

# **LCY Technology Corp.**

Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>

Company Website: <https://www.lcyt.com.tw/tc/investors.php>

I. Address and telephone number of the headquarter and branch

Headquarters

Address: 5th Floor, No. 83, Section 4, Ba De Road, Songshan District, Taipei City

Tel: 886-2-2763-1611

Manufacturing Site

Address: No. 3-1, Zhonglin Road, Xiaogang District, Kaohsiung City

Tel: 886-7-871-1291

II. Spokesperson

	Spokesperson	Deputy Spokesperson
Name	Paul Chen	Stanley Kung
Position	General Manager	Chief of Financial Department
TEL	886-2-2763-1611	886-2-2763-1611
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III. Share transfer handling agency

Name: Agency Department, CTBC

Address: 5F., No. 83, Chongqing S. Rd., Sec. 1, Zhongzheng District, Taipei City

TEL: 886-2-6636-5566

Website: <https://ecorp.ctbcbank.com/cts/index.jsp>

IV. The certified public accountant who duly audited the annual financial report for the most recent fiscal year

Name of CPAs: Lin Wen-Chin, Liu Chien-Liang

Name of accounting firm: Deloitte Taiwan

Address: 20F., No. 100, Songren Rd., Xinyi District, Taipei City

TEL: 886-2-2725-9988

Website: <http://www.deloitte.com.tw>

V. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

VI. Website of the Company: <https://www.lcyt.com.tw>

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# Chapter 1. Letter to Shareholders

Dear Shareholders,

The Company's business overview in 2022 is reported as follows:

## I. Business and Profit & Loss Overview

The Company is mainly engaged in the production of electrolytic copper foil. Copper foil is an indispensable material in the copper-clad laminates and printed circuit boards industry, and it is difficult to replace it with other materials.

Based on previous experience, the growth rate of global circuit board output is about 2% to 6% on average. Thanks to the dual effect of 5G communication technology and the global economic boom, the circuit board industry has made great achievements for two consecutive years in 2020 and 2021. However, the global economy and demand always have its cycle. From the beginning of 2022 when there was a doubt that the economy would slow down, to the end of the year when it significantly declined, the year 2022 has witnessed the demand's turning from boom to bust under the influence of international conflicts, high inflation, high inventory and other persistent negative factors.

Unit: Ton

Electrolytic copper foil	2021	2022	Increase/Decrease	Increase/Decrease Percentage (%)
Production Volume	11,310	10,453	-857	-7.58
Sales	10,804	10,379	-425	-3.93

The Company's consolidated revenue in 2022 was NT\$4,047,957,000, the consolidated gross profit was NT\$285,541,000, the consolidated net profit after tax was NT\$202,994,000, and the consolidated basic earnings per share after tax was NT\$1.47.

## II. Research and Development

With the rapid development of automotive electronics, 5G and other terminal products, the requirements for high-frequency interference and high-speed transmission are increasingly stringent. Therefore, thinner and smoother copper foil is also required for raw materials. The Company has developed PK-HTE-RTF series products, which can be used for high-speed multi-layer thin circuit boards as well as high-frequency signal transmission boards (such as automotive collision avoidance radar, GPS safety systems, and servers) and high-level soft board markets.

The Company invested NT\$13,237,000 in research and development in 2022. Except for further exploring the copper foil required by copper-clad laminates and printed circuit board, we also invested:(1) ultralow-roughness inverse copper foil, (2) copper foil for paper substrate, (3) improving bonding force between the copper foil and high-frequency carrier, (4) improving process capacity to reduce costs and environmental impact, such as reducing waste sludge output per unit of production.

To increase its revenue and profit, the Company has been focusing on the development of high-value-added products and increasing the revenue proportion of niche products. We are also committed to reducing the production of process waste, highlighting our focus on ESG (environmental, social, and corporate governance).

### III. Execution of Revenue and Expenditure and Profitability

#### (I) Revenue and Expense

Unit: NT\$1,000

Item	2021	2022	Increase/ Decrease	Increase/Decrease Percentage (%)
Sales revenue	4,483,138	4,047,957	(435,181)	(9.71)
Sales cost	3,619,162	3,762,416	143,254	3.96
Gross sales profit	863,976	285,541	(578,435)	(66.95)
Operating Expenses	147,565	151,951	4,386	2.97
Operating Income	716,411	133,590	(582,821)	(81.35)
Net non-operating revenue (expense)	(9,785)	133,220	143,005	(1,461.47)
Income before Tax	706,626	266,810	(439,816)	(62.24)
Income after Tax	564,208	202,994	(361,214)	(64.02)

#### (II) Profitability

Item	2021	2022
Return on total assets (%)	19.96	6.53
Return on shareholders' equity (%)	25.25	8.45
Ratio of operating profit to paid-in capital (%)	51.99	9.69
Net income pre tax to paid-in capital (%)	51.28	19.36
Net profit margin (%)	12.58	5.01
Earnings per share before tax (NT\$)	4.73	1.94
Earnings per share after tax (NT\$)	3.77	1.47

#### IV. Summary of 2023 Business Plan

Looking ahead to 2023, the world economic outlook still faces a downside risk. For example, the slowdown of the global economy will continue in 2023, even leading to a mild recession. In particular, the risk of economic recession in the United States is still high due to the lag effect of monetary tightening policies such as aggressive interest rate hike by the Federal Reserve, increasing pressure of downward end-market demand and insufficient consumption momentum. The risk of regional conflicts, falling external demand and tighter monetary policy will affect economic growth to some extent. In response to challenges and sustainable and stable operation, the Company continues to save energy and reduce carbon emissions to meet the international ESG trend and carbon-neutral demand. It jointly develops certifications for high-frequency and high-speed materials and products and improves product lines to meet terminal applications and 5G and 6G market demands with customers. In addition, to strengthen operational resilience, the Company shares internal and external resources, strengthens technology research and development, and improves processes and production to increase productivity and produce more high-quality products. The Company's annual operating target in 2023 is to produce 11,413 tons and sell 11,409 tons of electrolytic copper foil.

#### V. Future Outlook

Adhering to the business philosophy of "integrity-based, quality first, customer satisfaction, earnings creation and employee care", the Company continues to develop new products, follow the product needs of the new generation, and inherits the previous cost control policy and continuously increases the production and sales proportion of niche products, so as to expand the market sense and provide customers with diversified and customized products. We are aiming to become a benchmark enterprise for a variety of copper foil products to achieve a win-win goal. Since establishment, we are aware that the capacity scale is not a competitive advantage, nor a determinant of market price. Therefore, we expect to be a benchmark enterprise providing diverse copper foil products.

Based on the long-term good relationships with customers and the advantages of collaborative development, the Company's product specifications vary from 8 $\mu$ m to 4oz. In addition, it has developed foils for special boards, gradually developed the products and obtained certifications required for terminal applications, and continues to maintain good relationships with customers and further explore the potential market.

In terms of promoting ESG, the Company implemented the "Carbon Footprint" plan in 2022, and obtained the ISO14067 Carbon Footprint Verification Statement and UL2809 certification of 100% recovered copper content through the verification of third-party justice unit. The Company has obtained ISO14001 2015 Environmental Management System Certification, ISO50001 2018 Energy Management System Certification and ISO 9001 2015 Quality Management System Certification. It achieved a lead-free and arsenic-free full process, which

complies with RoHS, POHS, REACH and other international environmental standards. It has obtained the international ISO45001 2018 Occupational Safety and Health Management System certification and CNS 45001 2018 Taiwan Occupational Safety and Health Management System certification. It is the basic requirement of the Company to continue the all-staff environmental risk management and adhere to the commitment and responsibility of safety, environment and health. The Company issued an ESG report in 2022, the first one to issue such a report in Taiwan.

In terms of corporate governance, ethical corporate management is the highest guiding principle of the Company. It has established regulations such as the "Ethical Corporate Management Best Practice Principles", the "Ethical Operating Procedures and Conduct Guide" and the "Operation Procedures and Guidelines for Ethical Corporate Management", and a whistle-blowing system to prevent damage to the interests of the Company and its shareholders from dishonest practices, and improper profits and donations. In terms of the structure of the Board of Directors, the Corporate Governance Best Practice Principles specify the diversity policy and relevant capabilities of directors. The ninth Board of Directors has 7 members (including 3 independent directors), who have many years of experience in operational judgment, accounting and financial analysis, risk control, industry analysis, international market view, leadership and decision-making, and can advise on short-term and long-term objectives and operational development to fully perform its professional functions.

Looking into the future, inflation is still peaking, the prices of raw materials are still high, and there is no significant increase in end demand, plus geopolitical and trade barriers and other uncertainties, the Company is facing challenges in the short term. However, the Company will establish a risk mitigation plan, adhere to the step-by-step practical management, strive to maintain the existing advantages, strengthen the quality of products and services and continue to develop differentiated copper foil products, so as to increase the proportion of the revenue of niche products and strive to achieve the goal of sustainable operation.

Chairman:  
Paul Chen

General Manager:  
Paul Chen

Chief Accounting Officer:  
Lee, Ling-Chih



## Chapter 2. Company Profile

### I. Date of Incorporation

January 16, 1997

### II. Company History

Date	Important Notes
January 1997	Established LCY TECHNOLOGY CORP., with a capital of NT\$ 200,000,000.
August 1998	Started to construct the copper foil plant.
December 1998	Increased the capital by NT\$300,000,000 in cash. The paid-in capital after the capital increase was NT\$500,000,000.
December 1999	Increased the capital by NT\$100,000,000 in cash. The paid-in capital after the capital increase was NT\$600,000,000.
June 2000	The copper foil plant was completed and commissioned.
November 2001	Increased the capital by NT\$200,000,000 in cash. The paid-in capital after the capital increase was NT\$800,000,000.
January 2002	Passed the certification of ISO 9001:2000 quality management system.
March 2002	Passed the certification of ISO 14001:2004 environmental management system.
November 2003	Increased the capital by NT\$300,000,000 in cash. The paid-in capital after the capital increase was NT\$1,100,000,000.
June 2005	Lead-free titanium anode is provided for all the foil-producing machine.
July 2006	All products complied with EU RoHS requirements.
October 2007	Expansion of the copper foil plant was completed and commissioned.
June 2008	Reduced the capital by NT\$660,000,000 to cover the loss. The paid-in capital after capital reduction was NT\$440,000,000.
August 2008	Increased the capital by NT\$60,000,000 in cash. The paid-in capital after the capital increase was NT\$500,000,000.
September 2008	Increased the capital by NT\$100,000,000 in cash. The paid-in capital after the capital increase was NT\$600,000,000.
December 2009	Increased the capital by NT\$3,000,000 in cash. The paid-in capital after the capital increase was NT\$603,000,000.
March 2010	Passed the certification of ISO 9001:2008 quality management system.
December 2010	Passed the Greenhouse Gases Emissions Verification.
February 2011	Passed the OHSAS 18001:2007 certification. Passed the TOSHMS CNS 15506:2011 certification.
September 2012	Passed the verification of Product Carbon Footprint.
September 2013	Passed the certification of ISO 50001:2011 energy management system.
July 2014	Reduced the capital by NT\$482,400,000 to cover the loss. The paid-in capital after capital reduction was NT\$120,600,000.

Date	Important Notes
	Increased the capital by NT\$539,400,000 in cash. The paid-in capital after the capital increase was NT\$660,000,000.
February 2015	Increased the capital by NT\$740,000,000 in cash. The paid-in capital after the capital increase was NT\$1,400,000,000. The main shareholder was LCY INVESTMENTS CORP.
July 2015	Passed the certification of ISO/TS 16949:2009, the quality management system for automotive production and relevant service part manufacturers.
March 2017	Passed the certification of ISO 14001:2015 environmental management system, and was awarded the 15-Year Environmental Sustainability Prize.
May 2017	The main shareholder was changed from LCY INVESTMENTS CORP. to LCY CHEMICAL CORP.
June 2017	The Company's application for supplemental public issuance took effect and was registered on the emerging stock market.
February 2018	The Company planned to establish a VLP (Very Low Profile) production line to develop a process for high-frequency and high-speed application products.
March 2018	Obtained the approval letter for listing in TWSE.
June 2018	Increased the capital by NT\$ 130,850,000 in cash (share payment certificate), and officially listed on the Taiwan Stock Exchange on June 28, at the same time, trading in the emerging stock market was terminated. The listed paid-in capital (including certificate of payment for shares) was NT\$1,530,850,000.
July 2018	<p>The international investor Kohlberg Kravis Roberts &amp; Co. L. P. (KKR) conducted a share swap with its parent company, LCY CHEMICAL CORP., in accordance with the business merger and acquisition law, and the parent company, LCY CHEMICAL CORP. was changed to a private company.</p> <p>Passed the certification of ISO 9001:2015 quality management system.</p> <p>Passed the certification of IATF 16949:2016 automotive quality management system.</p>
August 2018	Conducted capital increase and new share issuance, and terminated the listing of certificate of payment for shares. The paid-in capital of the Company was NT\$1,530,850,000.
October 2019	Passed the certification of ISO 50001:2018 energy management system.
February 2020	<p>Passed the certification of ISO 45001:2018 occupational safety and health management system.</p> <p>Passed the certification of CNS 45001:2018 Taiwan Occupational Safety and Health Management System.</p>
March 2020	Passed the certification renewal review procedure for ISO 14001:2015 environmental quality management system.

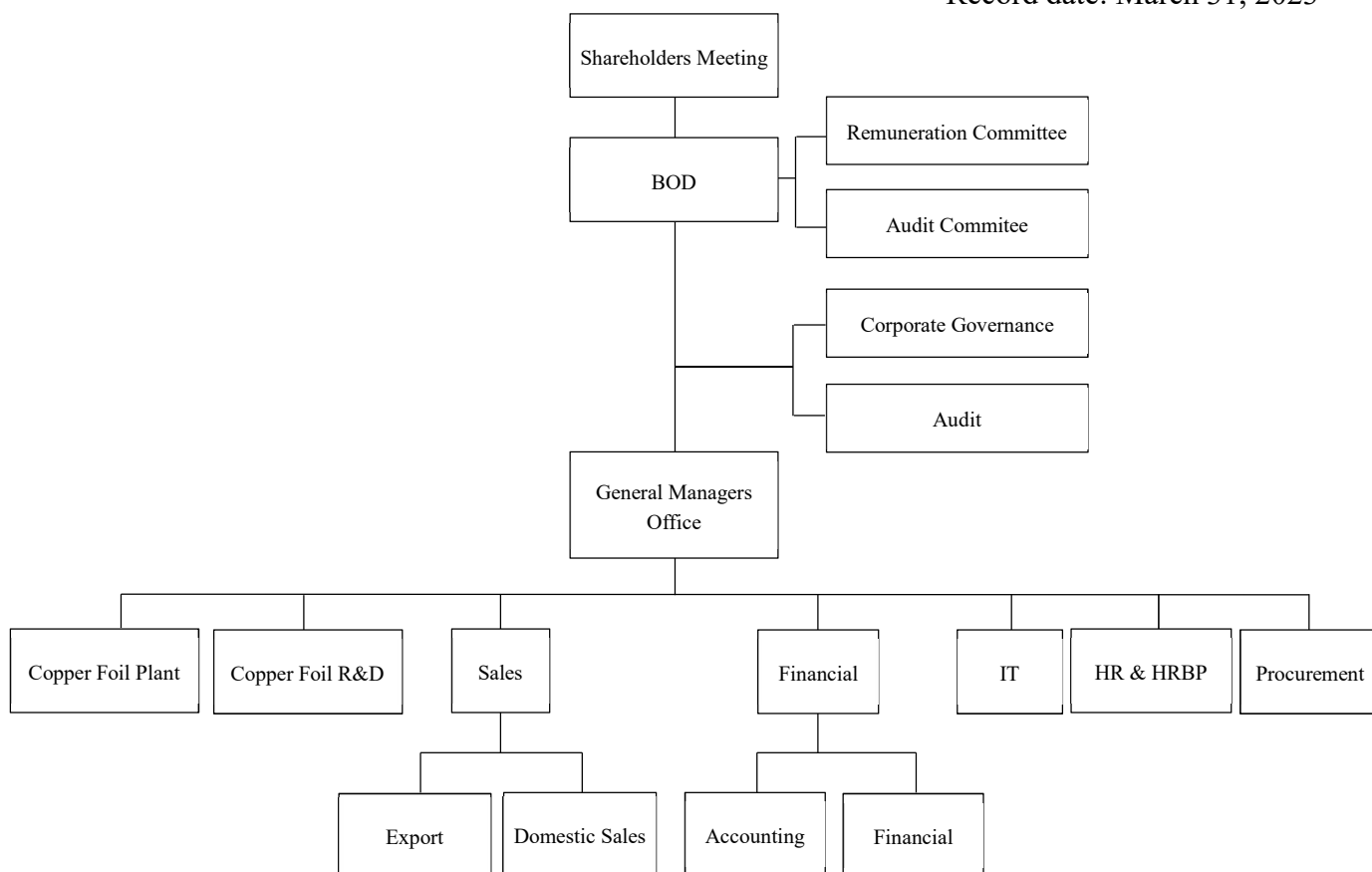
Date	Important Notes
April 2020	The VLP (Very Low Profile) production line was completed and commissioned. The annual production capacity is expected to increase by about 200 tons.
July 2021	Passed the certification renewal review procedure for ISO 9001:2015 quality management system.
November 2021	Decreased the capital by NT\$153,085,000 in cash. The paid-in capital after capital reduction was NT\$1,377,765,000.
June 2022	Completed the first ESG report
October 2022	Passed the certification renewal review procedure for ISO 50001:2018 energy management system.
January 2023	Passed the certification renewal review procedure for ISO 45001:2018 occupational safety and health management system. Passed the certification renewal review procedure for CNS 45001:2018 Taiwan Occupational Safety and Health Management System.
March 2023	Passed the certification renewal review procedure for ISO 14001:2015 environmental quality management system.

## Chapter 3. Corporate Governance Report

### I. Organization

#### (I) Organization Chart

Record date: March 31, 2023



#### (II) Functions of Major Department

Department	Major Functions
Corporate Governance Division	It is the agenda working group of the Board of Directors meetings and shareholders' meetings, mainly responsible for affairs related to Board of Directors meetings and shareholders' meetings, producing meeting minutes, assisting in the continual education of directors and compliance with data and laws required for conducting businesses.
Auditing Office	The establishment, verification and revision of the audit system; study, review and implement internal control system; prepare, check and follow up the annual audit plan; and enhance internal audit and management to improve performance.
General Manager Office	Implement and manage the Company's business strategy, promote, implement, communicate and coordinate the operation goals.
Copper Foil Plant	Execution of production plan, inventory management of raw materials and finished products, coordination of production and marketing, maintenance and management of plant and production equipment, improvement of process capacity, customer complaint analysis, and supervision and management of safety, health and environmental protection facilities.

Department	Major Functions
Technical Department	Research, design and development of new products, and process improvement for existing products.
Business Department	Preparation and execution of sales plan, customer credit investigation, order processing, after-sales service, collection of account receivables, coordination of production and sales, market intelligence collection and analysis, and new product planning.
Finance Department	Planning and processing of accounting, budgeting and tax operations, tax declaration, fund-raising and scheduling, cashier operation management, business data analysis and comparison, etc.
IT Department	Computer software and hardware planning and maintenance; Information security control and management and data processing.
Human Resources Department	Construction of human resource-related management system, overall human resources planning and development; staff cultivation and training; establishment, implementation and maintenance of employee communication system; and payroll, employee benefits, retirement and disbursements, etc.
Procurement Department	Selection and management of qualified suppliers; procurement of raw materials, materials and equipment.

