parties were similar to those with third parties. Except for those particular transactions with no similar transactions to compare with, their transaction terms were determined based on mutual agreements.

DARWIN PRECISIONS CORPORATION
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

Company Name	Counter party	Relationship	Ending Balance of Receivables (Note 1,2)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AUO	Ultimate parent company	467,150	4.41	25,976	Continuous collection	-	-
"	AUOSZ	Grandson of AUO	357,899	2.33	-	-	-	-
"	AUOXM	Grandson of AUO	394,321	2.45	-	-	-	-
"	FTWJ	Grandson of the FHVI	1,426,858	Note 1	-	-	265,276	-
DPXM	The Company	Parent company	CNY 126,742	1.79	-	-	-	-
FTWJ	The Company	Parent company	CNY 642,477	1.13	-	-	CNY 62,753	-
FPWJ	FTWJ	Grandson of the FHVI	CNY 50,547	Note1	-	-	-	-

Note1 : Including other receivables from transactions not related to ordinary sales.

Note2 : All inter-company transactions among the Company and its subsidiaries have been eliminated in the consolidated financial statements.

DARWIN PRECISIONS CORPORATION

Information on Investees (Excluding Information on Investment in Mainland China)

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 7

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2022			Maximum Percentage of ownership during the year	Net Income (Loss) of Investee	Investor' s Share of Profit (Loss) of Investee	Note
				December 31,2022	December 31,2021	Shares	Percentage of Ownership	Carrying Amount				
The Company	DPLB	Malaysia	Holding company	4,350,631	4,362,627	91,846	100.00%	5,332,878	100.00%	12,881	83,257	Subsidiary (Note 2)
"	FHVI	BVI	"	2,362,321	2,362,321	22,006	100.00%	1,934,694	100.00%	(113,564)	(105,164)	Subsidiary (Note 1)
"	FFMI	Mauritius	"	274,700	274,700	653	100.00%	115,435	100.00%	11,302	11,131	Subsidiary (Note 1)
"	EFOP	R.O.C.	Manufacturing and sales of polymer plasticized raw materials	-	338,729	-	- %	-	49.00%	23,786	11,655	Joint venture
"	BVLB	Malaysia	Holding company	1,051,289	1,051,289	36,000	29.71%	245,929	29.71%	(81,218)	(24,130)	Associate
"	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00%	11,481	40.00%	(146)	(58)	Associate
DPLB	DPHK	Hong Kong	Holding company	USD 103,785	USD 103,785	10	100.00%	USD 175,541	100.00%	USD 93	USD 93	Subsidiary (Note 3)
"	DPSK	Slovakia	Manufacturing and sales of automotive parts	EUR -	EUR 4,000	-	- %	USD -	100.00%	USD (2)	USD (2)	Subsidiary
FHVI	FTMI	Mauritius	Holding company	USD 6,503	USD 6,503	6,503	100.00%	USD 48,541	100.00%	USD (9,140)	USD (9,140)	Subsidiary
"	FWSA	Samoa	"	USD 19,000	USD 19,000	19,000	100.00%	USD 15,858	100.00%	USD 471	USD 471	Subsidiary
"	PMSA	"	"	USD -	USD 39,673	-	- %	USD -	100.00%	USD 12,772	USD 12,772	Subsidiary

Note 1 : The difference is the amortization of the difference between the investment cost and the net equity value.

Note 2 : The difference is the amortization of the difference between the upstream unrealized gross profit and the investment cost and the net equity value.

Note 3 : The registration of the alteration of DPHK's common stock has not been completed.