## II. Information on the Directors, General Managers, Deputy General Managers, Assistant Managers, and Supervisors of Divisions and Branch Units

### (I) Director

April 30, 2023; Unit: Share

Title	Nationality/ Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	R.O.C.	Representative of LCY CHEMICAL CORP: Paul Chen	—	2020.6.24	3 years	1997.1.10	101,146,547	72.25	85,339,392	61.94	—	—	—	—	—	—	—	—	—	—
	R.O.C.		Male 61 · 70	2022.12.23	Half a year	2022.12.23	4305	0.003	82,895	0.06	—	—	—	—	1. Bachelor's Degree, Department of International Trade, Soochow University 2. Deputy General Manager, Assistant Manager of Business Department, and General Manager of LCY TECHNOLOGY CORP. 3. Manager of Operation and Enterprise Planning Office and Manager of Export Sales Department of LCY CHEMICAL CORP	Note 1	—	—	—	Note 2
Director	R.O.C.	Representative of LCY CHEMICAL CORP: Sung, Ting- Pang	—	2020.6.24	3 years	1997.1.10	101,146,547	72.25	85,339,392	61.94	—	—	—	—	—	—	—	—	—	—

Title	Nationality/ Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
	R.O.C.		Male 61 , 70	2020.6.24	3 years	2014.6.16	31,981	0.023	7,182	0.005	180	0.00	—	—	1. Master, On-the-Job Class, Operation and Management Department, National Chengchi University 2. Deputy General Manager of LCY TECHNOLOGY CORP. 3. Deputy General Manager of High- performance Plastics Business Division of LCY CHEMICAL CORP.	Note 3	—	—	—	—
	R.O.C.	LCY INDUSTRIAL CORP.	—	2020.6.24	3 years	2020.6.24	1,217,072	0.795	1,095,538	0.795	—	—	—	—	—	—	—	—	—	—
Director	R.O.C.	Representative: Pan, Li-Lin	Female 61 , 70	2020.6.24	3 years	2020.6.24	—	—	—	—	—	—	—	—	1. Doctor Class of Finance Management Institute of National Sun Yat-sen University 2. Head of the Enterprise Operation and Planning Office, Finance Division, LCY CHEMICAL CORP. 3. Senior Fund Manager of International Opportunities Fund 4. Senior Manager of Investment Department, Finance Center of Yongfengyu Paper Company	—	—	—	—	—

Title	Nationality/ Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Director	R.O.C.	Chung, Wan- Chen	Female 41 · 50	2020.6.24	3 years	2017.8.21	—	—	—	—	—	—	—	1. Master of Business Administration, The Wharton School of the University of Pennsylvania, U.S. 2. Senior Assistant Manager, Corporate Financial Trading Room, Citibank Taiwan	Note 4	—	—	—	—	
Independent Director	R.O.C.	Liu, San-Chyi	Male 71 · 80	2020.6.24	3 years	2017.8.21	—	—	—	—	—	—	—	1. Bachelor, Accounting Department, Soochow University 2. Chairman, Kaohsiung Rapid Transit Corporation 3. Independent Director of LCY CHEMICAL CORP. 4. National Policy Advisors to the President of Taiwan 5. Controller, Directorate General of Budget, Accounting and Statistics, Executive Yuan 6. Head of Department of Accounting, Ministry of Education Taiwan 7. Vice President of Fo Guang University and Chair Professor of the Department of Management	Chairman, Hwa Hsia University of Technology	—	—	—	—	



Title	Nationality/ Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Independent Director	R.O.C.	Tu, Wei-Hua	Male 71 · 80	2020.6.24	3 years	2017.8.21	—	—	—	—	—	—	—	—	1. Bachelor, Department of Accounting and Statistics, National Cheng Kung University 2. General Manager/CEO of TSRC Corporation 3. General Manager of Shen Hua Chemical Industrial Co., Ltd. 4. Representative of Juristic Person Chairman of EZSWAP NETWORKS TECHNOLOGY CO., LTD.	Representative of Juristic Person Chairman of TSOU SEEN CHEMICAL INDUSTRIES CORPORATION.	—	—	—	—
Independent Director	R.O.C.	Chu, Nien-Tzu	Male 51 · 60	2020.6.24	3 years	2017.8.21	—	—	—	—	—	—	—	—	1. On-the-job master of senior executive business administration class of National Central University 2. Deputy General Manager of New Venture Department, Dupont Taiwan Limited 3. Managing Supervisor of Taiwan Institute of Chemical Engineers	Independent director of Asia Electronic Material Co., Ltd.	—	—	—	—

Note: Shareholding ratio less than three decimal points shall be represented by “0.00”, and not holding any shares be represented by “-”.

Note 1: (1) Representative of juristic person director of Formosa Copper Technology Corporation. (2) Representative of juristic person director of ShineMore Technology Materials Co., Ltd.

Note 2: Due to the position adjustment of the Group, Director Lin, Cheng-Wei resigned on December 23, 2022, and the juristic shareholder appointed General Manager Paul Chen as the legal person director on the same day. On the same day, the Board of Directors elected director Paul Chen as chairman.

Note 3: (1) Senior Deputy General Manager of High-performance Plastics Business Division of LCY CHEMICAL CORP., (2) Representative of juristic person director of LCY GRIT CORP, (3) Representative of juristic person chairman of KAOHSIUNG COGEN CO., LTD., (4) Director of Zhenjiang LCY Warehousing & Storage Co., Ltd., (5) Director of LCY Performance Materials Corp., (6) Director of Huizhou LCY Elastomers Corp., (7) Director of LCY Education Foundation, (8) Director of Package Plus Co., Ltd., (9) Executive Director of J-Star Holding Co., Ltd.

Note 4: (1) Chairman of China Full Investment Limited (2) General Manager of Methyl Co., Ltd.

1. Major Shareholder

April 30, 2023

Name of Institutional Shareholder	Major Shareholder
LCY CHEMICAL CORP.	KKY Co., Ltd. (100%)
LCY INDUSTRIAL CORP.	Licheng Enterprise Co., Ltd. (91.91%)

2. Major Shareholders of Institutional Shareholders in the Above Form

April 30, 2023

Name of Institutional Shareholder	Major Shareholder
KKY Co., Ltd.	Carlton (Luxembourg) Holdings S.a.r.l (100%)
Licheng Enterprise Co., Ltd.	LCY INDUSTRIAL CORP. (97.59%)

3. Professional Qualifications and Independence of Directors

April 30, 2023

Criteria Name	Professional Qualification and Work Experience	Independence Status (See Note 1 for Independence Criteria)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Paul Chen Chairman	Department of International Trade, Soochow University, former Manager of Operation and Enterprise Planning Office, Manager of Export Sales Department of LCY CHEMICAL CORP, and Deputy General Manager and Assistant Manager of Business Department of LCY TECHNOLOGY CORP., current General Manager of LCY TECHNOLOGY CORP. having served for more than 40 years in the group with operation, management, marketing and industry abilities.	Chairman Paul Chen concurrently holds the positions of General Manager and Director of the Company, and is a managerial officer of the Company. He conforms to all the other independence criteria except (Note 1)(1).	None

Criteria Name	Professional Qualification and Work Experience	Independence Status (See Note 1 for Independence Criteria)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Sung, Ting-Pang Director	Bachelor of the Department of Chemistry, Tamkang University, Master of the Operation and Management Department, National Chengchi University, former Deputy General Manager of LCY TECHNOLOGY CORP., current Senior Deputy General Manager of High-performance Plastics Business Division of LCY CHEMICAL CORP., Representative of juristic person director of LCY GRIT CORP., Representative of juristic person chairman of KAOHSIUNG COGEN CO., LTD., and directors of other companies, having served for more than 40 years in the group with operation, management, marketing and industry abilities.	Sung, Ting-Pang is the director of the juristic person representative of LCY CHEMICAL CORP., so being a director or employed by a related enterprise, he conforms to all the other Independence criteria except (Note 1)(1)(2)(5)(6).	None
Pan, Li-Lin Director	Pursuing the doctor's degree at Finance Management Institute of National Sun Yat-sen University, and the master's degree in the on-the-job class of Department of Finance, National Taipei University, former Head of the Enterprise Management Department, Finance Division, LCY CHEMICAL CORP., Senior Fund Manager of International Opportunities Fund and Senior Manager of Investment Department, Finance Center of Yongfengyu Paper Company, with operation, management, and finance abilities.	Pan, Li-Lin is the director of the juristic person representative of LCY INDUSTRIAL CORP. and was employed by a related enterprise 2 years before the election, so he conforms to all the other Independence criteria except (Note 1)(1).	None
Chung, Wan-Chen Director	Master of Business Administration of The Wharton School of the University of Pennsylvania, former Senior Assistant Manager of Corporate Financial Trading Room, Citibank Taiwan, and current Chairman of China Full Investment Limited and General Manager of Methyl Co., Ltd., with operation, management and business administration abilities.	Conforming to all the independence criteria (Note 1)	None

Criteria Name	Professional Qualification and Work Experience	Independence Status (See Note 1 for Independence Criteria)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Liu, San-Chyi Independent Director	Accounting Department of Soochow University, current Chairman of Hwa Hsia University of Technology, former Vice President of Fo Guang University, Chairman of Kaohsiung Rapid Transit Corporation, Director of the Accounting Department, of Yu Da University of Science and Technology, the Executive Yuan, the Controller of the Executive Yuan, Chief Accounting Officer of the Ministry of Education, with accounting and finance ability and not conforming to all the items specified in Article 30 of the Company Act.	Conforming to all the independence criteria (Note 1). The Independent Director Liu, San-Chyi doesn't hold any of the Company's shares as of April 30.	None
Tu, Wei-Hua Independent Director	Bachelor, Department of Accounting and Statistics, National Cheng Kung University, Representative of Juristic Person Chairman of EZSWAP NETWORKS TECHNOLOGY CO., LTD., having served at TSRC Corporation for 40 years, once as General Manager/CEO, former representative of Juristic Person Chairman of EZSWAP NETWORKS TECHNOLOGY CO., LTD., with marketing and accounting abilities, and conforming to all the items specified in Article 30 of the Company Act.	Conforming to all the independence criteria (Note 1). The Independent Director Tu, Wei-Hua doesn't hold any of the Company's shares as of April 30.	None
Chu, Nien-Tzu Independent Director	Bachelor of Department of Chemistry, Tunghai University, on-the-job master of senior executive business administration class of National Central University, served at Dupont Taiwan Limited for over 20 years, once as Deputy General Manager of New Venture Department, Managing Supervisor of Taiwan Institute of Chemical Engineers, and CEO of Global Research & Industry Alliance, Center for Academia and Industry Collaboration, National Central University, with marketing and industry ability, and conforming to all the items specified in Article 30 of the Company Act.	Conforming to all the independence criteria (Note 1). The Independent Director Chu, Nien-Tzu doesn't hold any of the Company's shares as of April 30.	1

Note 1: The independence criteria for directors and supervisors during the two years prior to their appointment and during their tenure are as follows.

- (1) Not an employee of the Company or its affiliated companies.

- (2) Not serving as a Director or Supervisor of the Company's affiliated business (this does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established according to this law or local laws).
- (3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a Director, Supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, Director, Supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof. However, these restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or a relative within the second degree of kinship to any other director of the Company.
- (9) Not under any of the categories stated in Article 30 of the Company Act.
- (10) Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.

#### 4. Diversity and Independence of the Board of Directors:

The Board of Directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its Articles of Association, the Corporate Governance Best Practice Principles and the resolutions of its shareholders' meetings. The structure of the Board shall reflect the scale of operation and business development of the Company and also the holding of shares by dominant shareholders with a proper balance for actual operation needs. The number of seats of directors is 5-9 as determined by the Board of Directors.

The composition of the Board of Directors shall be diversified. To achieve the goal, the Directors who also act as the Company's managers shall not comprise more than a third of the member of the Board and the Board shall establish diversification guidelines considering its operations, operating model and development needs. The guidelines shall include but are not limited to the following two factors:

- I. Basic conditions and values: gender, age, nationality and culture, etc.
- II. Professional knowledge and skills (e.g., law, accounting, business, finance, marketing or technology), professional skills and industrial experiences.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties. In order to achieve the ideal goals of corporate governance, the Board of Directors as a whole should have the following capabilities:

- I. Operational judgment
- II. Accounting and financial analysis
- III. Operating and management ability
- IV. Crisis handling ability
- V. Industrial Knowledge
- VI. Global market view
- VII. Leadership skill
- VIII. Decision-making skill

The Company has stipulated in the "Method for the Election of Directors" and the "Code of Practice on Corporate Governance" that the composition of the Board of Directors should be diversified; the nomination and selection of members of the Board of Directors of the Company shall be in accordance with the provisions of the Articles of Incorporation. At present, there are 7 members in the Board of Directors, including 3 independent directors, who account for more than one-third of the board seats. The average age of the board members is about 65 years old, and there are two female members. None of the directors have a relationship such as a spouse or relative within the second degree of kinship. All the directors have many years of experience in professional capacities and core competencies.

Board members	Seniority of Independent Director	Age				Core Competencies							
		41-50	51-60	61-70	71-80	Operational judgment	Accounting and financial analysis	Risk control and management	Industry analysis	Knowledge of the international market	Leadership skill	Decision-making skill	Marketing
Paul Chen				✓		✓		✓	✓	✓	✓	✓	✓
Sung, Ting-Pang				✓		✓		✓	✓	✓	✓	✓	✓
Pan, Li-Lin				✓		✓	✓	✓	✓	✓	✓	✓	
Chung, Wan-Chen		✓				✓	✓	✓	✓	✓	✓	✓	✓
Liu, San-Chyi	8-9 Years				✓	✓	✓	✓	✓	✓	✓	✓	
Tu, Wei-Hua	4-6 Years				✓	✓	✓	✓	✓	✓	✓	✓	✓
Chu, Nien-Tzu	4-6 Years		✓			✓	✓	✓	✓	✓	✓	✓	✓

## (II) General Manager, Deputy General Manager, Assistant Manager, and Supervisors of Divisions and Branch Units

March 31, 2023

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Percentage (%)	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)			Title	Name	Relationship	
General Manager	R.O.C.	Paul Chen	Male	2017.09.01	82,895	0.0602	—	—	—	—	1. Bachelor's Degree, Department of International Trade, Soochow University 2. Deputy General Manager and Assistant Manager of Business Department of LCY TECHNOLOGY CORP. 3. Manager of Operation and Enterprise Planning Office and Manager of Export Sales Department of LCY CHEMICAL CORP	Note 1	—	—	—	—
Deputy General Manager	R.O.C.	Caleb Lee	Male	2023.02.01	—	—	—	—	—	—	1. Master, Graduate Institute of Chemistry, NTU 2. Manager of Marketing Department, Suzhou Jinxiang Electronic Marketing Department 3. Assistant to Marketing Manager of Ventec Electronics (Suzhou) Co, Ltd. 4. Deputy General Manager/Director of Ventec Electronics Corporation 5. Marketing Director of Ventec Electronics (Suzhou) Co, Ltd.	—	—	—	—	—
Assistant Manager	R.O.C.	Liu, Chia-He	Male	2023.01.01	—	—	—	—	—	—	1. Master, Chemical Engineering Institute of National Taiwan University of Science and Technology 2. Manager of R & D Department Project Management Office and Senior Manager of Intelligent Property and Information Research Office of LCY CHEMICAL CORP 3. Factory Director of General Manager Office of LCY TECHNOLOGY CORP.	—	—	—	—	—



Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Percentage (%)	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)			Title	Name	Relationship	
Factory Director of Copper Foil Plant	R.O.C.	Huang, Shih-Yu	Male	2021.03.01	—	—	540	0.00	—	—	1. Bachelor of Department of Water Resources and Environmental Engineering of Tamkang University 2. Factory Director, Production Director and Head of Quality Assurance Division of Copper Foil Plant of LCY TECHNOLOGY CORP. 3. Quality Assurance Engineer of CHIN POON Industrial Co., Ltd. 4. Deputy Group Leader of ACCURO LAB CO., LTD.	—	—	—	—	—
Dean of Research and Development	R.O.C.	Chen, Yanhao	Male	2021.03.01	2,700	0.00	—	—	—	—	1. Doctor, Department of Chemical and Materials Engineering, National Central University 2. Engineer, Technical Department, Copper Foil Plant of LCY TECHNOLOGY CORP. 3. Talent of RAISE Plan of Ministry of Science and Technology	—	—	—	—	—
Audit Manager	R.O.C.	Lin, Chia-Hua	Female	2020.11.13	1,800	0.00	—	—	—	—	1. Bachelor, Accounting Department, Chinese Culture University 2. Employee of the Audit Office of LCY TECHNOLOGY CORP. 3. Director of KPMG Taiwan	—	—	—	—	—
Finance and Accounting Manager and Corporate Governance Manager	R.O.C.	Lai, Wen-Pin (Retired on December 31, 2022)	Male	2022.01.01	—	—	—	—	—	—	1. Master, Accounting Department, Soochow University 2. Director of Finance Department and Department of Accounting and Statistics (Auditing), LCY CHEMICAL CORP:	Note 2	—	—	—	—
Finance Manager and Corporate	R.O.C.	Stanley Kung	Male	2023.01.01	—	—	—	—	—	—	1. Bachelor, Faculty of Mathematics, University of Waterloo 2. Head of Finance Division of Finance Department, and Head of Strategy and	—	—	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Percentage (%)	Number of Shares	Percentage (%)	Number of Shares	Percentage (%)			Title	Name	Relationship	
Governance Manager											Planning Group of General Manager Office, LCY CHEMICAL CORP.					
Accounting Manager	R.O.C.	Lee, Ling-Chih	Female	2023.01.01	2704	0.00	—	—	—	—	1. Bachelor, Accounting Department, Shih Chien University 2. Head of Accounting Division of Finance Department, LCY CHEMICAL CORP.	—	—	—	—	—

Note: Shareholding ratio less than three decimal points shall be represented by “0.00”, and not holding any shares be represented by “-”. For those who have left office, the shareholding information was disclosed to the date of leaving office.

Note 1: (1) Representative of juristic person director of Formosa Copper Technology Corporation and (2) Director of the juristic person representative of ShineMore Technology Materials Co., Ltd.

Note 2: Supervisor of LCY INDUSTRIAL CORP.

(III) Where the chairperson of the Board of Directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same people, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

- The reasons, reasonableness and necessity for the Chairman’s concurrently holding the position of General Manager of the Company: Paul Chen assumed the post of General Manager of the Company on May 2018, and assumed the Chairman of the Company as the representative of juristic person director of the parent company LCY CHEMICAL CORP. in December 2022 and is responsible for performing the duties assigned by the Board of Directors. However, the Company's organizational structure is relatively simple. To gradually realize corporate governance by professional managers, the Company relies on the relevant experience passed on by Paul Chen and assists managers to further deepen their professional responsibilities, plan business strategies and implement business plans to complete business objectives. According to Article 208 of the Company Law, the chairman of the Board of Directors is the chair of the shareholders’ meetings, the meeting of the Board of Directors and the meeting of the managing directors, and represents the Company externally. However, in the practical operation of the Company, the general manager is mainly responsible for implementing the business strategy, operation and the leadership and control of the Company. Therefore, it is reasonable and necessary for Mr. Paul Chen to concurrently serve as the chairman and the general manager of the Company.

2. Responding actions and future improvement plan:
  - (1) The Company elected three independent directors and established the Audit Committee on August 21, 2017, and more than half of the board members are not directors/managers of the Company or its related enterprises.
  - (2) The Company has purchased the liability insurance for the directors and managers, with an insured amount of US\$8 million to reduce and disperse the risk of material damage to the Company and its shareholders arising from the mistakes or omissions of directors and managers.
  - (3) It plans to adjust duties or add independent directors before the end of 2023 to comply with the regulations

### III. Remuneration Paid to the Directors, General Manager, and Deputy General Managers

#### (I) Remuneration Paid to Directors and Independent Directors

Unit: in NT\$ thousand

Title	Name	Remuneration Paid to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors who Are Also Employees						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company						
		Base Compensation (A)		Severance Pay and Pension (B)		Directors (C)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)										
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	Cash	Stock		Cash	Stock	The Company	All Companies in Consolidated Financial Statements		
Director	Representative of LCY CHEMICAL CORP: Lin, Cheng-Wei (Assumed the post on June 24, 2020, and discharged on December 23, 2021)																									
	Representative of LCY CHEMICAL CORP: Sung, Ting-Pang	0	0	0	0	1,348	1,348	892	892	2,240	2,240	1.10%	1.10%	0	0	0	0	0	0	0	0	2,240	2,240	1.10%	1.10%	11,555
	Representative of LCY INDUSTRIAL CORP.: Pan, Li-Lin																									
	Chung, Wan-Chen																									
Independent Director	Liu, San-Chyi																									
	Tu, Wei-Hua	0	0	0	0	0	0	1,800	1,800	1,800	1,800	0.89%	0.89%	0	0	0	0	0	0	0	0	1,800	1,800	0.89%	0.89%	0
	Chu, Nien-Tzu																									

Note 1: The independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the factors, such as their job responsibilities, risks, and time contributed: According to Article 30-1 of the Company's Articles of Incorporation, the independent director will not receive director compensation. The independent directors of the Company will be paid a fixed amount of remuneration monthly, plus position subsidy, salary, retirement allowance and bonus. If the independent director needs to travel on business for the operation of the Company, it will be handled according to the Company's regulations on business travel.

Note 2: Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies in Consolidated Financial Statements (H)	The Company	Parent Company and All Reinvestment Businesses (I)
Less than NT\$1,000,000	Chung, Wan-Chen, Liu, San-Chyi, Tu, Wei-Hua, Chu, Nien-Tzu, Lin, Cheng-Wei, the representative of LCY CHEMICAL CORP., Sung, Ting-Pang, the representative of LCY CHEMICAL CORP, and Pan, Li-Lin, the representative of LCY INDUSTRIAL CORP	Chung, Wan-Chen, Liu, San-Chyi, Tu, Wei-Hua, Chu, Nien-Tzu, Lin, Cheng-Wei, the representative of LCY CHEMICAL CORP., Sung, Ting-Pang, the representative of LCY CHEMICAL CORP, and Pan, Li-Lin, the representative of LCY INDUSTRIAL CORP	Chung, Wan-Chen, Liu, San-Chyi, Tu, Wei-Hua, Chu, Nien-Tzu, Lin, Cheng-Wei, the representative of LCY CHEMICAL CORP., Sung, Ting-Pang, the representative of LCY CHEMICAL CORP, and Pan, Li-Lin, the representative of LCY INDUSTRIAL CORP	Chung, Wan-Chen, Liu, San-Chyi, Tu, Wei-Hua, Chu, Nien-Tzu, and Pan, Li-Lin, the representative of LCY INDUSTRIAL CORP
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	—	—	—	—
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)	—	—	—	Juristic person representative of LCY CHEMICAL CORP: Sung, Ting-Pang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	—	—	—	Lin, Cheng-Wei, Juristic person representative of LCY CHEMICAL CORP
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	—	—	—	—
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	7 people	7 people	7 people	7 people

\* The remuneration disclosed herein is different from the income stipulated in the Income Tax Act. Thus, the content in the table is only intended for the disclosure of information, not for the taxation purpose.

(II) Remuneration Paid to the General Manager and Deputy General Managers

Unit: in NT\$ thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
General Manager	Paul Chen	2,257	2,257	108	108	2,936 (Note 1)	2,936 (Note 1)	0	0	0	0	5,301 2.61%	5,301 2.61%	0

Note 1: Including one rental car, with an actual rent of NT\$223,000.

Range of Remuneration

Range of Remuneration Paid to the General Manager and Deputy General Manager	Name of General Manager and Deputy General Manager	
	The Company	Parent Company and All Reinvestment Businesses
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	—	—
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)	Paul Chen	Paul Chen
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	1 people	1 people

\* The remuneration disclosed herein is different from the income stipulated in the Income Tax Act. Thus, the content in the table is only intended for the disclosure of information, not for the taxation purpose.