DARWIN PRECISIONS CORPORATION
Information on Investment in Mainland China

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

1. Related information on investment in Mainland China :

Investee Company	Main Activities	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee (Notes 4)	Ownership through Direct or Indirect Investment	Maximum Percentage of ownership for the period	Investor's Share of Profit (Loss) of Investee (Notes 4)	Carrying Amount of the Investment as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow							
DPSZ	Manufacturing and sales of backlight module and related parts	768,300 USD25,000 Note 7	Note 1	460,980 USD15,000	-	-	460,980 USD 15,000	120,520 USD4,038	100.00%	100.00%	120,520 USD4,038	1,322,407 USD 43,030	1,795,783 USD58,434
DPXM	Manufacturing and sales of liquid crystal products, backlight module and related parts	2,151,240 USD70,000	Note 1	2,151,240 USD 70,000	-	-	2,151,240 USD 70,000	(109,662) USD(3,674)	100.00%	100.00%	(109,662) USD(3,674)	4,072,316 USD 132,511	1,932,863 USD62,894
FTWJ	Manufacturing and sales of backlight module and related parts	1,075,620 USD35,000 Note 5	Note 1	199,758 USD 6,500	-	-	199,758 USD 6,500	(280,225) USD (9,388)	100.00%	100.00%	(280,225) USD (9,388)	1,251,588 USD 40,726	432,539 USD14,075
FPWJ	Manufacturing , sales and trading of precision plastic parts	891,228 USD29,000 Note 6	Note 1	583,908 USD 19,000	-	-	583,908 USD 19,000	21,464 USD 719	100.00%	100.00%	21,464 USD 719	727,463 USD 23,672	-
FTKS	Manufacturing and sales of backlight module and related parts	-	Note 1	1,106,352 USD 36,000	-	(1,106,352) USD (36,000)	- -	7,869 USD 264	- %	100.00%	7,869 USD264	- -	418,409 USD13,615 Note 8
FHWJ	Manufacturing and sales of backlight module and related parts	199,758 USD6,500	Note 1	252,002 USD 8,200	-	-	252,002 USD 8,200	11,302 USD 379	100.00%	100.00%	11,302 USD 379	65,730 USD 2,139	-
BVHF	Manufacturing and sales of liquid crystal products and related parts	-	Note 1	491,712 USD16,000	-	(243,298) USD(7,917)	248,414 USD 8,083	13,088 USD 438	- %	29.71%	3,888 USD 130	- -	-

DARWIN PRECISIONS CORPORATION
Information on Investment in Mainland China

For the year ended December 31, 2022

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

2.Upper limit on investment in Mainland China :

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 2)
3,896,303 (USD126,783)	2,904,484 (USD94,510)	5,596,677

Note1 : Indirect investments in Mainland China through companies registered in a third region.

Note2 : Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, the Company's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note3 : If the relevant figures in this table involve foreign currencies, they will be translated into New Taiwan dollars based on the exchange rate on the reporting date. If they are assets and liabilities, they will be translated at the spot exchange rate; if they are profit or loss accounts, they will be translated at the average exchange rate.

Note4 : Amounts were recognized based on the investees' audited financial statements.

Note5 : The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note6 : The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note7 : The amount of paid-in capital includes the capital injection of USD1,000 thousand from DPLB in 2010 and the capitalization of retained earnings of USD9,000 thousand from DPSZ in 2012.

Note 8: The liquidation of FTKS at the amount of USD13,615 thousand (the net of the relevant transaction taxes of USD1,445 thousand).

DARWIN PRECISIONS CORPORATION

Statement of cash and cash equivalents

December 31, 2022

(In thousands of New Taiwan Dollars, unless otherwise indicated)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash in bank	Demand deposits	\$ 69,433
	Foreign currency deposit (Note) USD22,000 thousand	505,663
	JPY6,063 thousand	1,401
	EUR497 thousand	16,295
	RMB57,855 thousand	255,000
	Foreign currency time deposit (Note) USD22,000 thousand	676,104
Total		<u>\$ 1,523,896</u>

Note : Exchange Rates at balance sheet date was as follows :

USD : 30.7320

JPY : 0.2311

EUR : 32.7634

RMB : 4.4076

DARWIN PRECISIONS CORPORATION

Statement of accounts receivable

December 31, 2022

(In thousands of New Taiwan Dollars)

Customer	Description	Amount	Note
Non-related parties:			
Company A	Operating	\$ 108,434	
Company B	"	81,648	
Company C	"	45,593	
Other	"	<u>76,214</u>	Less than 5% for each customer
Subtotal		311,889	
Deduct: Allowance for bad debts		<u>-</u>	
		<u>311,889</u>	
Related parties:			
AUO	"	467,150	
AUOXM	"	394,321	
AUOSZ	"	357,899	
FTWJ	"	92,950	
Other	"	<u>101,485</u>	Less than 5% for each customer
Subtotal		<u>1,413,805</u>	
		<u>\$ 1,725,694</u>	

DARWIN PRECISIONS CORPORATION

Statement of other receivables

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other receivable-Others	Benefits	\$ 4,889	
Other receivable-Others	Proceeds from disposal of property	2,231,952	
Other receivable-Related parties	Purchased raw materials and semi-finished goods	1,420,658	
Total		<u>\$ 3,657,499</u>	

Statement of inventories

Item	Amount		Note
	Cost	Market Value	
Raw materials	\$ 76,402	76,646	Net realizable value
Semi-finished goods	51	9	Net realizable value
Work in progress	18,015	18,015	Net realizable value
Finished goods	69,477	72,578	Net realizable value
Goods	45,371	45,371	Net realizable value
Inventory in transit	23,063	23,063	Net realizable value
Total	<u>\$ 232,379</u>	<u>235,682</u>	