## (III) Managerial Officers Receiving Employee Compensations

December 31, 2022

	Title	Name	Stock	Cash	Total	Ratio of Total Amount Net Income After Tax (%)
Managerial Officer	General Manager	Paul Chen	0	0	0	0
	Factory Director of Copper Foil Plant	Huang, Shih-Yu				
	Dean of Research and Development	Chen, Yanhao				
	Audit Manager	Lin, Chia-Hua				
	Finance and Accounting Manager	Lai, Wen-Pin				

(III) Analysis of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company Only Financial Statements, Paid by the Company and All Companies in Consolidated Financial Statements during the Past 2 Fiscal Years to the Directors, General Manager, and Deputy General Managers, Along with Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

1. Analysis of total remuneration, as a percentage of net income paid to the directors, general manager, and deputy general managers during the past 2 fiscal years

Unit: in NT\$ thousand

Title	2021		2022	
	Ratio of Total Remuneration	Net Income (%)	Ratio of Total Remuneration	Net Income (%)
Director	6,269	1.11%	4,040	1.99%
General Manager and Deputy General Manager	5,826	1.03%	5,301	2.61%
Total	12,095	2.14%	9,341	4.60%

Note: The remuneration paid by the Company is the same as that paid by all companies in the consolidated statements. The net income in the parent company only financial statements and consolidated statements is also the same. Therefore, single disclosure is adopted.

2. Remuneration policies, standards, combination, the procedure for determining the remunerations, and their relation to business performance

(1) Remuneration standards and packages, and procedures for determining the remunerations

A. Director

The Board of Directors is authorized to determine the remunerations of all the directors according to the extent of their participation in the operation of the Company and the value of their contribution while with reference to the general industry standards. If there is any profit, the remuneration of directors shall be allocated in accordance with the Articles of Incorporation and submitted to the shareholders' meeting after being reviewed by the Remuneration Committee and approved at the Board of Directors meetings. If a director of the Company holds a position in the Company, except for participating in the distribution of director's remuneration as provided in the Articles of Association, he or she may be paid a monthly salary at the general manager's salary level. The director's compensation shall be allocated in accordance with the Company's Articles of Incorporation. Before the distribution of earnings, the Company shall set aside no less than no more than 2% of its annual profits as compensation to directors. The annual profits refers to annual income before tax and before bonuses are set aside for employees and directors. Independent directors shall not participate in the distribution of director's compensation.

B. General Manager and Deputy General Manager

The remuneration of managerial officers includes salary, bonus and employee compensation. The salary level is based on the position held in the Company, the responsibility taken and the contribution to the Company after considering the peer level and being reviewed by the Remuneration Committee and approved by the Board of Directors. The employee compensation shall be allocated in accordance with the Company's Articles of Incorporation. Before the distribution of earnings, the Company shall set aside no less than no less than 0.5% of its annual profits as compensation to employees directors. The annual profits refer to annual income before tax and before bonuses are set aside for employees and directors.

The distribution of the directors' compensation and employee's compensation shall be made by the resolution of a majority vote at a meeting of the Board of Directors attended by two-thirds of the total



number of directors for the preceding two paragraphs shall be submitted to the shareholders' meeting.

(2) Relation to business performance and future risks

The remuneration determination procedure shall be based on the Company's overall operating performance, the individual's performance achievement rate, contribution to the Company's performance and future potential, etc. In addition, to reduce the operating risks in the future, the Remuneration Committee shall regularly and timely review the remuneration system to balance the sustainable operation and risk control of the Company.

In summary, the Company's policy on payment of remunerations to directors, general managers and deputy general managers and its procedures for determining remunerations are positively correlated with its operating performance.

#### IV. Implementation of Corporate Governance

##### (I) Operations of the Board of Directors

A total of 7 meetings (C) of the Board of Directors were held in 2022. The attendance of the directors is as follows:					
Title	Name	Attendance in Person (D)	Attendance by Proxy	Attendance Rate (%) [D/C]	Remark
Chairman	LCY CHEMICAL CORP Representative 1: Lin, Cheng-Wei (Resigned on December 23, 2022) Representative 2: Paul Chen (Assumed office on December 23, 2022)	6	1	85.71	Director Lin, Cheng-Wei resigned on December 23, 2022, and the juristic shareholder appointed Paul Chen as the legal person director. On the same day, the Board of Directors elected director Paul Chen as chairman.
Director	Representative of LCY CHEMICAL CORP: Sung, Ting-Pang	7	—	100.00	None
Director	Representative of LCY INDUSTRIAL CORP.: Pan, Li-Lin	7	—	100.00	None
Director	Chung, Wan-Chen	6	1	85.71	None
Independent Director	Liu, San-Chyi	7	—	100.00	None
Independent Director	Tu, Wei-Hua	7	—	100.00	None
Independent Director	Chu, Nien-Tzu	7	—	100.00	None
Other matters to be recorded:					

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee, so in accordance with Article 14-5 of the Securities and Exchange Act, Article 14-3 of the Securities and Exchange Act does not apply to the Company.

(II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.

II. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of the voting shall be specified

Session of the Board/Time of the Meeting /Date	Content of the Proposal	Name of Director	Reasons for Conflict of Interests	Participation in the Vote
14th meeting of the 9th Board of Directors 2022.03.23	Proposal to lift the non-competition restriction on Chairman Lin, Cheng-Wei	Lin, Cheng-Wei	Lin, Cheng-Wei is the disqualified director	The disqualified director withdraw from the discussion and voting of the proposal voluntarily. After the acting Chair seeks the opinions of directors who did not withdraw and attend the meeting, the proposal was passed without objections

III. TWSE/TPEX-listed companies shall disclose information on the self-evaluation (or peer evaluation) of the Board of Directors, such as the evaluation cycle and period, the evaluation scope, evaluation method, and evaluation content

(I) Self-evaluation of Board Members

Frequency	Period	Scope	Method	Content	Results
Once a year	January 1, 2022 to December 31, 2022	Performance evaluation of individual board members	Board members filling in self-evaluation questionnaires	(1) Mastery of the Company's goals and tasks (2) Understanding of the director's roles and responsibilities (3) Participation in the Company's operation (4) Internal relationship management and communication (5) Profession of directors and their continuing education (6) Internal control	After counting the self-evaluation questionnaires of individual directors, the average score was 97.8, which was "beyond the standard"

(II) Evaluation of the Board of Directors

Frequency	Period	Scope	Method	Content	Results
Once a year	January 1, 2022 to December 31, 2022	Performance Evaluation for Board of Directors	Self-evaluation questionnaires filled in by the Corporate Governance Division	(1) Participation in the Company's operation (2) Improvement in the Board's decision-making quality (3) Composition and structure of the Board (4) Selection and continuing education of the directors (5) Internal control	According to the actual operating results of the current year, the self-evaluation score of the Board of Directors' performance was 95.25 points, which was "beyond the standard"

IV. Objectives for enhancing the functions of Board of Directors in the current year and in recent years (e.g. establishment of the Audit Committee, enhance information transparency) and the evaluation of the execution status

- (I) The Company has established a "Rules of Procedure for Board of Directors Meetings" for the Board to follow and urges directors to participate in various external seminars and functional training courses to enhance the board function.
- (II) All directors were reelected in 2020, and the backgrounds of directors were diversified. The Company provides company information required by directors, including industrial development trend and company operating results, and arranging directors to conduct factory visits, etc. The directors have received a total of 63 hours of external training in 2022, and all directors are in line with the provisions of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".
- (III) The Company operates transparently and focuses on shareholders' interests. It has set up "News Center - Investment Information", "Investor Zone" and "Corporate Social Responsibility - Corporate Governance" on the Company website. The Board of Directors will update important decisions on the Market Observation Post System and the Company website.
- (IV) To protect the directors and managers against the risks they face during the conduction of businesses, the Company has purchased the "Liability Insurance for the Directors and Managers" with Fubon Products Insurance Co., Ltd. in the amount of US\$8 million. The situation, coverage and premium were reported at the Board of Directors meeting on March 24, 2023.
- (V) The Audit Committee and the Remuneration Committee are composed of all the independent directors of the Company, and it assists the Board of Directors in performing their supervisory duties.
- (VI) The Company approved the resolution of appointing the "Corporate Governance Officer" at the Board of Directors meeting on May 13, 2020.
- (VII) The Company formulated the "Rules for Performance Evaluation of Board of Directors" in

May 2019, and further revised it in November 2020. The evaluation shall be carried out once every three years by external professional independent institutions or external expert and scholar teams. The board members completed self-evaluation for 2022 at the end of 2022, and the results of the evaluation have been submitted to the Board of Directors meetings on January 4, 2023. The external evaluation of the Board of Directors in 2022 was conducted by Taiwan Institute of Ethical Business, an external professional organization, and the scoring results have been submitted to the Board of Directors meeting on March 24, 2023.

(II) Operations of the Audit Committee

At the extraordinary shareholders' meeting on August 21, 2017, the Company elected three independent directors, who formed an Audit Committee to replace the supervisory. The independent director Liu, San-Chyi (with financial background) was elected as the convener. The meeting of the audit committee will be held quarterly before the Board of Directors meeting, aiming to assist the Board of Directors to supervise the establishment of internal control systems, the effectiveness of internal audits, significant financial activities, financial reporting processes, and the quality of financial controls, and communicate with the internal audit supervisors and CPAs to oversee the operation and risk control of the Company.

Major matters reviewed by the Audit Committee: (1) Appropriate expression of financial statements of the Company; (2) selection and appointment (dismissal) of CPAs and their remuneration and independence, (3) formulation and revision of the Company's internal control system and methods, (4) assessment of the effectiveness of the internal control system, (5) major assets, derivative commodities, capital loans and endorsement guaranteed transactions, (6) solicitation, issuance or private placement of securities of equity nature, (7) finance, accounting or internal audit (8) compliance with relevant laws and regulations; (9) control of existing or potential risks of the Company.

A total of 5 meetings (C) of the Audit Committee were held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (D)	Attendance by Proxy	Attendance Rate (%) [D/C]	Remark
Independent Director (Convener)	Liu, San-Chyi	5	—	100.00	None
Independent Director (Committee member)	Tu, Wei-Hua	5	—	100.00	None
Independent Director (Committee member)	Chu, Nien-Tzu	5	—	100.00	None

Other matters to be recorded:

I. If the following circumstances occurred during the operation of the Audit Committee meeting, the date, period, contents of motions, objections of independent directors, reservations or major

proposals, resolution of the Audit Committee meeting, and treatment of the opinions of the Audit Committee by the Company

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

Session/Date of the Audit Committee	Content of the Proposal	Opinions of the Independent Directors and Resolution of the Audit Committee	The Company's response to the Audit Committee's opinions
The 8th meeting of the 2nd term 2022.1.19	Amendment to the internal control system (including the internal audit system)	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Formulation of the Application for Suspension and Resumption of Trading Procedures	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	2022 Business Plan and Annual Budget	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Applied to lift the non-competition restriction on Lai, Wen-Pin, the Finance and Accounting Manager and Corporate Governance Manager	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
The 9th meeting of the 2nd term 2022.3.23	2021 Statement on Internal Control System	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Amendment to the internal control system (including the internal audit system)	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	2021 Financial Statements	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	2021 Business Report	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Appointment of CPAs for 2022 financial statements and audit of CPA fees	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Request for the credit line and lines for foreign exchange and derivative financial commodities from the bank	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Proposal on the partial amendment to provisions of the	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed

	Procedures for Acquisition or Disposal of Assets		by all attending directors unanimously as proposed
	Change of Audit Manager	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Proposal to lift the non-competition restriction on Chairman Lin, Cheng-Wei	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
The 10th meeting of the 2nd term 2022.5.6	Amendment to the internal control system (including the internal audit system)	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Proposal on 2021 Earnings Distribution	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The consolidated financial statements for the first quarter of 2022	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Earnings distribution for 2022 Q1	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Request for the credit line and lines for foreign exchange and derivative financial commodities from the bank	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Proposal on the partial amendment to the Audit Committee Charter	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
The 11th meeting of the 2nd term 2022.8.5	Amendment to the internal control system (including the internal audit system)	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The Company's consolidated financial statements for 2022 Q2	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The Company's distribution of earnings for 2022 Q2	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The Company's request for the credit line and lines for foreign exchange and derivative financial commodities from the bank	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed

	The Company's change of Audit Manager	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
The 12th meeting of the 2nd term 2022.11.4	The Company's consolidated financial statements for 2022 Q3	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The Company's distribution of earnings for 2022 Q3. Please review	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Amendment to the internal control system (including the internal audit system)	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	2023 Annual audit plan	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The Company's change of Finance Manager	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	Change of the Company's "Corporate Governance Officer" and acting spokesman	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed
	The Company's change of Accounting Manager	Passed unanimously as proposed	Reported to the Board of Directors meeting, and passed by all attending directors unanimously as proposed

(II) Other matters not approved by the Audit Committee but approved by two-thirds or more of all directors: None.

II. In regard to the recusal of Independent Directors from voting due to conflict of interests, the name of the Independent Directors, the proposal content, reasons for recusal due to conflict of interests and voting outcomes should be specified: None.

III. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of the audit of finances and operations)

Session/Date of the Audit Committee	Communication with the Head of the Internal Audit		Communication with the CPA	
	Matters Communicated	Results		Matters Communicated
The 8th meeting of the 2nd term	Execution Report on Routine Audit Work - November 2021 to January 2022	Acknowledged and reported to the Board of Directors meeting	There was no need to communicate with the accountant this time	—



2022.01.19	Revision on the internal control system (including the internal audit system)	The independent directors had no suggestions, and it was submitted to the Board of Directors meeting for resolution after deliberation		
The 9th meeting of the 2nd term 2022.03.23	Execution Report on Routine Audit Work - Report on improvement tracking in February 2022 - Payroll and personnel cycle for December 2021	Acknowledged and reported to the Board of Directors meeting	The CPA Lin, Wen-Chin reported: (1) The review results and scope, assessment of fraud, identification of significant risks and critical reviews for the consolidated financial statements for 2021 Q4	The independent directors had no suggestions, and the financial statements were submitted to the Board of Directors meeting for resolution
	Revision on the internal control system (including the internal audit system)	The independent directors had no suggestions, and it was submitted to the Board of Directors meeting for resolution after deliberation	(2) Law promotion: - The addition of Article 9 "Amendment" and the revision of Article 47 "Attention to Information Security" of Regulations Governing Establishment of Internal Control Systems by Public Companies.	The independent directors suggest the Corporate Governance Division complete the appointment of cyber security personnel before the end of 2023
	2021 Statement on Internal Control System		- The addition of Article 15 to Regulations Governing the Acquisition and Disposal of Assets by Public Companies, that is "If a public company or a subsidiary thereof that is not a domestic public company acquires or disposes of assets with the related person, and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit relevant materials to the shareholders meeting for approval before the transaction to protect the equity of shareholders. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries". - The Securities and Futures Bureau updates the	Acknowledged, and the independent directors have no suggestions on it.



			Questions and Answers for Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies	
The 10th meeting of the 2nd term 2022.05.06	Execution Report on Routine Audit Work -March 1, 2022 - April 20, 2022 Report on improvement tracking - No report required tracking in the above-mentioned period.	Acknowledged and reported to the Board of Directors meeting	The CPA Lin, Wen-Chin reported: (1) The review results and scope, assessment of fraud, identification of significant risks and critical reviews for the consolidated financial statements for 2022 Q1	The independent directors had no suggestions, and the financial statements were submitted to the Board of Directors meeting for resolution
	Revision on the internal control system (including the internal audit system)	The independent directors had no suggestions, and it was submitted to the Board of Directors meeting for resolution after deliberation		
The 11th meeting of the 2nd term 2022.08.05	Execution Report on Routine Audit Work - Report on improvement tracking from April 21, 2022 to June 30, 2022 - Management and operation method for property, plant, and equipment in 2022 Q2	Acknowledged and reported to the Board of Directors meeting	The CPA Lin, Wen-Chin reported: (1) The review results and scope, assessment of fraud, identification of significant risks and critical reviews for the consolidated financial statements for 2022 Q2  (2) Law promotion: - ESG Information Disclosure and Declaration of TWSE/TPEX Listed Companies * Preparation of Sustainable Report * Sustainable Report Development Procedure - Amendment to Taiwan Stock Exchange Corporation Procedure for Verification and Disclosure of Material Information of Companies with Listed Securities	The independent directors had no suggestions, and the financial statements were submitted to the Board of Directors meeting for resolution  The Company has prepared the 2021 Sustainable Development Report The sustainable report has been submitted to the Board of Directors by quarter, and the independent directors have no suggestions on it.
	Revision on the internal control system (including the internal audit system)	The independent directors had no suggestions, and it was submitted to the Board of Directors meeting for resolution after deliberation		
The 12th meeting of the 2nd term 2022.11.04	Execution Report on Routine Audit Work - Report on improvement tracking from July to September 2022 - Research and	Acknowledged and reported to the Board of Directors meeting	The CPA Lin, Wen-Chin reported: (1) The review results and scope, assessment of fraud, identification of significant risks and critical reviews for the	The independent directors had no suggestions, and the financial statements were submitted to the Board of Directors

	development cycle, real estate, plant and equipment management practices and procurement and payment cycle for 2022 Q3		consolidated financial statements for 2022 Q3	meeting for resolution
	Revision on the internal control system (including the internal audit system) 2023 Annual audit plan	The independent directors had no suggestions, and it was submitted to the Board of Directors meeting for resolution after deliberation	(2) Law promotion: - Audit Quality Indicators (AQI) Disclosure Architecture and Schedule - Assessment of fraud matters	Acknowledged, and the independent directors have no suggestions on it. Independent directors filling in the audit questionnaires

(III) Implementation of Corporate Governance and the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company's Board of Directors approved the "Code of Practice on Corporate Governance" on July 19, 2017 and the Code was disclosed on the Company's website ( <a href="http://www.lcyt.com.tw">http://www.lcyt.com.tw</a> ) and Market Observation Post System. The Board of Directors made the latest revision on March 27, 2020.	No significant deviation
II. Shareholding structure & shareholders' rights (I) Does the company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations?	✓		(I) The Company has "Rules of Procedure for Shareholders' Meeting" and "Code of Practice on Corporate Governance", and operates in accordance with these measures. The Company has a special chapter on the protection of shareholders' rights and interests in the Code of Practice on Corporate Governance. The Company has a spokesman and an acting spokesman, who are responsible for the timely handling of shareholders' suggestions, questions or disputes.	No significant deviation
(II) Does the company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		(II) In accordance with Article 25 of the Securities and Exchange Act, the Company reports the changes in the shares held by the insiders (directors, managers and shareholders holding more than 10% of the shares) on the Market Observation Post System designated by the competent authority on a monthly basis. In addition, according to the list of shareholders and the list of shareholders holding more than 5% each quarter provided by the stock agency when the transfer of ownership is stopped, the Company possesses a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders.	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	✓		(III) The Company has set up "Management Measures for Transactions with Related Parties, Group Enterprises and specific Companies", "Operational Measures for Loan of Funds to Others" and "Operational Measures for Endorsement Guarantee" to control transactions between the Company and its affiliates. In addition, it has set up supervision measures for subsidiaries to implement the risk control mechanism of subsidiaries according to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" of the Financial Supervisory Commission. Relevant risk management and firewalls have been properly established.	No significant deviation
(IV) Does the company establish internal rules against insiders using undisclosed information to trade in securities?	✓		(IV) The Company has established the Operating Method for Internal Major Information and Prevention and Management of Insider Trading to avoid and prevent those who know the scope of information from mistakenly touching insider trading because of not knowing the laws and regulations, and regularly informs the Company's insiders and relevant personnel to strictly abide by the regulations. On December 13, 2022, "Prevention of Insider Trading" was promoted to managers and employees; on December 13, 2022, "Prevention of Insider Trading, Changes in Insider Holdings, and Prohibition of Short-swing Trading" were promoted to directors and insiders and the latest legislation information in 2022, the publicity matters of competent authorities and the sharing of relevant cases were also shared.	No significant deviation
III. Composition and responsibilities of the Board of Directors				
(I) Has the Company established a diversification policy, concrete management objectives and its implementation?	✓		(I) The Company has stipulated in the "Method for the Election of Directors" and the "Code of Practice on Corporate Governance" that the composition of the Board of Directors should be diversified; the nomination and selection of members of the Board of Directors of the Company shall be in accordance with the provisions of the Articles of	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																																																																																									
	Yes	No	Description																																																																																										
			<p>Incorporation. At present, there are 7 members in the Board of Directors, including 3 independent directors. The average age of the board members is about 65 years old, and there are two female members. The directors have many years of experience in operational judgment, accounting and financial analysis, risk control, industry analysis, international market view, leadership and decision-making ability, and have the ability to assist the Company's management and trend development. The core competencies of Board members are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Board members</th> <th colspan="8">Core Competencies</th> </tr> <tr> <th>Operational judgment</th> <th>Accounting and financial analysis</th> <th>Risk control and management</th> <th>Industry analysis</th> <th>Knowledge of the international market</th> <th>Leadership skill</th> <th>Decision-making skill</th> <th>Marketing</th> </tr> </thead> <tbody> <tr> <td>Lin, Cheng-Wei Resigned on December 23, 2022</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Paul Chen Assumed the post on December 23, 2022</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Sung, Ting-Pang</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Pan, Li-Lin</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Chung, Wan-Chen</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Liu, San-Chyi</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> </tr> <tr> <td>Tu, Wei-Hua</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Chu, Nien-Tzu</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table>	Board members	Core Competencies								Operational judgment	Accounting and financial analysis	Risk control and management	Industry analysis	Knowledge of the international market	Leadership skill	Decision-making skill	Marketing	Lin, Cheng-Wei Resigned on December 23, 2022	✓		✓	✓	✓	✓	✓	✓	Paul Chen Assumed the post on December 23, 2022	✓		✓	✓	✓	✓	✓	✓	Sung, Ting-Pang	✓		✓	✓	✓	✓	✓	✓	Pan, Li-Lin	✓	✓	✓	✓	✓	✓	✓		Chung, Wan-Chen	✓	✓	✓	✓	✓	✓	✓	✓	Liu, San-Chyi	✓	✓	✓	✓	✓	✓	✓		Tu, Wei-Hua	✓	✓	✓	✓	✓	✓	✓	✓	Chu, Nien-Tzu	✓	✓	✓	✓	✓	✓	✓	✓	
Board members	Core Competencies																																																																																												
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Lin, Cheng-Wei Resigned on December 23, 2022	✓		✓	✓	✓	✓	✓	✓																																																																																					
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Sung, Ting-Pang	✓		✓	✓	✓	✓	✓	✓																																																																																					
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Chu, Nien-Tzu	✓	✓	✓	✓	✓	✓	✓	✓																																																																																					
(II) Does the company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?		✓	(II) The Company has set up a Remuneration Committee and an Audit Committee in accordance with the law and operates in accordance with relevant laws and regulations. In the future, the Company will establish other functional committees according to its operation situation and in accordance with the law.	The differences are described at the left																																																																																									

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		(III) <ol style="list-style-type: none"> <li>1. The Company formulated the "Rules for Performance Evaluation of Board of Directors" by the resolution of the Board of Directors on May 10, 2019, and evaluates and reviews these rules according to the self-evaluation of individual directors and the evaluation of the overall Board of Directors. The evaluation period is from January 1 to December 31 of the current year. These rules were further revised on November 13, 2020. The evaluation shall be carried out once every three years by external professional independent institutions or external expert and scholar teams.</li> <li>2. The 2022 annual performance evaluation has been completed. After the statistics of the self-evaluation questionnaires of individual members and the Board of Directors' operation, the average score is 95.25 and 97.8 (full score is 100), respectively. The evaluation results are both "beyond the standard" and submitted to the Board of Directors on January 4, 2023. In 2022, an external organization "Taiwan Institute of Ethical Business" was entrusted to conduct a performance evaluation, and the evaluation result was 4.71 points (full score: 5), which was submitted to the Board of Directors on March 24, 2023.</li> <li>3. The compensation of directors of the Company is decided according to the participation procedures, contribution value and peer level of individual directors in the operation of the Company. Independent directors do not participate in the distribution of director compensation. The self-evaluation results of director's performance will also be listed as the reference for the next nomination and renewal.</li> </ol>	No significant deviation
(IV) Does the company regularly evaluate the independence of the CPAs?	✓		(IV) <ol style="list-style-type: none"> <li>1. The Finance Department of our company regularly (once a year) evaluates the items and procedures for the independence of CPAs in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The items</li> </ol>	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>and procedures include: (1) Obtaining the CPA's resume and independence statement, (2) check the items specified in Article 47 of the CPA Act and Bulletin No. 10 of the Code of Ethics for CPAs, (3) current interactive communication with the Company management (including the audit supervisor), and (4) quality and timeliness of financial and tax services.</p> <p>2. The CPA Lin, Wen-Chin and the CPA Wang, Yi-Wen for 2021 financial statements met the suitability and independence criteria. The results were reported to the Audit Committee and Board of Directors on March 24, 2021.</p> <p>3. The CPA Lin, Wen-Chin and the CPA Wang, Yi-Wen for 2022 financial statements met the suitability and independence criteria. The results were reported to the Audit Committee and Board of Directors on March 23, 2022.</p> <p>4. In 2022 Q4, according to the internal rotation mechanism of the accounting firm, the CPA Wang, Yi-Wen was replaced by the CPA Liu, Chien-Liang. The results of the suitability and independence evaluation were submitted to the Audit Committee and the Board of Directors on January 4, 2023.</p> <p>5. The CPA Lin, Wen-Chin and the CPA Liu, Chien-Liang for 2023 financial statements met the suitability and independence criteria. The results were reported to the Audit Committee and Board of Directors on Friday, March 24, 2023.</p>	
IV. Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors with required	✓		On May 13, 2020, the Company's Board of Directors approved that the director of the Finance Department concurrently serves as the director of the Corporate Governance Department to be responsible for providing the information required directors and independent directors for the implementation of business, handle the registration of changes of the Company and prepare the documents of the Board of Directors meetings and shareholders' meetings in accordance with regulations. The situation in 2022 is as follows:	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
information for business execution, assisting directors in following laws and regulations, handling matters concerning the Board of Directors meetings and shareholders' meetings and keeping minutes at the Board of Directors meetings and shareholders' meetings according to law)?			<p>(1) Held 7 Board of Directors meetings, prepared the agenda and sent the notice of the meeting 7 days prior to the meeting as required. It issues important information in accordance with board resolutions and ensures the legality and correctness of the important information. It prepares the minutes and sends them to the directors by E-mail within 20 days after the meeting.</p> <p>(2) Held 1 general shareholders' meeting, registered the date of the shareholders' meeting in advance, prepared the notice of the meeting, the handbook and supplementary materials, the annual report and the proceedings, etc. as required, and announced the resolutions of the shareholders' meeting after the meeting. All documents were completed and uploaded within the statutory deadline.</p> <p>(3) Notified and arranged directors to participate in continuing education courses, and members of the 9th Board have completed the hours of continuing training courses as required by law.</p> <p>(4) Purchased the liability insurance for the directors and managers, and the insurance period was from January 30, 2022 to January 30, 2023. The insurance has been renewed, the insurance period was from January 30, 2023 to January 30, 2024, the insurance company was Fubon Products Insurance Co., Ltd. The information was submitted and reported to the Board of Directors on March 24, 2023 as required.</p> <p>(5) Arranged relevant personnel to attend the report of the Board of Directors as required by the proposal, assisted the directors to comply with relevant laws and regulations, disclosed corporate governance information and maintained the Company website.</p> <p>(5) Completed the performance evaluation for individual directors and the Board of Directors for 2022.</p> <p>(6) Taiwan Institute of Ethical Business, an external professional and independent organization, conducted the performance evaluation of the Board of Directors for 2022.</p>	



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																												
	Yes	No	Description																													
V. Has the Company established a means of communication with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to important corporate social responsibility issues that are concerned by stakeholders	✓		The Company has set up a "Stakeholder Zone" on its website and assigned special personnel to respond to questions raised. It identified economic, environmental and social issues according to the operation, so as to understand the level of interest of stakeholders on each issue. The stakeholder categories, issues of concern, response windows and communication channels are summarized as follows:	No significant deviation																												
			<table border="1"> <thead> <tr> <th>Stakeholder</th> <th>Topics Concerned</th> <th>Response Window</th> <th>Communication Channel</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>Salary and welfare Labor equity and labor-management relationship Talent cultivation and occupational development Workplace safety and health Communication and appealing channels</td> <td>Human resources units</td> <td>Interview Announcement Questionnaire Labor-management meeting</td> </tr> <tr> <td>Shareholder (Investor)</td> <td>Industrial competitiveness Operating performance Corporate governance Risk management Information transparency</td> <td>Spokesperson Corporate Governance Division</td> <td>Market Observation Post System Corporate Information Session Corporate website Telephone and email</td> </tr> <tr> <td>Customer</td> <td>Aftersales services and price Product quality On-time delivery</td> <td>Business unit</td> <td>Questionnaire Corporate website Telephone, E-mail Visit in person</td> </tr> <tr> <td>Supplier</td> <td>Supplier management Acts and regulations Green procurement Payment status</td> <td>Procurement unit</td> <td>Questionnaire Documents and on-site visit Telephone and email Visit in person</td> </tr> <tr> <td>Government Competent authority</td> <td>Law compliance and promotion of acts and regulations Corporate governance and risk management Environmental protection and social contribution</td> <td>Spokesperson Corporate Governance Division Factory affair unit</td> <td>Questionnaire Undertaken by the corresponding department/office In-factory audit</td> </tr> <tr> <td>Others</td> <td>Environmental protection and social contribution</td> <td>Spokesperson Factory affair unit</td> <td>Visit in person</td> </tr> </tbody> </table>		Stakeholder	Topics Concerned	Response Window	Communication Channel	Employees	Salary and welfare Labor equity and labor-management relationship Talent cultivation and occupational development Workplace safety and health Communication and appealing channels	Human resources units	Interview Announcement Questionnaire Labor-management meeting	Shareholder (Investor)	Industrial competitiveness Operating performance Corporate governance Risk management Information transparency	Spokesperson Corporate Governance Division	Market Observation Post System Corporate Information Session Corporate website Telephone and email	Customer	Aftersales services and price Product quality On-time delivery	Business unit	Questionnaire Corporate website Telephone, E-mail Visit in person	Supplier	Supplier management Acts and regulations Green procurement Payment status	Procurement unit	Questionnaire Documents and on-site visit Telephone and email Visit in person	Government Competent authority	Law compliance and promotion of acts and regulations Corporate governance and risk management Environmental protection and social contribution	Spokesperson Corporate Governance Division Factory affair unit	Questionnaire Undertaken by the corresponding department/office In-factory audit	Others	Environmental protection and social contribution	Spokesperson Factory affair unit	Visit in person
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Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the Agency Department of CTBC Bank Co., Ltd. to handle the matters related to the shareholders' meeting. The bank has obtained the certificate of a professional share service agency.	No significant deviation
VII. Information disclosure				
(I) Does the company have a website to disclose the financial operations and corporate governance status?	✓		(I) The Company has set up a website ( <a href="http://www.lcyt.com.tw">http://www.lcyt.com.tw</a> ), and timely disclosed the financial business and information on corporate governance.	No significant deviation
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?	✓		(II) The Company website consists of traditional Chinese, Simplified Chinese and English versions. The Finance Department has assigned personnel to collect disclosure information, including briefing materials for corporate presentations. The Company's website is operated well in accordance with the information disclosure requirements of the competent authorities. The spokesman and acting spokesman's contact channels are provided for shareholders and investors to inquire and communicate. The Company was invited to participate in the online corporate information session held by Yuanta Securities Co., Ltd. on October 28, 2022. The relevant information has been disclosed on the Company's website.	No significant deviation
(III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first,		✓	(III) The Company announces its financial report of the year before March 31 of each year, the quarterly financial report reviewed by the CPAs within 45 days after the end of each quarter, and the revenue amount of the last month before the 10th of the next month as required. The advance announcement operation will be partially tried in 2023.	The advance announcement of finance-related information is still under evaluation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
second, and third quarterly financial reports and the operation of each month ahead of the required deadline?				
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	✓		<p>(I) Employee rights: The Company complies with the provisions of the Labor Standard Act and personnel regulations, and holds quarterly management meetings to coordinate labor-management relations.</p> <p>(II) Employee care: The Company has established communication channels for the staff to communicate and interact directly with management through telephone and E-mail. The Company provides a high-quality and suitable working environment, implements a smoke-free workplace policy, regularly test the environment, plans employee group insurance, and regularly organizes employee health examination and flu vaccine injections. The offices are equipped with blood pressure machines. It also provides "sleep health lectures" and provides "one-to-one psychological counseling service" conducted by professional counselors and colleagues to attach great importance to the physical and mental development of employees</p> <p>(III) Investor relations: The Company attaches great importance to shareholders' rights and interests. The Company discloses its operating results and long-term strategies in a correct, timely and transparent way on the Market Observation Post System and the Company's website to protect the rights and interests of investors. Investors can also contact the Company's spokesperson and acting spokesperson at any time. The ratio of electronic voting at the 2022 shareholders' meeting is 63.21%, and there is no such situation that the agenda is changed by a provisional motion or 7 days before the meeting. On October 28, 2022, the Company was invited to participate in the online corporate information session by Yuanta Securities to have a two-way conversation with investors.</p>	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																
	Yes	No	Description																	
			<p>(IV) Supplier relation: The Company maintains a long-term and stable cooperative relationship with suppliers, and there is no default on payment for goods. Currently, it is actively urging the suppliers to comply with issues such as a friendly environment, health, safety, labor and human rights to fulfill corporate social responsibilities.</p> <p>(V) Stakeholder rights: The stakeholders of the Company can contact the corresponding window of the Company at any time through the email on the Company's corporate website or through the direct communication channel for stakeholders. The Company adheres to the attitude of integrity and responsibility to properly handle the situation and fulfill its corporate social responsibility.</p> <p>(VI) Training of Directors and Supervisors: The directors of the Company comply with the requirements of Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies and their training information was announced on the Market Observation Post System and the Company's website. The training hours of the directors in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Title Name</th> <th>Date</th> <th>Training Institution</th> <th>Course Name</th> <th>Training Hours</th> <th>Total Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman Lin, Cheng-Wei</td> <td>04/22</td> <td>CommonWealth Magazine</td> <td>Taishin Bank 30th Anniversary Sustainable and Net Zero Summit: Focus on Net Zero to Achieve a Sustainable 2030</td> <td>3</td> <td rowspan="2">8</td> </tr> <tr> <td>05/04</td> <td>Taiwan Stock Exchange, Alliance Advisors and Taiwan Corporate Governance Association</td> <td>International Twin Summit</td> <td>2</td> </tr> </tbody> </table>	Title Name	Date	Training Institution	Course Name	Training Hours	Total Hours	Chairman Lin, Cheng-Wei	04/22	CommonWealth Magazine	Taishin Bank 30th Anniversary Sustainable and Net Zero Summit: Focus on Net Zero to Achieve a Sustainable 2030	3	8	05/04	Taiwan Stock Exchange, Alliance Advisors and Taiwan Corporate Governance Association	International Twin Summit	2	
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Evaluation Item	Implementation Status							Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof	
	Yes	No	Description						
				10/12	Securities and Futures Institute	2022 Law Compliance Seminar for Insider Equity Transaction	3		
			Director Sung, Ting-Pang	04/13	Chinese National Association of Industry and Commerce	Financial Crime Prevention: New Version of 21 Commandments and Behavioral Risk Management	3	6	
				04/22	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality and Corporate Compliance	3		
			Director Pan, Li-Lin	07/08	Taiwan Institute for Sustainable Energy	Second Taiwan Sustainable Investment Forum	6	13	
				07/28	Taiwan Institute for Sustainable Energy	2022 Net Zero Emission and Sustainable Development Forum - Morning Session	2		
				07/28	Taiwan Institute for Sustainable Energy	2022 Net Zero Emission and Sustainable Development Forum - Afternoon Session	2		
				07/29	Taiwan Institute for Sustainable Energy	2022 Net Zero Emission and Sustainable Development Forum	3		
			Director Chung, Wan-Chen	09/14	Securities and Futures Institute	Risks and Opportunities of Climate Change and Net Zero Emission Policies for Business Operations	3	9	
				11/17	Taiwan Institute for Sustainable Energy	The Second Day of the 5th Global Corporate Sustainability Forum - Morning Session on Carbon Rights, Carbon Tariffs and Carbon Trading The Second Day of the 5th Global	6		

Evaluation Item	Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof	
	Yes	No	Description					
						Corporate Sustainability Forum - Afternoon Session on Towards Net Zero: Creating a "Decarbonized and Sustainable Ecosystem"		
			Independent Director Liu, San-Chyi	09/13	Securities and Futures Institute	Wafer Foundry and Advanced Packaging Technology and Supply Chain Opportunities	3	6
				09/16	Securities and Futures Institute	The Most Overlooked Financial Information by Directors	3	
			Independent Director Tu, Wei-Hua	09/16	Securities and Futures Institute	Benefit of Circular Economy and Its Business Model	3	6
				09/16	Securities and Futures Institute	The Most Overlooked Financial Information by Directors	3	
			Independent Director Chu, Nien-Tzu	04/08	Chinese National Association of Industry and Commerce	Matters to Be Noticed by Board of Directors and Shareholders Meeting and Discussion of Commonly Seen Questions in 2022	3	15
				07/08	Taiwan Institute for Sustainable Energy	Second Taiwan Sustainable Investment Forum	6	
				10/24	Taiwan Corporate Governance Association	Insider Trading from the Inspection and Investigation Perspective	3	
				12/12	Taiwan Corporate Governance Association	Audit Committee Operational Practice	3	
			The above-disclosed continuing education hours, scope, system and arrangement comply with the regulations of Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.					

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																																
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			<p>(VII)The corporate governance manager shall follow the directions in the establishment and exercise of functions and powers of the Board of Directors of the listed company, handle matters related to corporate governance, deal with matters related to the Board of Directors and the shareholders' meeting, and assist the directors in their appointment, continuing education, compliance with laws and regulations and implementation of business requirements. Continuing training in 2022:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Date</th> <th>Training Institution</th> <th>Course Name</th> <th>Training Hours</th> <th>Total Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="6">Lai, Wen-Pin</td> <td>03/10</td> <td>Taiwan Stock Exchange, QIC, Georgeson</td> <td>Independent Directors and 2022 Shareholders' Meeting from an International Perspective</td> <td>1</td> <td rowspan="6">21</td> </tr> <tr> <td>03/15</td> <td>Taiwan Corporate Governance Association</td> <td>Legal Liability of Enterprise Fraud and Proper Knowledge of the Court's Handling of Criminal Cases</td> <td>3</td> </tr> <tr> <td>05/04</td> <td>Taiwan Stock Exchange, Alliance Advisors and Taiwan Corporate Governance Association</td> <td>International Twin Summit</td> <td>2</td> </tr> <tr> <td>04/22</td> <td>CommonWealth Magazine</td> <td>Taishin Bank 30th Anniversary Sustainable and Net Zero Summit: Focus on Net Zero to Achieve a Sustainable 2030</td> <td>3</td> </tr> <tr> <td>08/16</td> <td>Taiwan Corporate Governance Association</td> <td>ESG Governance: From Knowing to Doing</td> <td>3</td> </tr> <tr> <td>08/26</td> <td>Taiwan Corporate Governance Association</td> <td>How Does the Audit Committee Monitor the Effectiveness of Internal Control</td> <td>3</td> </tr> </tbody> </table>	Name	Date	Training Institution	Course Name	Training Hours	Total Hours	Lai, Wen-Pin	03/10	Taiwan Stock Exchange, QIC, Georgeson	Independent Directors and 2022 Shareholders' Meeting from an International Perspective	1	21	03/15	Taiwan Corporate Governance Association	Legal Liability of Enterprise Fraud and Proper Knowledge of the Court's Handling of Criminal Cases	3	05/04	Taiwan Stock Exchange, Alliance Advisors and Taiwan Corporate Governance Association	International Twin Summit	2	04/22	CommonWealth Magazine	Taishin Bank 30th Anniversary Sustainable and Net Zero Summit: Focus on Net Zero to Achieve a Sustainable 2030	3	08/16	Taiwan Corporate Governance Association	ESG Governance: From Knowing to Doing	3	08/26	Taiwan Corporate Governance Association	How Does the Audit Committee Monitor the Effectiveness of Internal Control	3	
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Evaluation Item	Implementation Status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof		
	Yes	No	Description						
				08/30	Taiwan Corporate Governance Association	Evaluation and Execution of Investment Merger and Acquisition from the Perspective of Law	3		
				10/12	Securities and Futures Institute	2022 Law Compliance Seminar for Insider Equity Transaction	3		
			<p>(VIII) Implementation of risk management policies and risk measures: the Company adheres to the principle of prudent operation and focuses on its businesses. Therefore, its internal management regulations are formulated on the premise of well controlling and bearing the risk system, and smoothly carrying out various risk management and evaluation. The Company continues to promote the risk management-oriented business model, and can establish a risk management mechanism of early identification, accurate measurement, effective supervision and strict control. The risk is controlled within an acceptable or controlled scope through regular or irregular inspection by the internal auditing unit.</p> <p>(IX) Implementation of customer policy: In addition to regular customer visits, the Company also follows the principle of ethical management. To provide high-quality services to customers, it has also established a customer service department.</p> <p>(X) Liability insurance for directors and supervisors: The Company purchases liability insurance for directors and managers to reduce and disperse the risk of significant damage to the Company's shareholders due to mistakes or omissions of directors, independent directors and managers, and reports to the Board of Directors the situation, coverage and cost of the liability insurance after purchasing the insurance.</p>						



Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved. (Companies that are not evaluated do not need to be listed):</p> <p>Improvement in 2022</p> <p>(1) Does the Company disclose the ethical conduct policy approved by the Board of Directors, set out specific practices and measures to prevent unethical conduct, and described the implementation situation on its website?</p> <p>(2) Preparation of the English version handbook.</p> <p>(3) Arrange separate communications between independent directors and internal audit supervisors and CPAs; explain the power and authority of the corporate governance manager and his/her continuing education on the Company's website and in the annual report.</p> <p>Short and medium-term improvement targets for items not meeting the evaluation criteria:</p> <p>(1) Short-term: enhance the disclosure of the English version annual report and the annual financial report, and upload the English version annual report 7 days before the shareholders' meeting; the financial report will be approved by the Board of Directors 7 days before the announcement deadline and will be announced within 1 day after being approved to enhance the information transparency to protect and treat shareholders equally; and add other functional committees.</p> <p>(2) Medium-term: cooperate with the competent authority to plan the important information schedule in English; evaluate to add a female independent director to strengthen the structure and operation of the Board of Directors during the reelection of directors. Before the end of 2023, if the chairman and the general manager are the same person, add an independent director or adjust the position.</p> <p>(3) Long-term: create a succession plan for the Board of Directors and key management levels and risk management policies, so that the Company can achieve the goal of sustainable governance.</p>				

(IV) If the Company has a Remuneration Committee, disclose its composition, duties, and operation

1. Composition

The Remuneration Committee has three members, who are appointed by the Board of Directors and at least one of them is an independent director. All members of the Remuneration Committee will elect an independent director as the convener and Chair of the meeting. The committee members' professional qualifications shall comply with Article 5 of the Regulations Governing the Powers of the Remuneration Committee. The committee members' independent qualifications shall comply with Article 6 of the Regulations Governing the Powers of the Remuneration Committee.