DARWIN PRECISIONS CORPORATION

Statement of other current assets

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Prepayment	Prepaid loan and insurance	\$ 12,161	
Temporary payments	Temporary payment for after sale service and service repair	2,147	
Other		<u>78</u>	
Total		<u>\$ 14,386</u>	

DARWIN PRECISIONS CORPORATION

Statement of financial assets at fair value through other comprehensive income - noncurrent

For the year ended December 31, 2022

(In thousands of New Taiwan Dollars)

Name of Associates	Beginning balance		Increase during the period		Decrease during the period		Adjustment		Ending balance		Pledged as Collateral	Note
	Share	Book Value	Share	Amount	Share	Amount	Share	Amount	Share	Book Value		
Wibase Industrial Solutions Inc.	3,536	\$ 42,432	-	-	-	-	-	-	3,536	42,432	None	-
D8AI Holdings Corporation	7,000	8,649	-	-	(7,000)	(8,649)	-	-	-	-	None	Note
DISIGN Incorporated	2	10,714	-	-	-	-	-	-	2	10,714	None	-
Huai I Precision Technology Co.,	2,914	34,968	-	-	-	-	-	-	2,914	34,968	None	-
Evertrust Technology Ltd.	150	1,500	-	-	-	-	-	-	150	1,500	None	-
D8AI INC.	-	-	8,400	8,649	-	-	-	-	8,400	8,649	None	Note
Total		<u>\$ 98,263</u>		<u>8,649</u>		<u>(8,649)</u>		<u>-</u>		<u>98,263</u>		

Note : The 7,000 thousand preferred shares of D8AI Holdings Corp. were converted into 8,400 thousand ordinary shares of D8AI Inc. on December 28, 2022.

DARWIN PRECISIONS CORPORATION

Statement of investments in equity-accounted investees

For the year ended December 31, 2022

(In thousands of New Taiwan Dollars)

Investee name	Beginning balance		Addition		Decrease		Share of profit (loss) from Equity Method	Exchange differences on translations of foreign financial statements	Cash divided	Ending balance			Market value or net asset value (Note 1)		Pledged as collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of ownership	Amount	Unit price	Total amount		
Forhouse International																
Holding Ltd.	22,006	\$ 3,561,424	-	-	-	-	(105,164)	(112,984)	(1,408,582)	22,006	100%	1,934,694	89.94	1,979,124	None	Note 2
Forefront Corporation	653	103,606	-	-	-	-	11,131	698	-	653	100%	115,435	100.68	65,742	"	Note 2
Darwin Precisions (L) Corp.	92,267	5,599,040	-	-	(421)	(11,995)	83,257	75,473	(412,897)	91,846	100%	5,332,878	58.74	5,394,737	"	Note 3
Briview (L) Corp.	36,000	247,949	-	-	-	-	(24,130)	22,110	-	36,000	29.71%	245,929	6.83	245,929	"	
Roehm Forhouse Optical																
Polymers Corp.	33,873	71,497	-	-	(33,873)	(83,152)	11,655	-	-	-	-	%	-	-	"	Note 4
Darwin Summit Corporation Ltd.	40	10,746	-	-	-	-	(58)	793	-	40	40%	11,481	287.03	11,481	"	
		<u>\$ 9,594,262</u>		<u>-</u>		<u>(95,147)</u>	<u>(23,309)</u>	<u>(13,910)</u>	<u>(1,821,479)</u>			<u>7,640,417</u>		<u>7,697,013</u>		

Note 1 : If there is a market value, the public market price is disclosed; and if there is no market price, it is disclosed in net equity value.

Note 2 : The difference is the amortization of the difference between the cost investment and the equity net value.

Note 3 : The difference is the amortization of the difference between the upstream unrealized gross profit and the investment cost and the net equity value.

Note 4 : The registration and legal process of EFOP's liquidation had been completed on November 7, 2022, respectively, based on the resolution approved during the shareholders' meeting of EFOP on May 27, 2021.

DARWIN PRECISIONS CORPORATION
Statement of property, plant and equipment
For the year ended December 31, 2022
(In thousands of New Taiwan Dollars)

Related information for PP&E financial report please refers to Note 6(7).