2. Responsibilities

The Remuneration Committee shall faithfully perform the following functions and powers with the attention of a prudent administrator and submit the recommendations to the Board of Directors for discussion.

(1) Powers

- A. Regularly review the Remuneration Committee Charter and put forward suggestions for revision.
- B. Establish and regularly review the performance evaluation standards, annual and long-term performance objectives of the Company's directors and managers as well as the policies, systems, standards and structures of the Remuneration Committee.
- C. Periodically evaluate the achievement of the performance objectives of the directors and managers of the Company, and determine the content and amount of individual remuneration based on the evaluation results obtained from the performance evaluation standards.

(2) Principles for performing powers

- A. Ensure that the Company's Remuneration Committee arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.
- B. The performance evaluation and remuneration of directors and managers shall refer to the common level of the industry, and take into account the results of individual performance evaluation, the time invested, the responsibilities undertaken, the achievement of personal goals, the performance in other positions, and the remuneration paid by the Company in recent years to similar positions, that is, to evaluate the relevance of individual performance to the Company's operating performance and future risks based on the achievement of the Company's

short-term and long-term business objectives, the Company's financial condition, etc.

- C. Directors and managers should not be guided to engage in activities beyond the Company's risk appetite for pursuing remuneration.
- D. The proportion of bonuses paid to directors and senior managers for short-term performance and the payment time of variable remuneration should consider the characteristics of the industry and the nature of the Company's business.
- E. The content and amount of directors' and managers' remuneration should be determined in consideration of its reasonableness and should not be materially inconsistent with financial performance.
- F. When discussing the remuneration of an individual committee member at a meeting, that member shall not participate in the discussion or vote if it would be detrimental to the interests of the Company and shall recuse himself from the discussion or vote and shall not exercise his voting right on behalf of another member of the Committee.

The remuneration mentioned in the preceding two paragraphs includes cash remuneration, stock options, dividend shares, retirement benefits or severance payments, various allowances and other substantial incentive measures; its scope should be consistent with that of the director and manager remuneration in the guidelines for matters to be recorded in the annual report of public companies.

### 3. Implementation Status

The Committee meeting shall be convened at least twice a year. The reasons shall be stated when convening and a notice shall be sent to the committee members seven days in advance. However, emergencies are not subject to such limitations.

If the convener is unable to call a meeting because of on leave or for other reasons, another committee member designated by the convener shall act for him/her; if the convener does not appoint a representative, he/she shall be represented by the member recommended by other committee members.

(1) Professional qualifications and independent analysis of the Remuneration Committee members

April 30, 2023

Identity Type	Name	Criteria	Professional Qualification and Work Experience	Independence Status (See the Note for Independence Criteria)	Number of Other Public Companies where the Individual Concurrently Serves as a Remuneration Committee Member
(Convener) Independent Director	Chu, Nien-Tzu		Bachelor, Department of Accounting and Statistics, National Cheng Kung University, Representative of Juristic Person Chairman of EZSWAP NETWORKS TECHNOLOGY CO., LTD., having served at TSRC Corporation for 40 years, once as General Manager/CEO, former representative of Juristic Person Chairman of EZSWAP NETWORKS TECHNOLOGY CO., LTD., with marketing and accounting abilities.	Conforming to all the independence criteria (Note). The Independent Director Chu, Nien-Tzu doesn't hold any of the Company's shares as of April 30 nor violate any items in Article 30 of the Company Act.	1
Independent Director	Liu, San-Chyi		Accounting Department of Soochow University, current Chairman of Hwa Hsia University of Technology, and former Vice President of Fo Guang University, Chairman of Kaohsiung Rapid Transit Corporation, Director of Accounting Department, of Yu Da University of Science and Technology, the Executive Yuan, the Controller of the Executive Yuan, and Chief Accounting Officer of the Ministry of Education, with accounting and finance ability.	Conforming to all the independence criteria (Note). The Independent Director Liu, San-Chyi doesn't hold any of the Company's shares as of April 30 nor violate any items in Article 30 of the Company Act.	—

Identity Type	Name	Criteria	Professional Qualification and Work Experience	Independence Status (See the Note for Independence Criteria)	Number of Other Public Companies where the Individual Concurrently Serves as a Remuneration Committee Member
Independent Director	Tu, Wei-Hua		Bachelor of Department of Chemistry, Tunghai University, on-the-job master of senior executive business administration class of National Central University, served at Dupont Taiwan Limited for over 20 years, once as Deputy General Manager of New Venture Department, Managing Supervisor of Taiwan Institute of Chemical Engineers, and CEO of Global Research & Industry Alliance, Center for Academia and Industry Collaboration, National Central University, with marketing and industry ability.	Conforming to all the independence criteria (Note). The Independent Director Tu, Wei-Hua doesn't hold any of the Company's shares as of April 30 nor violate any items in Article 30 of the Company Act.	—

Note: Independence Criteria:

- The independent directors of a public company shall maintain their independence within the scope of business execution, and shall not have any direct or indirect interest with the Company, or have any of the following circumstances for the two years prior to their appointment: (1) An employee of the Company or any of its affiliates. (2) An director or supervisor of the Company or any of its affiliates. (3) 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 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the manager in the preceding subparagraph (1) or persons in the preceding two subparagraphs. (5) A director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total shares issued by the Company, ranks as one of its top five shareholders or designates a representative as the director or representative of the Company according to paragraph 1 and 2 of Article 27 of the Company Act. (6) A director, supervisor, or employee of another company whose half of the seats of directors or shares with voting rights is controlled by the same person as the Company. (7) A director (member of the governing board), Supervisor (member of the supervisory board) or employee of another Company or institution that the Chairman, General Manager or person holds an equivalent position of it are the same people or the spouse of the person holding the aforementioned positions of the Company. (8) A director, supervisor, manager, 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) A professional individual who, or an owner, partner, Director (member of the governing board), Supervisor (member of the supervisory board), or manager of a sole proprietorship, partnership, Company, or institution, that provides audit services, or commercial, legal, financial, accounting or related services from which a cumulative amount of remuneration not exceeding NT\$500,000 has been obtained in the most recent two years, to the Company or to any of its affiliates, or a spouse thereof.
- If an independent director has been an independent director of a company in Paragraph 1 (2) or Paragraph 1(8), or of any of its related enterprises, or of any particular company or institution with which the Company has financial

or business dealings, and has been discharged, the provisions of two years prior to his election in Paragraph 1 shall not apply.

(2) Operational status of the Remuneration Committee

- A. The Company's Remuneration Committee composes of three members.
- B. The term of office for the current Remuneration Committee is from June 24, 2020 to June 23, 2023. A total of 5 meetings (A) were convened by the Remuneration Committee in 2022. The attendance of the members and their qualifications are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (B/A) (Note)	Remark
Convener	Chu, Nien-Tzu	5	—	100.00	None
Committee Member	Liu, San-Chyi	5	—	100.00	None
Committee Member	Tu, Wei-Hua	5	—	100.00	None

Other matters to be recorded:

- I. If the Board of Directors refuses to adopt or amends a recommendation of the Remuneration Committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, the content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

(V) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Company established a governance structure and set up an exclusively (or concurrently) dedicated unit to promote sustainable development, which is delegated by the Board of Directors to authorize senior management to handle related matters, and supervised by the Board of Directors?	✓		At present, the Company's ESG working group is supervised by the chairman and led by the general manager. The ESG group successively formulates various policies and implemented related work plans on various issues of sustainable development, and consults with external professional scholars and institutions. In the future, depending on the situation of the Company, a dedicated unit under the Board of Directors will be established.	In the future, depending on the situation of the Company, a dedicated unit under the Board of Directors will be established
II. Does the Company conduct risk assessments on environmental, social and	✓		According to the responsibilities of each department, the Company has formulated six major risk assessment dimensions of "Green Operation", "Social Commitment", "Staff Care", "Business Innovation Model", "Sustainable Governance" and "Climate Change", and has set	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
corporate governance issues related to the business operations and formulate relevant risk management policies or strategies based on the materiality principle?			<p>short, medium and long-term implementation plans for these dimensions. The management policies for these six dimensions are as follows:</p> <p>(1) Green Operation: "Industrial Safety and Environmental Protection" is a necessary condition to maintain the operation, the Company will follow relevant laws and regulations, and pay attention to air quality, greenhouse gas emissions, energy management, water resources management and business waste management to continuously optimize the green process.</p> <p>(2) Social Commitment: "People Orientation" is the foundation for LCY TECHNOLOGY CORP. to have good cooperation between the enterprise and stakeholders, implement in-place care, and contribute to the society to enhance social value and achieve the goal of sustainable development.</p> <p>(3) Staff Care: "Health and safety" is the basic protection for staff. The Company has built a friendly workplace according to the safety and health standards and attached great importance to Labor-management relations and staff training to ensure staff care.</p> <p>(4) Business Innovation Model: The Company considers low-pollution, low-carbon and low-consumption products from each stage of the product life cycle and improves the efficiency of factory operation to strive to fulfill the responsibility for a sustainable society.</p>	



Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>(5) Sustainable Governance: “Honesty-based” is the Company's main business philosophy. It attaches importance to laws and regulations and supervision and management mechanism, prohibits illegitimate interests, implements money laundering and prevents capital terrorism to reduce the cost of crisis impact, and continuously improve corporate governance.</p> <p>(6) Climate change: The Company introduces the TCFD architecture to enhance resilience to operational risks associated with climate change, and continuously assesses and understands strategies for adapting to operational risks and opportunities associated with climate change.</p>	
<p>III. Environmental issues</p> <p>(I) Does the Company establish an environmental management system proper to its industry’s characteristics?</p>	✓		<p>1. The Company continues to implement the environmental safety and health policy and follows the requirements of the occupational safety and health law to maintain and optimize the safe working environment. It also appoints environmental protection service providers to ensure the factory environment from time to time, so as to avoid environmental pollution.</p> <p>2. The Company has obtained certifications for ISO50001:2018 Energy management system (valid to October 2025) and ISO 14001:2015 Environmental management system (valid to March 4, 2026). The Company was awarded the 15-Year Environmental Sustainability Prize by the certification unit SGS in 2016.</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Have the Company committed to improving resource utilization efficiency and the use of renewable materials with low environmental impact?	✓		<p>1. In terms of production: The manufacturing process of the Company 100% adopts recycled copper wire to reduce the energy consumption rate, and the wooden cases used in the delivery of copper foil are recycled for domestic customers to improve the reuse rate of wooden cases. In addition, in the design and development of products, the metals purchased for improving the manufacturing process have been provided with the suppliers' non-conflict mineral declaration to prohibit the use of hazardous substances in the whole process. The current copper foil products are also inspected by SGS to ensure the compliance with EU RoHS, REACH, POHS and SONY SS-00259 standards and a low impact on the environment. The factory continues to improve, reduce the use or replace materials with higher environmental impact, so as to sustain a friendly environment.</p> <p>2. Energy-conservation: Through the systematic PDCA operation, the systematic management of the energy and resource use efficiency, and continuous improvement, the average power saving rate in 2020 reached 0.85%. The Company completed the "Analysis of optimal distance between two electrodes with big data" at the end of 2020, "reduced two cooling water pump operations to one unit" by automatic switching system from 2021. As a result, although the total energy consumption increased slightly due to the 15.54% increase in production capacity in 2021, the energy use per unit of production decreased by 6.57%</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>compared with 2020. 2022 also saw a power saving of 0.81%, continuing to move towards the carbon reduction target.</p> <p>3. In terms of water use: the Company has signed a renewable water use contract with government units, and began to use people's livelihood wastewater for industrial use in the plant through a recycling and economical method in 2022.</p> <p>4. In terms of general administration: To reduce paper waste, the Company requests staff to use both sides of papers as much as possible, send meeting notices and minutes electronically and implement an e-signature system; to avoid the environmental impact of discarded toner cartridges, the toner cartridges of photocopiers and printers are recycled by the original manufacturer; The tea for customers is served in washable glasses to reduce the use of consumables, and the colleagues are encouraged to bring their environmental-protection tableware. The used envelopes and kraft paper bags are reused as internal document delivery bags.</p>	
(III) Does the Company assess the potential risks and opportunities of climate change for its current and future operations and	✓		<p>Facing global climate change, it is difficult to predict the possibility of global warming, wind disaster, flood and drought, which will affect the industrial supply chain, and difficult for the Company to avoid operation risk. To reduce the impact of climate change on operations, the Company has prioritized risk identification and organizational adaptation actions for three potential risks related to its operations, namely greenhouse gas emission restrictions and regulations, energy supply management, and water resource management,</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
undertake response measures?			<p>3since 2019, including greenhouse gas emission reduction (based on the emission of average capacity in the past three years) to gradually reduce emissions and achieve baseline reduction targets in stages, improving resource efficiency (energy-saving, electricity-saving, and water-reuse), and purchase green electricity or other green energy for feasibility assessment.</p> <p>In 2020, the Company officially introduced the Task Force on Climate-Related Financial Disclosures (TCFD) to the factories of Group's parent company to conduct climate-related risk and opportunity assessment, continuously explore the short, medium and long-term impacts of various risks and opportunities on operations, and revise climate change-related risk management strategies and specific actions from time to time, with the hope of standing firm in the tide of climate emergency and contributing to the sustainability of the earth.</p>	
(IV) Does the Company calculate the amount of greenhouse gas emissions, water consumption, and waste production in the past two years and implement policies to cut down carbon and	✓		<p>1. Greenhouse gas: The Company belongs to the manufacturing industry with direct emissions from fossil fuel combustion and indirect emissions from electricity use at the plant (site) that result in an annual greenhouse gas emission of 25,000 metric tons of carbon dioxide equivalent and required for controlling as stipulated the announcement of "Sources of Greenhouse Gas Emissions Required for Inventory and Registration by Enterprises" on August 8, 2022. The Act came into effect on January 1, 2023. At present, the Company has started the inventory for the green house gas emission in</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																								
	Yes	No	Description																									
greenhouse gas emissions, and waste production?			<p>2022, and the inventory, verification and registration of the green house gas emission in 2022 according to law is expected to be completed by August 31, 2023.</p> <p>The Company has introduced ISO 50001 and ISO 14001 systems and continuously maintains the validity of the certificate. Based on the PDCA cycle module, the Company continues to improve (energy-saving and waste-reduction) and optimize of the process, to achieve the social responsibilities of reducing the impact on the environment and sustainable operation of corporate.</p> <p>Table: Green Gas Emissions in the Recent Two Years (The data in the table are counted by the Company without third-party verification)</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2022</th> <th>2022<sup>Note</sup></th> </tr> </thead> <tbody> <tr> <td>Category 1 (Ton<sub>2e</sub>/year)</td> <td>26.46</td> <td>484.67</td> </tr> <tr> <td>Category 2 (Ton<sub>2e</sub>/year)</td> <td>68,184.12</td> <td>63625.64</td> </tr> <tr> <td>Annual Emissions (Ton<sub>2e</sub>/year)</td> <td>68,210.58</td> <td>64110.31</td> </tr> <tr> <td>Proportion of Category 1 (%)</td> <td>0.04%</td> <td>0.76%</td> </tr> <tr> <td>Proportion of Category 2 (%)</td> <td>99.96%</td> <td>99.24%</td> </tr> <tr> <td>Carbon emission density (Ton<sub>2e</sub>/year)</td> <td>6.03</td> <td>6.13</td> </tr> <tr> <td>Decreasing amplitude in carbon density (% compared with the previous year)</td> <td>↓12.41%</td> <td>↑1.7%</td> </tr> </tbody> </table>	Item	2022	2022 <sup>Note</sup>	Category 1 (Ton <sub>2e</sub> /year)	26.46	484.67	Category 2 (Ton <sub>2e</sub> /year)	68,184.12	63625.64	Annual Emissions (Ton <sub>2e</sub> /year)	68,210.58	64110.31	Proportion of Category 1 (%)	0.04%	0.76%	Proportion of Category 2 (%)	99.96%	99.24%	Carbon emission density (Ton <sub>2e</sub> /year)	6.03	6.13	Decreasing amplitude in carbon density (% compared with the previous year)	↓12.41%	↑1.7%	
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Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof												
	Yes	No	Description													
			<p>Note: The Energy Bureau of the Ministry of Economic Affairs has not updated the carbon emission coefficient of electric power, so the latest coefficient announced in 2021 is adopted for calculation (independent inventory and check). In addition, the waste heat vapor provided by Sinosteel is also calculated with the latest coefficient announced in 2021(self-inventory).</p> <p>2. Wastes: The Company's business waste is disposed of by the removal and disposal operators approved by the competent authority according to the legal licensing procedures and relevant records are provided. In 2019 and 2020, the total amount of business waste was 1.581 metric tons and 1.615 metric tons, with hazardous waste accounting for 96.9% and 96.5%, respectively. Among the above-mentioned waste, over 80% of the hazardous controlled business wastes achieved the waste reduction goal through "reuse". In 2021 and 2022, the Company focused on process optimization to effectively reduce the generation of hazardous waste, reducing the total amount of business waste to 1103 and 699 metric tons, 31.7% and 56.7% less than in 2020, of which over 80% are "reused" to achieve the waste reduction goal.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous waste (ton)</th> <th>Non-hazardous waste (ton)</th> <th>Unit product output (ton/ton)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1,060.86</td> <td>40.59</td> <td>0.081</td> </tr> <tr> <td>2022</td> <td>626.77</td> <td>71.82</td> <td>0.067</td> </tr> </tbody> </table>	Year	Hazardous waste (ton)	Non-hazardous waste (ton)	Unit product output (ton/ton)	2021	1,060.86	40.59	0.081	2022	626.77	71.82	0.067	
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	Yes	No	Description																
			<p>3. Water consumption: The unit water consumption of the Company per ton of products is maintained at about 30 cubic meters/ton. The plant is equipped with filtration equipment and an ion exchange resin tower to recycle the process water. In 2022, the Company began to use reclaimed water (sewage water from Kaohsiung), which can meet more than 80% of the water needs of the operation process and reduce the use of tap water to less than 20%. In 2022, tap water consumption will be reduced from 318,048 cubic meters to 48,775 cubic meters.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Consumption of tap water (m3)</th> <th>Consumption of reclaimed water (m3)</th> <th>Total water consumption (m3)</th> <th>Water consumption of unit product (m3/ton)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>318,048</td> <td>0</td> <td>318,048</td> <td>29.5</td> </tr> <tr> <td>2022</td> <td>48,775</td> <td>266,181</td> <td>314,956</td> <td>30.1</td> </tr> </tbody> </table>	Year	Consumption of tap water (m3)	Consumption of reclaimed water (m3)	Total water consumption (m3)	Water consumption of unit product (m3/ton)	2021	318,048	0	318,048	29.5	2022	48,775	266,181	314,956	30.1	
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2021	318,048	0	318,048	29.5															
2022	48,775	266,181	314,956	30.1															
<p>IV. Social issues</p> <p>(I) Does the company formulate appropriate management policies and procedures according to</p>	✓		<p>1. The Company complies with the Labor Standards Act, the Employment Service Act, the Gender Work Equality Act and other relevant labor acts and regulations, and attaches great importance to international human rights provisions, and formulates work rules, personnel selection and appointment operation management methods, personnel</p>	No significant deviation															

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
relevant regulations and the International Bill of Human Rights?			<p>attendance operation management method, reward and punishment operation management method, salary operation management method and human rights policy to protect the labor and human rights of its staff.</p> <p>2. The Company handles labor insurance, national health insurance, pension and other related matters in accordance with relevant regulations, and has purchased group insurance and other insurances to implement the insurance plan.</p> <p>3. To maintain gender equality and human dignity at work, the Company prohibits any sexual harassment, provides prevention, control, complaint and disciplinary measures for sexual harassment, and does not discriminate against employees based on race, religion, color, nationality, gender and other factors. Up to now, there is no employment discrimination against employees or indigenous people, nor any child labor or forced labor or infringement on human rights.</p>	
(II) Does the company appropriately reflect the business performances or achievements in the employee remuneration policy (including salary,	✓		<p>1. The Company has formulated salary management methods, value and core function management methods, work rules, reward and punishment management methods and other rules and regulations to establish a reasonable salary and reward policy. Meanwhile, each department also evaluates the achievement of individual work goals based on the management performance indicators for the current year.</p>	No significant deviation



Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
annual leave and other benefits)?			<ol style="list-style-type: none"> <li>2. In accordance with the "reward and punishment" system of the work rules, the Company appropriately encourages the colleagues with good performance, and also gives appropriate punishment to those who violate the work requirements.</li> <li>3. The Company has a remuneration committee, which holds at least two meetings every year to make suggestions on the managers' annual performance targets and achievements as well as the Company's remuneration policies.</li> <li>4. The average salary increase rate of all the staff was 0% to 2.5% in 2022, and related information was disclosed on the Market Observation Post System.</li> </ol>	
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	✓		<ol style="list-style-type: none"> <li>1. The Company has passed ISO 45001:2018 Occupational Safety and Health Management System certification (valid to January 31, 2026) and TOSHMS CNS 45001: 2018 version of Taiwan Occupational Safety and Health Management System certification (valid to January 30, 2026). The safety and health control of the staff shall be handled in accordance with the Company's internal procedures.</li> <li>2. The offices are equipped with a comfortable central air conditioning system, adequate lighting equipment, and suitable visual and auditory working spaces. The operation environment monitoring is carried out according to law to ensure that the staff are exposed in an environment meeting the legal standards; secure access control, emergency exits and fire safety equipment are provided in accordance with laws and</li> </ol>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>regulations. The workplace safety policy is maintained through regular fire drills, irregular work safety promotion, and 5S system.</p> <p>3. The Company entrusts the Saint Joseph Hospital to assign doctors and nurses to provide health services for workers in the factory. Nurses are assigned 6 times a month, each time for 2 hours, and doctors are assigned 6 times a year, each time for 3 hours, which have been handled in accordance with Article 4 of Labor Health Protection Rules.</p> <p>4. The Company organizes regular health examinations for employees (once a year for factory staff, and twice a year for office staff), irregular health promotion lectures and free flu vaccination, so that the staff can know their health status.</p> <p>5. Professional counseling psychologists will provide one-to-one consultant services to employees in need twice every month.</p>	
(VI) Does the company establish effective career development and training plans for its employees?	✓		<p>1. The Company has set up new employee training, professional training, management training of different stages and environmental safety-related training under the functional system, and encourages the staff to participate in internal professional learning or education and training provided by external professional institutions according to their work content, so as to enhance professional career skills through different learning methods such as studying, continuing education, and increasing the communication opportunities with peers.</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>2. The employees are encouraged to assess their interests, skills, values and goals and to communicate their career intentions to their supervisors in order to plan their future careers.</p> <p>3. The Company has a substantial incentive policy for those obtaining professional licenses due to career development planning.</p>	
(V) Do the Company's products and services comply with the relevant regulations and international standards in relation to customers' health and safety, customer privacy, marketing, and labeling? Has the Company set policies to protect consumers' rights and set up consumer complaint procedures?	✓		<p>1. The Company mainly produces electrolytic copper foil, which is the key material of copper foil substrates and printed circuit plate. At present, its products have passed the EU REACH certification (registration, evaluation, authorization and restriction of chemicals), RoHS certification (restriction on the use of certain hazardous substances in electronic and electrical equipment), POHS certification (Prohibition on Certain Hazardous Substances in Consumer Products), and SONY SS-00259 certification (SONY Green Partner Environmental Quality Approval System), providing a certain level of basic health and safety protection.</p> <p>2. The electrolytic copper foil products of the Company are designed and developed in collaboration with customers. The key formula and Know-How of various copper foils are different. On the premise of properly protecting important information provided by customers, our company has maintained a cooperative relationship with many customers for more than 20 years, and there is no leakage of customer product information or employees involved in business secrets leakage in the past 5 years.</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>3. The Company attaches importance to marketing ethics, and complies with intellectual wealth laws and international standards in the marketing of its products and services to protect our customers' rights and interests.</p> <p>4. The Company is not a first-line manufacturer directly facing end consumers, so it has maintained a good communication channel with downstream customers, and the colleagues of the business will cooperate with the quality assurance unit to visit customers from time to time to understand the information about customers' use of products. In addition, we provide customer service email (CSR) for products and services, and internally follow the operation management method of customer complaints. To facilitate timely handling of customer questions regarding products and services; if other stakeholders have concerns about the products, they can also contact the Company directly through the stakeholder communication channel on the Company's website.</p>	
(VI) Does the Company formulate and implement supplier management policies that require suppliers to follow relevant regulations on	✓		<p>1. The Company purchases copper raw materials from suppliers with long-lasting cooperation and good reputation, and conducts quality evaluation and on-site visits to raw material suppliers on a regular basis every year. The evaluation content includes 7 aspects, among which the support projects include: whether the supplier has a system to determine the suitability of staff's work and whether the education and training records are kept completely, so that the supplier can gradually pay attention to the safety of staff</p>	No significant deviation

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
environmental protection, occupational safety and health or labor human rights?			<p>in the working environment and equipment operation; in addition, most of the copper raw material suppliers of the Company have passed ISO9000 quality certification, and their production, import and shipment are carried out following the specifications. Moreover, the Company will conduct inspection when copper raw materials enter the factory. The inspection content includes composition, purity, organic pollutants and inorganic impurity (such as zinc, arsenic, lead, and antimony), etc., so as to monitor the copper raw material suppliers to follow the Company's environmental protection policy and to ensure their attention to environmental issues. If the suppliers have any accident affecting the environment and society, the purchasing department will be asked to work with relevant units to evaluate the situation to terminate the transaction or rescind the contract. However, there is no such situation so far.</p> <p>2. In terms of contracting factory works, the Company has formulated the evaluation and operation management methods for contractors and contractor safety, environment and management procedures as a standard to follow. The contractors are required to strictly comply with the relevant government regulations in environmental protection laws, occupational safety and health and labor policies, which are included in the annual assessment standards for qualified contractors, so as to manage the contractors at different levels, strengthen the management and control of the contractor's safety, environment and sanitation, and improve the contractor's environmental protection</p>	

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			knowledge and technical ability to achieve the purpose of preventing industrial safety disaster.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	✓		The Company has prepared the 2021 Sustainable Development Report (2021 ESG Report) at the end of June 2022 by referring to international standards or guidelines for the preparation of reports and disclosed it on its official website. The pre-disclosure report has been verified by a third-party accreditation body.	No significant deviation
VI. If the Company has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: The Company has amended "Corporate Social Responsibility Best Practice Principles" and renamed it to "Sustainable Development Best Practice Principles" on March 23, 2022. The connotation and relevant procedures of these principles are followed. There is no significant deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.				
VII. Other important information to facilitate a better understanding of the Company's promotion of sustainable development:				

Implementation Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>(1) Donated 70 residential building fire alarms, which are installed with the assistance of the Third Brigade of the Kaohsiung Fire Department for vulnerable groups or communities with dangerous and old buildings or used when visiting the residents at ordinary times to improve the public's immediate response to disasters and reduce the occurrence of accidents.</p> <p>(2) Sponsored the Children's Hearing Foundation to promote the "Listening Marathon, Donation Relay for Students" charity fundraising activity to help the hearing impaired children build their hearing ability and confidence, and restore the hope of families with hearing-impaired children.</p> <p>(3) Supported social welfare institution. Purchased 205 mooncake gift boxes for the Children Are Us Foundation.</p> <p>(4) Participated in the 2022 Kaohsiung Air Purification Zone Management Plan - planting and adoption activities organized by the Environmental Protection Bureau of Kaohsiung City Government to improve air quality.</p> <p>(5) Cooperated with the Kaohsiung City Visually Impaired Massage Association to employ professionals with visual impairments as on-site staff to provide staff massage services to employees, so as to provide job opportunities for the visually impaired.</p> <p>(6) Rely on the LCY Education Foundation, the Company held the 11th (2022) Scholarship Camp, which influenced nearly 1,500 professors in 432 departments and institutes from 100 colleges and universities in Taiwan. Nearly 60 students are awarded the scholarship each year. Through team activities, they share cross-generation career experiences with senior executives of the LCY Group.</p> <p>(7) Completed ESG report in June 2022.</p>	

(VI) Implementation of ethical corporate management and measures taken

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company establish the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?</p>	✓		<p>The Company has established regulations such as the "Ethical Corporate Management Best Practice Principles", the "Ethical Operating Procedures and Conduct Guide" (last revised on March 27, 2020), which require directors and managers to lead by example and follow ethical principles to establish an honest and trustworthy corporate culture. All employees shall also be aware of professional ethics and personal integrity. They shall perform their duties with honesty, rigor and dedication and shall not engage in dishonest behavior. These procedures are disclosed on the Company's website and are regularly publicized to colleagues.</p>	No significant deviation



Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for	✓		<ol style="list-style-type: none"> <li>1. Based on the business philosophy of honesty, transparency and responsibility, the Company has developed specific ethical management practices and prevention programs based on ethics, such as formulating preventive measures such as prohibiting employees from using business reception to exchange unfair competitive advantages, accepting gifts or reception affecting the business judgment, illegal political contributions, improper charitable donations or sponsorship, improper interests, infringement of business secrets, trademark rights, patents, copyrights, intellectual and financial rights, etc.</li> <li>2. The Human Resources Department conducts regular ethical audits to determine exactly what precautions are in place to prevent most unethical practices and reports the results to the Board of Directors.</li> </ol>	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
TWSE/GTSM Listed Companies"?				
(III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		<ol style="list-style-type: none"> <li>1. The Company has established regulations such as the "Ethical Corporate Management Best Practice Principles", the "Ethical Operating Procedures and Conduct Guide" and the "Operation Procedures and Guidelines for Ethical Corporate Management", and the "Whistle-blowing System", and specified the reward and punishment measures in the working rules for employees to prevent unethical behaviors of employees and implement these regulations. The above-mentioned regulations are amended as required by law.</li> <li>2. Relevant whistleblowing channels and protective measures against retaliation have been disclosed on the Company's website. The Company has not received any complaints since the establishment of the whistleblowing E-mail.</li> </ol>	No significant deviation
II. Fulfillment of ethical corporate management (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts	✓		The Company conducts transactions in accordance with relevant laws and regulations, and examines the performance behaviors of the business partners to avoid transactions with those with records of unethical behaviors. The counterparty will be required to sign a "Clean Transaction Commitment" after confirming cooperation.	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
signed with the counterparties?				
(II) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?	✓		<ol style="list-style-type: none"> <li>1. The General Manager Office of the Company is responsible for formulating the ethical management policy, and the Human Resources Department is responsible for checking and supervising the compliance of the implementation. The directors, managers and all colleagues of the Company should follow the policy.</li> <li>2. The Human Resources Department reports the implementation and the checking results of ethical corporate management to the Board of Directors. The latest report date was on March 24, 2023.</li> </ol>	No significant deviation
(III) Does the company establish policies to prevent conflicts of	✓		<ol style="list-style-type: none"> <li>1. The Company has established policies to prevent conflicts of interest in the "Procedures for Ethical Management and Guidelines for Conduct" and the "Employee Code of Conduct". The whistleblowing system of the Company was adopted by the Board of</li> </ol>	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
interest, provide appropriate communication channels, and implement them accordingly?			<p>Directors on January 10, 2020, and it stipulates that the whistleblowers can report any act of crime, fraud, dishonesty or violation of the law through the whistleblowing channel provided by the Company (E-mail: gmlcyt@lcygroup.com; written delivery: LCY TECHNOLOGY CORP. whistleblower mailbox) and appeal at any time.</p> <p>2. The directors, managerial officers or employees of the Company shall not use their position or influence in the Company to gain undue advantage for themselves or others; in the case of a motion of a director's interest, if it endangers the interests of the Company, the director shall recuse itself after explaining the reason and shall not join in the discussion and vote.</p>	
(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results	✓		The Company has established an effective accounting system and internal control system in accordance with ethical corporate management. The audit unit will confirm the ethical behavior when checking each cycle. The Company will also strengthen the publicity of the importance of ethical behaviors to all employees when holding internal training. The acceptance of external festival gifts will also be recorded.	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging a certified public accountant to carry out the audit?				
(V) Does the company regularly hold internal and external training on ethical corporate management?	✓		The Company has disclosed the Ethical Corporate Management Best Practice Principles on its website. In 2022, it held the “Executive Training Courses” on November 9 to promote the Company's ethical management philosophy and core values of responsible leadership to new executives. On November 11, it held the “Trend of Corporate Ethical Management and Practice Sharing” to promote the concept of ethical management to colleagues.	No significant deviation
III. Operation of the whistle-blowing system (I) Does the company establish both a reward/whistle-blowing system and convenient	✓		1. The Company has a whistleblowing system and management measures for rewards and punishments. In case of finding any crime, fraud, dishonesty or behaviors violating laws, the whistleblower can report through the whistleblowing channels (E-mail:	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
whistle-blowing channels? Are appropriate personnel assigned to the accused party?			<p>gmlyt@lcygroup.com; written report: complaint mailbox of LCY Technology) to appeal to the Company:</p> <p>(1) If the accused is an ordinary employee, the acceptance unit (general manager) will instruct relevant supervisors and audit supervisors to form an investigation team to investigate the case.</p> <p>(2) If the accused is a director or officer of the senior management level, the accepting unit (general manager) shall first report to the independent director or audit committee, and the independent director will designate special personnel to conduct an investigation.</p> <p>2. The Company will protect the whistle-blowers and the personnel involved in handling the reported cases from unfair or improper treatment due to whistleblowing. If the personnel involved in the whistle-blowing suffer threats, intimidation or other adverse acts, the Company will assist them to report to the police for handling.</p>	
(II) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after	✓		<p>1. The Company has established regulations such as “Ethical Corporate Management Best Practice Principles” and “Working Rules”, and established “Whistleblowing System” as the basis for the reception of complaints.</p> <p>2. The accepting unit of the Company shall register and file the case upon receipt of the case, and handle the case by secret document in the whole process. The investigation and processing procedure is limited to three months (may be extended if necessary), and the</p>	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
the investigation, and related confidentiality mechanisms?			relevant standard operating procedures and follow-up handling measures have been expressly stipulated in the whistleblowing system. 3. The information of the reported case shall be kept secret for at least 5 years. If litigation is involved, it shall be kept until the end of litigation.	
(III) Does the Company protect whistle-blowers against receiving improper treatment?	✓		1. The Company has established regulations such as “Ethical Corporate Management Best Practice Principles” and “Whistleblowing System”. The general manager instructs the heads of relevant department and the audit office to form the investigation team, which conducts its work objectively and impartially. In addition to keeping the identity of the whistleblower and the contents of the whistleblower confidential, it will report its findings directly to the superior. 2. The Company will protect the whistle-blowers and the personnel involved in handling the reported cases from unfair or improper treatment due to whistleblowing. If the personnel involved in the whistle-blowing suffer threats, intimidation or other adverse acts, the Company will assist them to report to the police for handling.	No significant deviation
IV. Enhanced disclosure of ethical corporate management information Does the company disclose the ethical corporate	✓		The Company has disclosed the "Ethical Corporate Management Best Practice Principles", the "Ethical Operating Procedures and Conduct Guide" and the "Operation Procedures and Guidelines for Ethical Corporate Management", and the “Whistle-blowing System” on its	No significant deviation

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
management policies and the results of its implementation on the company website and MOPS?			website and the MOPS. In addition to disclosing the implementation of these regulations and measures adopted in the annual report, it also disclosed relevant content on its website.	
<p>V. If the Company has established the ethical corporate management best-practice principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe the implementation and any deviations from the Principles: The Company's "Ethical Corporate Management Best Practice Principles" and "Ethical Operating Procedures and Conduct Guide" are established based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", and have no significant deviation from these principles.</p>				
<p>VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies).</p> <ol style="list-style-type: none"> <li>1. Establish the Remuneration Committee and regularly review the annual and long-term performance objectives of the Company's directors and managers as well as the policies, systems, standards and structures of the Remuneration Committee.</li> <li>2. The Human Resources Department will regularly check the operational status of the Company for its compliance with the laws and regulations and the current operation status of the Company.</li> <li>3. The Rules of Procedure for the Board of Directors has provided the Directors' avoidance of motions in conflict of interest to ensure that relevant resolutions are not harmful to the Company's rights and interests.</li> <li>4. Each department will conduct an annual self-evaluation to review the effectiveness of the internal control system and the compliance of staff with the rules and regulations in light of changes in the organization and environment.</li> </ol>				



- (VII) Please disclose the access to the Company's corporate governance principles and related rules and regulations

Measures such as Code of Practice on Corporate Governance, Ethical Operating Procedures and Conduct Guide, Ethical Corporate Management Best Practice Principles, Rules of Procedure for Shareholders' Meeting, Rules of Procedure for Board of Directors Meetings, Remuneration Committee Charter, Audit Committee Charter, Sustainable Development Best Practice Principles, Rules Governing the Scope of Powers of Independent Directors, Method for the Election of Directors, Procedures for Handling Material Inside Information and Prevention of Insider Trading, Director Performance Evaluation Methods, Whistleblowing System, etc. are available on the "Investor Zone-Corporate Governance" of the Company's website (<http://www.lcyt.com.tw>, or the "Corporate Governance-Corporate Governance Structure-Formulation of Relevant Rules and Regulations related to Corporate Governance" on the MOPS (<http://mops.twse.com.tw>).

- (VIII) Other important information for facilitating a better understanding of the Company's corporate governance practices

1. Important information is disclosed on the MOPS and the Company's website in real-time.
2. An audit committee is set up to replace the supervisory authority to ensure that the financial statements are properly presented and the CPAs are independent and fair, and its operational status is disclosed on the MOPS and the Company website.
3. A Remuneration Committee is set up to review the policies, systems, standards and structure of the remuneration system on a regular basis, and its operational status is disclosed on the MOPS and the Company website.
4. Electronic voting has been adopted and listed as a channel for voting on motions of the shareholders' meeting to fully exercise the shareholders' rights.
5. To assure the knowledge on and compliance with the "Procedures for Handling Material Inside Information and Prevention of Insider Trading" of the directors, managers and colleagues of the Company, the Company regularly promotes laws and regulations every year, and incorporates it into the internal control system to reduce the risk of insider trading.
6. Abide by the code of ethical conduct, operate with integrity and implement the internal audit mechanism.

- (IX) Status of Internal Control System  
1. Statement on Internal Control

**Statement on Internal Control of Public Companies**  
**Indicate that both design and execution are effective**

(In the portion relating to the observance of laws and regulations, this Statement refers to all laws and regulations in effect at the time the Statement was issued)

LCY TECHNOLOGY CORP.  
Statement on Internal Control

Date: March 24, 2023

Based on the findings of a self-assessment, Ho Tung Chemical Corporation states the following with regard to its internal control system during the year 2022:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established internal control system. The objectives of the internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of security for assets), ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the findings of the aforementioned evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content

made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed by the Board of Directors in the meeting held on March 24, 2023, with none of the 7 attending directors expressing dissenting opinions. The remainder all affirmed the content of this statement.

LCY TECHNOLOGY CORP.

Chairman: Signature

General Manager Signature

2. If a CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System, the CPA Audit Report Shall Be Disclosed: None.

(X) Punishment of the Company and its internal personnel in accordance with the law, the Company's punishment of its internal personnel for violating internal control system regulations, major deficiencies and remedial measures during the most recent fiscal year and up to the publication date of the annual report: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings during the Most Recent Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report

1. Shareholders' Meeting

Date	Matters Resolved	Implementation Status
2022/6/23	1. Acknowledgment of 2021 Business Report and Financial Statements	The resolution results have been followed
	2. Acknowledgment of Distribution of Earnings for 2021	Decided that August 5, 2022 was the ex-dividend base date, and the cash dividend of common stock of \$1.5 per share will be paid on August 26, 2022
	3. Approved the proposal for lifting the non-competition restriction on the Company's directors	The resolution results have been followed
	4. Approved the proposal for partial amendment to the Articles of Incorporation	The resolution results have been followed and the revised version will be updated on the Company's website
	5. Approved the proposal for partial amendment to the Rules of Procedure for Shareholders' Meetings	The resolution results have been followed and the revised version will be updated on the Company's website

Date	Matters Resolved	Implementation Status
	6. Approved the proposal for partial amendment to the Rules of Election of Directors	The resolution results have been followed and the revised version will be updated on the Company's website
	7. Approved the partial revision to provisions of the Procedures for Acquisition or Disposal of Assets	The resolution results have been followed and the revised version will be updated on the Company's website

## 2. Board of Directors Meeting

Date	Matters Resolved
2022/01/19	<ol style="list-style-type: none"> <li>1. Amendment to the internal control system (including the internal audit system)</li> <li>2. Formulation of the Application for Suspension and Resumption of Trading Procedures</li> <li>3. 2022 Business Plan and Annual Budget</li> <li>4. Applied to lift the non-competition restriction on Lai, Wen-Pin, the Finance and Accounting Manager and Corporate Governance Manager</li> <li>5. Proposal on confirmation of the bonus payment standard for managers in 2021</li> </ol>
2022/03/23	<ol style="list-style-type: none"> <li>1. 2021 Statement on Internal Control System</li> <li>2. Amendment to the internal control system (including the internal audit system)</li> <li>3. 2021 Financial Statements</li> <li>4. 2021 Business Report</li> <li>5. Appointment of CPAs for 2022 financial statements and audit of CPA fees</li> <li>6. Request for the credit line and lines for foreign exchange and derivative financial commodities from the bank</li> <li>7. Decided the date, location and reasons for the convening of the 2022 Annual Shareholders' Meeting</li> <li>8. Proposal on the partial amendment to the Articles of Incorporation</li> <li>9. Amendment to the "Rules of Procedure for Shareholders' Meetings"</li> <li>10. Proposal on the partial amendment to provisions of the Procedures for Acquisition or Disposal of Assets</li> <li>11. Proposal on the partial amendment to the Rules of Election of Directors</li> <li>12. Proposal on 2021 employee compensation and directors' remuneration distribution</li> <li>13. Change of Audit Manager</li> <li>14. Confirmation of performance evaluation standard for managers in 2022</li> <li>15. Irregular salary adjustment for managerial officers in 2022</li> <li>16. Proposal to lift the non-competition restriction on Chairman Lin, Cheng-Wei</li> </ol>
2022/05/06	<ol style="list-style-type: none"> <li>1. Amendment to the internal control system (including the internal audit system)</li> <li>2. Proposal on 2021 Earnings Distribution</li> <li>3. The consolidated financial statements for the first quarter of 2022</li> <li>4. Earnings distribution for 2022 Q1</li> </ol>