Statement of accounts payable
December 31, 2022

Customer	Description	Total	Note
Non-related parties:			
Company A	Payment	\$ 66,472	
Company B	"	50,424	
Company C	"	22,766	
Company D	"	9,916	
Others	"	<u>58,854</u>	Less than 5% for each customer
Subtotal		<u>208,432</u>	
Related parties:			
FTWJ	"	1,180,377	
DPXM	"	474,921	
Others	"	<u>8,879</u>	Less than 5% for each customer
Subtotal		<u>1,664,177</u>	
Total		<u>\$ 1,872,609</u>	

DARWIN PRECISIONS CORPORATION

Statement of others payable

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Description	Amount
Others payable - related parties	Payable for storage and processing fees	\$ 1,738,178
Others payable - non-related parties	Payroll and Bonus	261,144
"	Royalty	30,298
"	Others	180,379
		<u>\$ 2,209,999</u>

Statement of other current liabilities

Item	Description	Amount
Other advance receipts	Return of capital of BVLB	\$ 255,702
Customer supply materials payable	Customer supply materials	172,257
Temporary receipts	Temporary receipts	15,168
Others	Sales tax payable	14,194
"	Collections	7,121
		<u>\$ 464,442</u>

DARWIN PRECISIONS CORPORATION

**Statement of long-term loan payable and current portion of
long-term loan**

December 31, 2022

(In thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Type of Loan</u>	<u>Borrowing Amount</u>		<u>Due date</u>	<u>Interest Rate</u>	<u>Pledged as Collateral</u>
		<u>Due within one year</u>	<u>Due more than one year</u>			
O-Bank Co., Ltd.	Unsecured bank loan	\$ -	300,000	2022.03~2024.03		None
Taipei Fubon Bank	"	-	200,000	2022.12~2024.12		None
Shin-Kong Commercial Bank	"	-	400,000	2021.11~2024.11		None
KGZ Commercial Bank	"	-	500,000	2022.08~2024.08		None
Jih Sun International Bank	"	-	300,000	2022.08~2024.07		None
Chang Hwa Commercial Bank, Ltd.	"	-	80,000	2021.12~2026.12		None
Hua Nan Commercial Bank	"	37,920	278,080	2020.10~2025.10		None
Entie Commercial Bank	"	-	100,000	2022.10~2024.10		None
First Commercial Bank	"	-	250,000	2022.07~2024.07		None
Land Bank of Taiwan	Secured bank loan	31,502	262,519	2017.04~2032.04		Yes
Non-financial institution	"	230,490	691,470	2022.03~2026.03		Yes
		\$ 299,912	3,362,069		1.375% ~2.05%	

DARWIN PRECISIONS CORPORATION

Operating income statement

December 31, 2022

(In thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
LCD TV and module foundry	\$ 3,506,395
Optoelectronic technology products and peripheral components	<u>3,302,899</u>
	<u>\$ 6,809,294</u>

DARWIN PRECISIONS CORPORATION

Operating cost statement

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Amount
Cost of sales from manufacturing	
Raw materials, beginning of year	\$ 170,196
Semi-finished goods, beginning of year	16,528
Add: Purchases	781,185
Deduct: Raw materials, end of year	(85,870)
Semi-finished goods, end of year	(238)
Sale of raw material and semi-finished goods	(14,310)
Others	(24,676)
Direct Material	842,815
Direct Labor	119,180
Manufacturing expenses	501,948
Manufacturing Cost	1,463,943
Add: WIP, beginning of year	9,800
Others	33,157
Deduct: WIP, end of year	(18,522)
Finished Good Cost	1,488,378
Add: Finished good, beginning of year	125,817
Purchases	25,534
Deduct: Finished good, end of year	(75,019)
Others	(33,185)
Cost of sales from manufacturing	1,531,525
Outsourced cost of good sold	
Add: Finished goods, beginning of year	240,518
Inventories in transit, beginning of year	43,544
Purchases	5,425,304
Deduct: Finished goods, end of year	(243,866)
Inventories in transit, end of year	(23,063)
Others	(136,885)
Cost of good purchase	5,305,552
Total cost of good sold	6,837,077
Sales of material and semi-finished goods	14,310
Loss on valuations and scrap of inventories	20,037
Unallocated fixed manufacturing expenses	24,710
Income from sale of scraps	(10,117)
	\$ 6,886,017

DARWIN PRECISIONS CORPORATION

Selling, administration and R&D expenses

December 31, 2022

(In thousands of New Taiwan Dollars)

Item	Selling expense	Administration Expense	Research and Development Expense
Salary	\$ 96,092	189,701	178,393
Depreciation	358	39,308	26,128
Indirect material	3,377	-	34,437
Outsourcing manufacturing Expense	68	42	26,409
Others Expense(Note)	34,421	130,461	90,306
	\$ 134,316	359,512	355,673

Note: Amounts with less than 5% for each customer shall not be disclosed separately.

DARWIN PRECISIONS CORPORATION

Representative: Kuo-Hsin (Michael) Tsai



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Quality
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