Date	Matters Resolved
	<ol style="list-style-type: none"> <li>5. Request for the credit line and lines for foreign exchange and derivative financial commodities from the bank</li> <li>6. Proposal on the partial amendment to the Articles of Incorporation</li> <li>7. Partial amendment to the "Rules Governing the Scope of Powers of Independent Directors" section</li> <li>8. Proposal on the partial amendment to the Audit Committee Charter</li> <li>9. Proposal on the partial amendment to the Corporate Governance Best Practice Principles</li> <li>10. Proposal to lift the non-competition restriction on the manager Lai, Wen-Pin</li> </ol>
2022/08/05	<ol style="list-style-type: none"> <li>1. Amendment to the internal control system (including the internal audit system)</li> <li>2. The Company's consolidated financial statements for 2022 Q2</li> <li>3. The Company's distribution of earnings for 2022 Q2</li> <li>4. The Company's request for the credit line and lines for foreign exchange and derivative financial commodities from the bank</li> <li>5. The Company's change of Audit Manager</li> </ol>
2022/08/17	<ol style="list-style-type: none"> <li>1. Salary Adjustment for Managerial Officers in 2022</li> </ol>
2022/11/04	<ol style="list-style-type: none"> <li>1. The Company's consolidated financial statements for 2022 Q3</li> <li>2. The Company's distribution of earnings for 2022 Q3</li> <li>3. Amendment to the internal control system (including the internal audit system)</li> <li>4. 2023 Annual audit plan</li> <li>5. The Company's change of Finance Manager</li> <li>6. Change of the Company's "Corporate Governance Officer" and acting spokesman</li> <li>7. The Company's change of Accounting Manager</li> <li>8. Discussion of the Company's Remuneration for managers</li> <li>9. The Company's request for the credit line and lines for foreign exchange and derivative financial commodities from the bank</li> </ol>
2022/12/23	<ol style="list-style-type: none"> <li>1. The Change and Nomination of the Chairman of the Company</li> <li>2. Appointment of the Company's managerial officers</li> <li>3. Appointment of the Company's managerial officers</li> <li>4. Update the Salary Adjustment Date of the Company's Managerial Officers</li> <li>5. Discussion of the Company's Remuneration for managers</li> </ol>
2023/01/04	<ol style="list-style-type: none"> <li>1. Amendment to the internal control system (including the internal audit system)</li> <li>2. Amendment to Rules of Procedure for Board of Directors Meetings</li> <li>3. Proposal to lift the non-competition restriction on director Paul Chen</li> <li>4. The Company's change of CPAs</li> <li>5. The Company's request for the credit line and lines for foreign exchange and derivative financial commodities from the bank</li> <li>6. Proposal on confirmation of the bonus payment standard for managers in 2022</li> </ol>

Date	Matters Resolved
2023/03/24	<ol style="list-style-type: none"> <li>1. 2022 Statement on Internal Control System</li> <li>2. Amendment to the internal control system (including the internal audit system)</li> <li>3. 2022 Business Report</li> <li>4. 2023 Business Plan and Annual Budget</li> <li>5. Request for the credit line and lines for foreign exchange and derivative financial commodities from the bank</li> <li>6. 2022 Financial Statements</li> <li>7. Summary of the Company's related party transactions for 2022</li> <li>8. Proposal on 2022 Earnings Distribution</li> <li>9. Appointment of CPAs for 2023 financial statements and audit of CPA fees</li> <li>10. Proposal on 2022 employee compensation and directors' remuneration distribution</li> <li>11. Confirmation of performance evaluation standard for managers in 2023</li> <li>12. Proposal to elect the 10th term of directors of the Company and accept candidates nominated by shareholders</li> <li>13. Review the nominated candidates for directors (including independent directors)</li> <li>14. Proposal on Lifting the Non-competition Restriction on the New Directors (Including Independent Directors)</li> <li>15. Decided the date, location and reasons for the convening of the 2023 Annual Shareholders' Meeting</li> </ol>

(XII) Record or written Statements made by any Directors or Supervisors dissenting to important resolutions passed by the Board of Directors during the most recent fiscal year and up to the publication date of the annual report: None.

(XIII) Resignation or dismissal of persons related to financial reports (including Chairman, general manager, accounting manager, and internal audit manager) in the most recent year up to the publication of this annual report:

Title	Name	Date Elected	Date Discharged	Reasons for resigning or discharging
Finance Manager, Accounting Manager and Corporate Governance Manager	Lai, Wen-Pin	2022/1/1	2022/12/31	Retired
Chairman	Lin, Cheng-Wei	2020/6/24	2022/12/23	Resigned

## V. Information on CPA Professional Fees

(I) The amounts of the audit fees and non-audit fees paid to the CPAs and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services

Unit: in NT\$ thousand

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remark
Deloitte & Touche	Lin, Wen-Chin Wang, Yi-Wen	2022.01~2022.09	3,010	279	3,289	1. Internal Adjustment of CPA Firm 2. Reimbursement of audit fees, legal guidance and consultation and personal data protection
	Lin, Wen-Chin Liu, Chien-Liang	2022.10~2022.12				

(II) Whether the CPA firm is changed and the audit fees paid for the fiscal year of such fees are lower than those for the previous fiscal year: None.

(III) The audit fee is reduced by 10% or more compared to last year: None.

## VI. Information on Replacement of CPAs

(I) Former CPAs

Date of Replacement	Note		
Replacement Reasons and Explanations	Since 2022 Q4, in coordination with the internal adjustment of Deloitte & Touche, the CPA Lin, Wen-Chin was not replaced, and the CPA Wang, Yi-Wen was replaced by the CPA Liu, Chien-Liang.		
Termination by the Company or the CPAs	Situation/Party	CPA	Client
	Termination by the Company	✓	
	Termination by the CPAs		
No Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	None		
Deviation form the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	✓	
Description			
Other disclosed items (under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	None		

(II) Successive CPAs

Name of CPA Firm	Deloitte & Touche
Name of CPA	CPA Liu, Chien-Liang
Date of Appointment	Note
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

Note: This is due to an internal adjustment of Deloitte & Touche, and the CPA was replaced starting from 2022 Q2.

(III) The reply from former CPA to Article 10, Subparagraph 6, Sub-subparagraphs 1 and 2-3 of the Guidelines:

N/A

VII. The Chairman, General Managers, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the CPAs' Accounting Firm or an Affiliate of the Accounting Firm

None.



**VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report) by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%**

(I) Change in Equity Interests by Directors, Managerial Officers, and Major Shareholders

Unit: Share

Title	Name	2022 (Note 1)		Up to the Date of Publication of the Annual Report in 2023	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman	LCY Chemical Corp. Representative: Paul Chen	0	44,749,807 (44,750,946)	0	0
Directors	LCY Chemical Corp. Representative: Sung, Ting-Pang	0	44,749,807 (44,750,946)	0	0
Directors	LEE CHANG YUNG COMPANY, LTD. Representative: Pan, Li- Lin	0	0	0	0
Directors	Chung, Wan-Chen	0	0	0	0
Independent Director	Liu, San-Chyi	0	0	0	0
Independent Director	Tu, Wei-Hua	0	0	0	0
Independent Director	Chu, Nien-Tzu	0	0	0	0
General manager	Paul Chen	0	0	78,590	0
Deputy general manager	Caleb Lee (Date of Assumption of Duty: February 1, 2023)	0	0	0	0
Assistant Vice Presidents	Liu, Chia-He (Date of Assumption of Duty: January 1, 2023)	0	0	0	0
Copper foil plant director	Huang, Yenho	0	0	0	0
Dean of Research & Development Department	Chen, Yanhao	(300)	0	0	0
Auditing Manager	Lin, Chia-Hua	(200)	0	0	0

Title	Name	2022 (Note 1)		Up to the Date of Publication of the Annual Report in 2023	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Finance and Accounting Manager and currently is also Corporate Governance Director	Lai, Wen-Pin (Date of Assumption of Duty: January 1, 2022 Date of Dismissal: December 31, 2022)	(1,200)	0	-	-
Finance Manager and currently is also Corporate Governance Director	Stanley Kung (Date of Assumption of Duty: January 1, 2023)	-	-	0	0
Accounting Manager	Lee, Ling-Chih (Date of Assumption of Duty: January 1, 2023)	-	-	0	0
Over 10% Major Shareholder	LCY Chemical Corp.	(14,107,155)	(4,972,327)	0	0

Note 1: The change in the equity of general manager Paul Chen is due to his retirement and he owns the stocks in the employee benefit saving trust account.

- (II) Any Transfer of Equity Interests by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%, Where the Counterparty in any such Transfer of Equity Interests is a Related Party:  
None.
- (III) Any Pledge of Equity Interests by a Director, Managerial Officer, or Shareholder with a Stake of More than 10%, Where the Counterparty in any such Pledge of Equity Interests is a Related Party:  
None.

**IX. Relationship among the Company's 10 Largest Shareholders who are Related to, Spouse of, or a Relative Within the Second Degree of Kinship of Another**

April 30, 2023

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Among 10 Largest Shareholders, Name and Relationship with Anyone who Is a Related Party or a Relative within the Second Degree of Kinship		Note
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
LCY Chemical Corp.	85,339,392	61.94	—	—	—	—	LEE CHANG YUNG COMPANY, LTD.	Substantive related party	None
Representative: Hung Tsai-Hsing	0	0	0	0	0	0	None	None	None
Hua Nan Commercial Bank, Ltd. in Custody for Li Mou-Wei Trust Property Account	4,670,788	3.39	—	—	—	—	None	None	None
Lin Kao-Huang	1,818,000	1.32	—	—	—	—	None	None	None
Taiwan Life Insurance Co., Ltd.	1,499,000	1.09	—	—	—	—	None	None	None
CTBC Bank in Custody for LCY TECHNOLOGY CORP. Employee Benefit Saving Trust Property Account	1,145,057	0.83	—	—	—	—	None	None	None
LEE CHANG YUNG COMPANY, LTD.	1,095,538	0.80	—	—	—	—	LCY Chemical Corp.	Substantive related party	None
Representative: Wei Cheng-Cheng	0	0	0	0	0	0	None	None	None
British Virgin Islands Company MARVEL GROWTH LIMITED	831,568	0.60	—	—	—	—	None	None	None
Sun Chin-Chuan	567,900	0.41	Note	—	—	—	None	None	None
Chang Pu-Jen	308,000	0.22	Note	—	—	—	None	None	None
Wang Kun-Tien	300,100	0.22	Note	—	—	—	None	None	None

Note: The shareholder is not an insider of the Company, thus impossible to know the situation of the shareholder's spouse, minor children holding shares and holding shares in the name of others.

**X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Managers, and Any Companies Controlled Either Directly or Indirectly by the Company**

December 31, 2022; Unit: Share

Investee business	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
LCYT Holdings Corp.	100	100%	—	—	100	100%
KAO HSIUNG COGEN CO., LTD.	200,000	20%	650,000	65%	850,000	85%

## Chapter 4. Capital Overview

### I. Capital and Shares

#### (I) Source of Capital

Unit: thousand shares; the issue price is NT\$, and the balance is NT\$1,000

Year/ Month	Par Value Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital		Capital Increase by Assets Other than Cash	Others
1997.01	10	80,000	800,000	20,000	200,000	Set Up Capital Stock	NT\$200,000,000	—	Note 1
1998.12	10	80,000	800,000	50,000	500,000	Issuance of shares for cash capital increase	NT\$300,000,000	—	Note 2
1999.12	11.5	80,000	800,000	60,000	600,000	Issuance of shares for cash capital increase	NT\$100,000,000	—	Note 3
2001.11	13	80,000	800,000	80,000	800,000	Issuance of shares for cash capital increase	NT\$200,000,000	—	Note 4
2003.11	10	160,000	1,600,000	110,000	1,100,000	Issuance of shares for cash capital increase	NT\$300,000,000	—	Note 5
2008.06	10	160,000	1,600,000	44,000	440,000	Reduction of capital	NT\$660,000,000	—	Note 6
2008.08	10	160,000	1,600,000	50,000	500,000	Issuance of shares for cash capital increase	NT\$60,000,000	—	Note 7
2008.09	20	160,000	1,600,000	60,000	600,000	Issuance of shares for cash capital increase	NT\$100,000,000	—	Note 7
2009.12	20	160,000	1,600,000	60,300	603,000	Issuance of shares for cash capital increase	NT\$3,000,000	—	Note 8
2014.07	10	160,000	1,600,000	12,060	120,600	Reduction of capital	NT\$482,400,000	—	Note 9
2014.07	10	160,000	1,600,000	66,000	660,000	Issuance of shares for	NT\$539,400,000	—	Note 10

Year/ Month	Par Value Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others	
						cash capital increase			
2015.02	10	160,000	1,600,000	140,000	1,400,000	Issuance of shares for cash capital increase	NT\$740,000,000	—	Note 11
2018.08	10	160,000	1,600,000	153,085	1,530,850	Issuance of shares for cash capital increase	NT\$130,850,000	—	Note 12
2021.10	10	160,000	1,600,000	137,776	1,377,765	Reduction of capital	NT\$153,085,000	—	Note 13

Note 1: Approval and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate (86) No. 100795 on January 16, 1997.

Note 2: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate (87) No. 139864 on December 11, 1998.

Note 3: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate (088) No. 088145376 on December 16, 1999.

Note 4: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate (090) No. 09001450840 on November 19, 2001.

Note 5: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 09201315340 on November 19, 2003.

Note 6: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 09786914410 on July 16, 2008.

Note 7: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 09701242250 on September 23, 2008.

Note 8: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 09801297210 on December 31, 2009.

Note 9: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 10301132110 on July 10, 2014.

Note 10: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 10301132110 on July 10, 2014.

Note 11: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 10401022230 on February 5, 2015.

Note 12: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 10701104550 on August 16, 2018.

Note 13: Modification and registration date and No.: By the Commerce Department of the Ministry of Economy by certificate No. 11001192170 on October 27, 2021.

March 31, 2023

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common stock	137,776,500 shares	22,223,500 shares	160,000,000 shares	Listed stocks

Information on the shelf registration system: None.

(II) Structure

April 30, 2023

Structure	Government Agencies	Financial Institutions	Other Institutional Shareholders	Foreign Institutions and Natural Persons	Domestic Natural Persons	Total
Number of shareholders (Person)	—	3	82	30	9,156	9,271
Shares Held (Shares)	—	7,314,845	86,745,831	1,567,267	42,148,557	137,776,500
Shareholding Ratio (%)	—	5.31	62.96	1.14	30.59	100.00

(III) Shareholding Distribution Status

1. Common stock

April 30, 2023

Range of Shares	Number of Shareholders	Shares Held (Shares)	Shareholding Ratio (%)
1 To 999	2,637	1,670,930	1.21
1,000 To 5,000	5,160	11,397,411	8.28
5,001 To 10,000	790	6,217,297	4.52
10,001 To 15,000	233	2,982,024	2.16
15,001 To 20,000	135	2,480,521	1.80
20,001 To 30,000	117	2,990,725	2.17
30,001 To 40,000	63	2,208,100	1.60
40,000 To 50,000	39	1,811,100	1.31
50,001 To 100,000	65	4,962,649	3.60
100,001 To 200,000	19	2,708,700	1.97
200,001 To 400,000	5	1,379,800	1.00
400,001 To 600,000	1	567,900	0.41
600,001 To 800,000	0	0	0.00
800,001 To 1,000,000	1	831,568	0.60
Over 1,000,001	6	95,567,775	69.37
Total	9,271	137,776,500	100.00

2. Preferred stock: None

(IV) List of Major Shareholders

April 30, 2023

Name of Major Shareholders	Shareholding	Shares Held (Shares)	Shareholding Ratio (%)
LCY Chemical Corp.		85,339,392	61.94
Hua Nan Commercial Bank, Ltd. in Custody for Li Mou-Wei Trust Property Account		4,670,788	3.39
Lin Kao-Huang		1,818,000	1.32
Taiwan Life Insurance Co., Ltd.		1,499,000	1.09
CTBC Bank in Custody for LCY TECHNOLOGY CORP. Employee Benefit Saving Trust Property Account		1,145,057	0.83
LEE CHANG YUNG COMPANY, LTD.		1,095,538	0.80
British Virgin Islands Company MARVEL GROWTH LIMITED		831,568	0.60
Sun Chin-Chuan		567,900	0.41
Chang Pu-Jen		308,000	0.22
Wang Kun-Tien		300,100	0.22



(V) Share Price for the Past Two Fiscal Years, with Net Worth per Share, Earnings per Share, and Dividends per Share

Unit: NT\$

Item		Year	2021	2022	As of March 31 of the Current Year
Market Price Per Share	Highest		59.90	46.10	31.30
	Lowest		20.70	21.20	24.25
	Average		39.82	31.72	28.34
Net Worth per Share (Note)	Before distribution		17.62	17.25	(Note 6)
	After distribution		16.95	Undistributed	—
Earnings per Share	Weighted average number of shares (in thousands)		149,520	137,776	137,776
	Earnings per Share (Note 1)		3.77	1.47	(Note 6)
Dividends Per Share	Cash		1.5	0.5 (Note 2)	—
	Stock dividends	Stock dividends appropriated from earnings	—	—	—
		Stock dividends appropriated from capital surplus	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on Investment	Price-to-earnings ratio (Note 3)		10.56	21.58	—
	Price-to-dividend ratio (Note 4)		26.54	63.44	—
	Cash dividend yield (Note 5)		3.77%	1.58	—

Note 1: As After-Tax Earnings per Share.

Note 2: The proposal for 2022 earnings distribution has been resolved by the Board of Directors on March 24, 2023, and will be submitted to the Annual Shareholders' Meeting.

Note 3: Price-to-earnings ratio = Average closing price per share for the year/Earnings per share.

Note 4: Price-to-dividend ratio = Average closing price per share for the year/Cash dividends per share.

Note 5: Cash dividend yield = Cash dividends per share/Average closing price per share for the year.

Note 6: Up to the date of publication of the annual report, has not yet been audited by CPAs.

Note: The number of shares is based on the shares issued at the end of the year.

(VI) Dividend Policy and Its Implementation

1. Dividend policy

According to the Articles of Incorporation, if there are earnings in the Company's annual general final accounts, they shall first be used to pay taxes and make up for the accumulated losses (including the amount of the adjustment of the undistributed earnings), and then ten percent shall be allocated as the legal reserve as required by law (not applicable when the accumulated legal reserve has reached the

Company's paid-in capital). Afterwards, special surplus reserve shall be allocated as regulated by law or by the competent authority. When the Company sets aside the special surplus reserve required by law, for the insufficient amount of the "net deduction of other equity accumulated in the previous period", before the earnings distribution, it should first set aside the undistributed earnings of the previous period. The special surplus reserve with the same amount set aside, if it is still insufficient, then add the net profit of the current period plus the net profit after tax of the current period to the amount included in the undistributed earnings of the current period.

The balance of the preceding paragraph together with the accumulated undistributed earnings at the beginning of the period (including the amount of the adjustment of the undistributed earnings), shall be formulated as an earnings distribution proposal by the board of directors. When distributing earnings or making deficit compensation quarterly, it shall be distributed under the preceding procedures.

The Company's earnings distribution or loss off-setting of each quarter shall be approved by the Board of Director to distribute all or part of the dividends and bonuses, legal reserve or capital surplus in cash to shareholders after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by at least two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy is based on the Company's profit, capital structure and future operational needs. For each earnings distribution, no less than 10% may be distributed as dividend to the shareholders. However, when the accumulated distributable earnings are lower than the paid-in capital, the earnings do not have to be distributed; the distribution of dividend to shareholders may be conducted by cash or in the form of stock. The distribution of cash dividend shall be no less than 10% of the total of shareholders' dividend, in principle. The Company's industrial environment is variable. The types and proportions of the earnings distribution, based on the Company's future capital needs and long-term business plan, may be formulated by the board of directors under the current operating conditions, taking into account shareholders' interests, balanced dividend policies, and capital demand plan, etc. The distribution plan shall be submitted to the shareholders' meeting for resolution and adjustment.

## 2. Distribution of dividends proposed by the Board of Directors

On March 24, 2023, the board of directors of the Company approved the 2022 earnings distribution proposal, allocating a cash dividend of NT\$68,888,250 (distribute per share of NT\$0.5), and authorized the chairman to set another dividend distribution base date to handle the distribution of cash dividends.

3. If any material change in expected dividend policy: None.

(VII) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting

The proposal for earnings distribution proposed to be submitted to the annual shareholders' meeting for approval only distributes cash dividends and does not involve stock dividends. Under the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company does not need to disclose financial forecast information for 2022. Therefore, information about changes in business performance and the impact of earnings per share on shareholders' return on investment is not applicable.

(VIII) Remuneration of Employees and Directors

1. Percentage and range of the remuneration of employees and directors as set forth in the Articles of Incorporation

Prior to distributing earnings, the Company shall allocate 0.5% or more of the profits (i.e. profit before tax before deducting compensation to employees and directors) shall be allocated as compensation to employees and 2% or less of the profits shall be allocated as compensation to directors. Independent directors shall not participate in the allocation.

2. The basis for estimating the amount of employee remuneration and director remuneration, for calculating the number of shares to be distributed as employee remuneration, 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 amount of employee and director remuneration based on the pre-tax benefits before deducting the distribution of employee remuneration and director remuneration, calculated and estimated according to the appropriation ratio under the Company's Articles of Incorporation, and recognized as salary expenses. If the amount still changes in the amount after the annual consolidated financial report is issued, the change shall be handled as a change in accounting estimates and recognized in the financial statements for the following year.

3. Distribution of remuneration approved by the Board of Directors

(1) Employee remuneration and director remuneration may be distributed in the form of cash or stock. If there is any discrepancy between that amount and the estimated recognized expenses in the year, the discrepancy, its cause, and the status of treatment shall be disclosed

The proposal for 2022 employee remuneration and director remuneration distribution was resolved to approve by the Company's board of directors on

March 24, 2023, which was distributed in cash. The employee remuneration and director remuneration were NT\$1,347,527 and NT\$1,347,527. The amount of employee remuneration and director remuneration approved by the board of directors is the same as the estimated figures without a discrepancy in the 2022 annual financial report.

- (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial statements or individual financial statements for the current period and the total employee remuneration: N/A.
4. The actual distribution of employee and director remuneration for the previous fiscal year (including the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated  
The Company's 2021 actual distribution of employee remuneration is NT\$3,568,816, as well as the director remuneration, with no discrepancy with the estimated figures in the 2021 annual financial report.

(IX) Share Repurchases: None.

## **II. Handling of Corporate Bonds, Special Shares, Depository Receipts, Employee Stock Options Restricted Stock Awards, or Acquisition or Purchasing Shares Newly Issued by Another Company**

- (I) Corporate Bonds: None.
- (II) Preferred Shares: None.
- (III) Global Depository Receipts: None.
- (IV) Employee Stock Options: None.
- (V) New Restricted Employee Shares: None.
- (VI) Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

## **III. Implementation of 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 have not been completed yet: None.
- (II) Were completed in the most recent three years but have not yet fully yielded the planned benefits: None.

## Chapter 5. Operational Highlights

### I. Business Activities

#### (I) Scope of Business

##### 1. Main line(s) of business engaged in

- (1) Electronics Components Manufacturing.
- (2) Basic Industrial Chemical Manufacturing.
- (3) Precision Chemical Material Manufacturing.
- (4) International Trade.
- (5) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Weight of lines of business of each business

Unit: NT\$1,000; %

Main Products	2021		2022	
	Operating Revenue	Ratio to Turnover	Operating Revenue	Ratio to Turnover
Electrolytic copper foil	4,483,138	100.00	4,047,957	100.00

##### 3. Current products (services)

- (1) PK-HTE-LP3 low ridge line high temperature elongation property pink electrolytic copper foil, thickness 9 $\mu$ m~140 $\mu$ m
- (2) PK-HTE-RTF shiny side treated pink electrolytic copper foil, thickness 12 $\mu$ m~105 $\mu$ m
- (3) BR-HTE-2RT extremely low roughness ( $R_z < 2\mu$ m) shiny side treated brown electrolytic copper foil, thickness 12 $\mu$ m~70 $\mu$ m
- (4) BR-DSS-LLX ultra-low roughness brown electrolytic copper foil, thickness 18 $\mu$ m~35 $\mu$ m
- (5) BR-DSS-2LX extremely low roughness ( $R_z < 2\mu$ m) brown electrolytic copper foil, thickness 18 $\mu$ m~70 $\mu$ m

##### 4. New items planned for development

- (1) Next-generation extremely low roughness ( $R_z < 1.5\mu$ m) reverse copper foil, thickness 12 $\mu$ m~70 $\mu$ m
- (2) Next-generation extremely low roughness ( $R_z < 1.5\mu$ m) copper foil, thickness 18 $\mu$ m~35 $\mu$ m
- (3) Copper foil with high bonding force for high frequency prepreg

## (II) Overview of the Industry

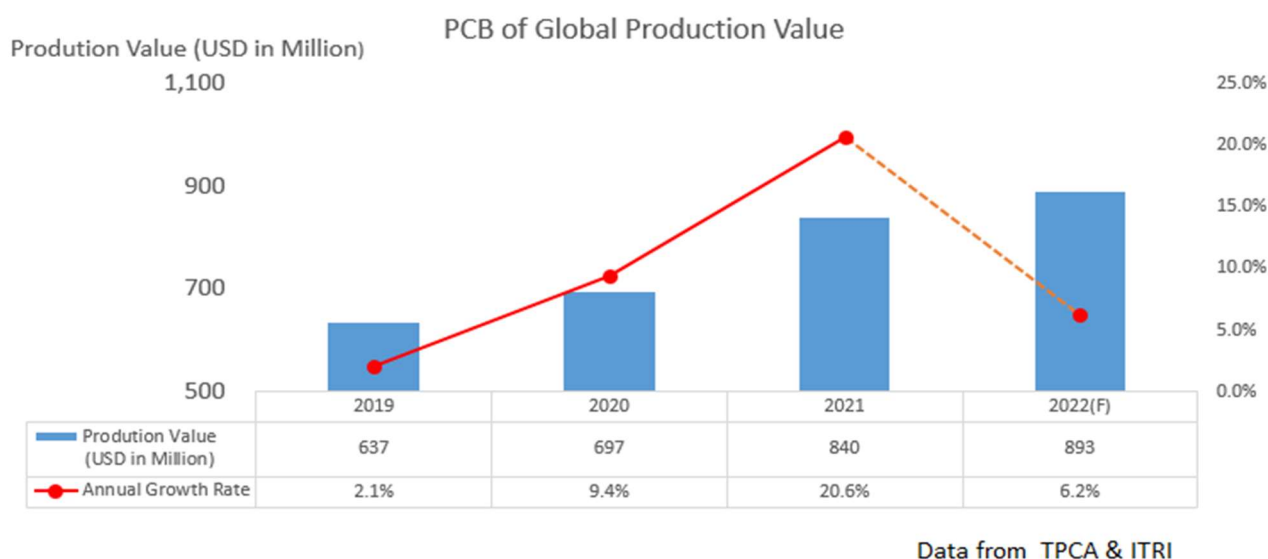
### 1. Current Status and Development of the Industry

The Company's main product is electrolytic copper foil. According to different downstream application fields, it can be divided into lithium battery copper foil and electronic circuit copper foil. Lithium battery copper foil is used in lithium batteries as a negative electrode material carrier and negative electrode collector for lithium batteries. Shielding sheets, electrical multi-layer boards, high-power lithium batteries for power, flexible printed circuit boards for automotive electronic control systems, lithium batteries for electric vehicles, lithium batteries for mobile phones or tablets, etc.; electronic circuit copper foil, the indispensable basic material for all electronic products, is applied in printed circuit boards with different power according to its own thickness and technology.

Electrolytic copper foil originated in the 1930s. The global production center of electrolytic copper foil is currently concentrated in Asia. Japanese manufacturers include Mitsui Metals, Nippon Mining Metals, Fukuda Metals, Furukawa Electric, etc. Taiwanese manufacturers include Nan Ya Plastics, Chang Chun Petrochemical, Co-Tech, etc. Chinese manufacturers include Kingboard Chemicals, Anhui Tongguan, Wason Copper Foil, Nord Group, etc., and Korean manufacturers include Iljin Metal and SKN, etc.

Electronic circuit copper foil is the main raw material for producing copper clad laminate (referred to as CCL), and copper clad laminates are the main raw materials for producing printed circuit boards (referred to as PCB); the global economy and consumption are strongly driven by the recovery, the global production value of circuit boards in 2021 was NT\$84 billion, with a growth rate of 20.6%, which is rarely seen in previous years. Among them, the expansion of high-end computing and 5G products has provided strong support for circuit boards, and the trend of electrification of automobiles has expanded the application of automotive circuit boards to overseas markets, resulting in significant growth in both quantity and quality and also has the effect of surging forward with great momentum. In terms of the overall development for 2022: 1. Affected by the Russia-Ukraine war, the world is confronting energy and food crises. 2. High inflation has negatively impacted the global economy and consumer confidence. 3. Due to the new wave of epidemics in the Chinese mainland, the "dynamic zero-COVID" high-intensity lockdown and control measures have been adopted. 4. The power shortage and shutdown caused by the high temperature and drought in Sichuan have exacerbated the global supply chain crisis. 5. Affected by the sluggish sales of mobile phones, computers, and other consumer-electronics products, the inventory of electronic components continued to rise, forcing demand estimates in terminal customers to become more conservative. Therefore, under the influence of various international

conflicts, high inflation, high inventory, and other negative factors, the growth of global circuit board production value in 2022 was worse than last year, with a growth rate of about 6.2%, and the production value was US\$89.3 billion. Inflation and economic instability have exacerbated consumer concerns, curbed the willingness to purchase consumer-electronics, and further pushed up the inventory level of related components. Demand estimates in terminal customers have become more conservative, such as mobile phone shipments were expected to decline by 3.4% in 2022, personal computer shipments were expected to decline by 8.4%, and automobile shipments were estimated to decline by 7.4%. Shipments of terminal products have commonly been greatly reduced, which would be reflected in changes in global circuit board orders and would also inhibit the growth of global circuit board production value.



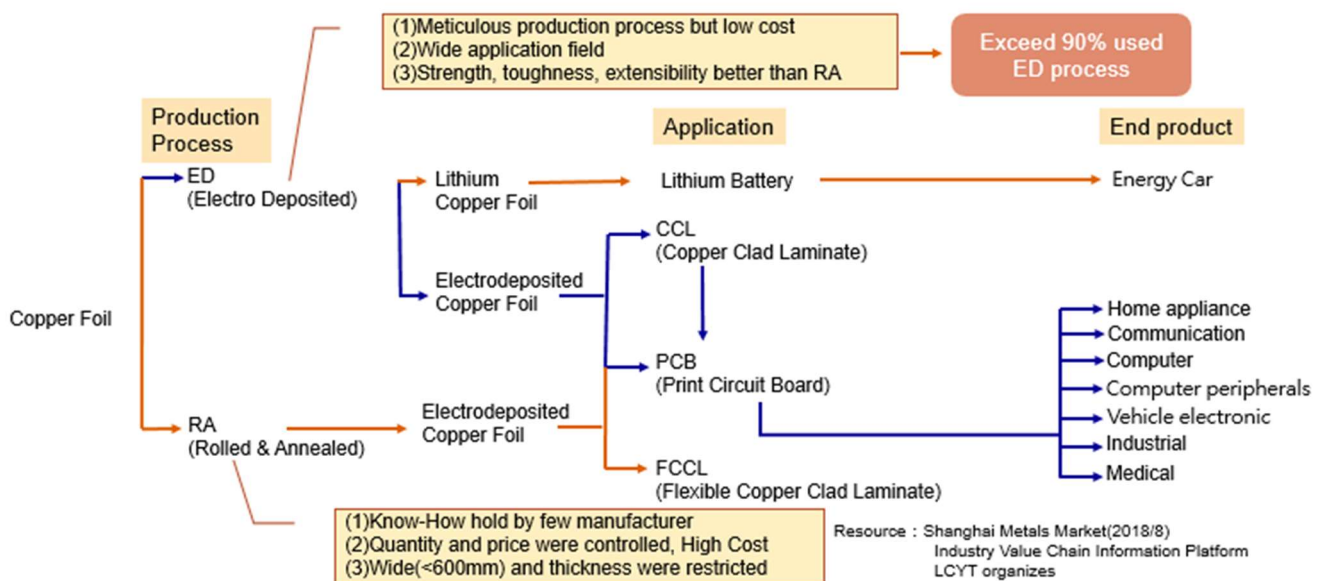
In the Chinese mainland, the largest market for printed circuit boards, 17 new CCL manufacturers were expanded in 2020. The new production capacity will be released year by year from 2021 to 2025. The new copper-clad laminate production capacity will be about 159.2 million square meters per year, and the prepreg production capacity will be about 19.2 million meters per year. Converted into the demand for electrolytic copper foil, the annual demand will increase by about 45,372 tons from 2021 to 2025. Only in 2020, 10 copper-clad laminate projects were put into production, and the new copper-clad laminate production capacity was about 97.82 million square meters, and the demand for electrolytic copper foil was estimated to increase by 27,878 tons per year.

From 2020 to 2025, the compound annual growth rate of global PCB production value is expected to be about 5.8%. In 2025, the global PCB production value is expected to be close to US\$92.4 billion. With the continuous introduction of new designs for high-end mobile phones, the continuous improvement of the yield rate



of new products, and the promotion of high-speed computing, Internet communications, automotive electronics, and other application fields, the production value of printed circuit board manufacturing has grown, and the production value of IC substrates and multi-layer boards has relatively strongly grown. Due to business opportunities in emerging application markets such as automotive electronics and 5G commercial services, the demand for radar, antennas, base station equipment, high-end switches, and other equipment has increased. With the requirements of increased bandwidth, high-speed transmission, low delay, and other characteristics, the demand for high-frequency, high-speed printed circuit boards has been significantly enlarged. Under the requirements of a wide range of terminal product applications (such as 5G base station expansion and automotive intelligence, etc.) and high-end products (smart device upgrades), the demand for printed circuit boards continues to increase. Printed circuit boards' component density continues to increase. Faced with the advent of 5G high-speed networks in recent years, the demand for high-frequency materials has been highlighted. The frequency of wireless transmission has increased. The assembly of electronic circuits has greatly increased the demand for high-frequency and high-speed PCBs and IC substrates. The focus of high-frequency materials is low transmission loss, good processability, and high reliability, the PCB substrate materials used in 5G application carriers will directly affect the data rate and delay of signal transmission, and the demand for high-frequency/high-speed PCB substrate materials will definitely increase significantly in the future

## 2. Industry Overview





### 3. Development Trends and Competition of Products

#### (1) Development Trends of Products

As artificial intelligence (AI) will be widely applied in advanced driver safety assistance systems (ADAS), car navigation and image information, and automotive sensor technology, etc., the Company has also gradually increased the layout of copper foil for automotive electronics, using 1oz copper foil as the reference for calculation. Each traditional car is estimated to need 0.5 square meters of copper foil (approximately 0.143 kg). Driven by automotive intelligence devices, the amount of electronic copper foil used in each car will increase in the future, and it is estimated to reach 2 square meters level.

In addition, major telecom operators in China, the United States, Japan, and South Korea will gradually launch 5G commercial services, including base station equipment, antennas, high-end switches, routers, and other network communication equipment. To effectively solve the problems of frequency and heat dissipation, the development progress of special materials has become an important key to the performance of high-frequency and high-speed circuit boards. For striving more 5G application orders, terminal equipment manufacturers have gradually sought board manufacturers directly for material formulation design and to assist in the promotion of certification.

With the continuous expansion of the application field of terminal products, the density of printed circuit board components continues to increase, and the performance requirements for copper foil are also correspondingly enhanced.

In the application of copper foil substrates, the Company has increased tear strength, oxidation resistance, and high-temperature processability to meet the needs of copper foil substrate manufacturers for high glass transition temperature (High Tg) and halogen-free (Halogen Free) prepregs; In terms of printed circuit board applications, in view of the characteristics of 5G base stations and antennas for low dielectric constant (Low Dk) and low dielectric loss (Low Df), the Company has proposed products with Profile Rz<2μm for customer applications.

In addition, the global awareness of environmental protection is on the rise. After the implementation of RoHS environmental protection regulations in the European Union, most terminal manufacturers have adopted halogen-free and lead-free sheets. In response to the requirements of terminal customers for environmental protection, the Company has fully introduced arsenic-free formula copper foil.

## (2) Competition

Copper foil is an indispensable key material for printed circuit boards. Considering the cost and electrical conductivity, the product has low substitutability. In terms of production area, it can be divided into Japanese copper foil, Taiwanese copper foil, and mainland copper foil. In terms of technical structure surface, Japanese copper foil is a high-end technical product. Currently, it is mainly used for COF (chip on flex substrate) and lithium battery copper foil. Taiwanese copper foil is mostly used in high-end copper foil substrates and printed circuit boards. Most of them are used for low-level copper foil substrates and printed circuit boards. At present, the quality and technology of Taiwan-funded copper foil factories are gradually approaching that of Japanese copper foil. Mainland-funded production capacity can be gradually released due to China's promotion of electric vehicle policies, and the current production capacity annual growth rate has been significantly higher than that of the global, and it has become the main production capacity release country of electrolytic copper foil. Due to the high difficulty in the formula design of electrolytic copper foil, the construction of a factory with a production capacity of 1,000 tons per month requires more than US\$150 million. As far as the copper foil products currently provided by the Company are concerned, their application range is wide. Under the requirements of improving manufacturing process capabilities and the production technology sufficient to meet market requirements, gradually adjusting the sales proportion of niche products, and strengthening customer dependence, it still possesses market competitiveness and room for growth.

## (III) Overview of Technologies and R&D Work

### 1. Technological arrangement in business operations

Since the Company was put into production in 2000, it has focused on the pursuit of high quality, high unit production volume, and environmental protection. In the following years, it has successively completed milestones such as the replacement of lead anodes with dimensionally stable anodes, improved the environmental quality of the clean room, and developed unique formulas.

Currently, the Company's products are principally 1oz and 2oz copper foils with normal thickness, which account for about 37% and 18% of the revenue respectively, followed by 1/3oz and 1/2oz copper foils with higher technical levels, respectively. Accounting for about 18% and 20% of the revenue, they have been normally supplied to the world's leading copper foil substrate manufacturers and printed circuit board manufacturers. The evaluation is equivalent to the quality of Japanese copper foil factories.

For the copper foil requirements for lead-free and halogen-free substrates in recent years, and the requirements for the control of hazardous substances in RoHS, POHS, Green Product, and REACH laws and regulations, the Company has met the requirements and has also introduced production and delivered to customers for use.

## 2. R&D Status

The current development trend of consumer-electronics products is lighter, thinner, smaller, and more comprehensive functional enhancement. Coupled with the rapid development of 5G, the Internet of Things (IoT), and cloud-related products, the requirements for high-speed transmission, thin line width, and high-frequency interference will be more stringent. Under this requirement, corresponding to the requirements of the raw material copper foil substrate, it is necessary to match the thinner and lower roughness copper foil; in response to this trend, the Company has developed the BR-DSS-LX series and BR-HTE-RT series that to reduce signal loss, the production of thin lines, and reduce costs, and meet the requirements of folding endurance which can not only be used in high-speed multi-layer thin circuit boards, but also in high-frequency signal transmission boards (such as car anti-collision radar, GPS safety system, and Servers, etc.), and the high-end FPC market. In addition, according to the needs of customers in special industries, after the stages of understanding/development/testing/mass testing/mass production, we gradually develop tailor-made copper foils that meet customer specifications.

## 3. Expenditures for R&D Work in the Most Recent Year

The Company's technical unit has a considerable level of familiarity with the formula parameters and production environment required for production, and irregularly improves and discusses, tests, and research process technology to meet the quality and specifications required by customers, and maintain a competitive advantage in the market; the Company's R&D-related expenses include personnel costs related to R&D personnel and raw materials required for R&D testing. The expenses are compiled according to the development progress of new products and new technologies, 2022 R&D expenses totaled NT\$13,237,000, accounting for 0.33% of operating revenue, which was mainly used to continuously strengthen the functions and characteristics of existing products, to increase the adding value of products and enhance the Company's market competitiveness.

4. Any successfully developed technologies or products for the most recent years

Year	R&D achievements	Description
2022	Extremely low roughness reverse copper foil	Customer succeed in verification
	Copper foil for paper substrate	Customer succeed in verification

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

1. Short-term Business Development Plans

Continue to deepen the cooperative relationship with existing customers, optimize and adjust the product portfolio structure, and meanwhile cooperate with leading manufacturers of Netcom equipment, servers, and printed circuit boards for automobiles by means of strategic alliances, to understand their requirements for product specifications and to introduce high-level downstream applications through them.

2. Long-term Business Development Plans

(1) Maintain stable quality and competitive price, and continuously enhance product manufacturing process and efficiency to meet customer demands and fully adapt to market dynamics.

(2) The application fields of terminal products are increasing day by day. To expand business momentum, the Company actively contacts potential customers on the application side of the printed circuit board market and is committed to achieving the goal of increasing the number of customers year by year, improving production efficiency, diversifying the customer base, and extending sales territory.

(3) Continue to develop high-end products for high-frequency and high-speed applications, and cooperate with customers on special projects, expecting to gradually occupy the high-end application market in recent years.

**II. Analysis of Market and Production and Marketing Situation**

(I) Market Analysis

1. Areas/regions of sales of major products and market share

Unit: NT\$1,000

Territory \ Year	2021		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic Sales	611,327	13.64	415,909	10.27
Foreign Sales	3,871,811	86.36	3,632,048	89.73
Total	4,483,138	100.00	4,407,957	100.00

The Company's export areas include mainland, Japan, South Korea, Thailand, and Germany. The value of the global electrolytic copper foil market (including electronic circuit copper foil and lithium battery copper foil) in 2022 was slightly more than US\$9 billion (approximately NT\$270 billion) (Research and Markets, March 2023). According to calculations based on the year 2022, the Company produced and sold standard copper foil, and its sales revenue of standard copper foil for the year accounted for approximately 1.4% of the global electrolytic copper foil market value.

## 2. Supply and Demand in the Market and Possible Future Growth

The global circuit board industry is still dominated by Taiwan, the Chinese mainland, Japan, and South Korea. In terms of market share of production value, Taiwan is the world's largest circuit board producer, with a market share of about 34.5% in 2021. The rest of the rankings show 28.3% in the Chinese mainland, 17.0% in Japan, and 11.1% in South Korea. In the past few years, the growth rate in the Chinese mainland has been much higher than the global average every year, and the market share has risen rapidly. However, the demand for global terminal products in 2021 is mainly biased toward carrier board products, which is beneficial to the circuit board industry structure of Taiwan, Japan, and South Korea. Therefore, the Chinese mainland market share growth has slowed down, and the gap with Taiwan has once again widened. For now, in 2022, countries are still continuing the development trend of last year, thus estimating that the global circuit board market share in 2022 will be roughly the same as that in 2021.

Printed circuit boards are the main components of various information electronics, communications, consumer-electronics, automotive electronics, industrial control, and other industries, and currently, there is no alternative product for printed circuit boards. The application of traditional printed circuit boards is limited by technical optimization and extended product life cycle, but with the innovation of automotive electronic devices, unmanned vehicles, servers, and Internet communication equipment, the mainstream demand for applications such as multi-performance integration, high-speed computing, and miniaturization design has increased, and 5G commercial services have been launched successively in 2021. The development of automotive electronic systems continues to drive the demand for terminal products. Prismark Research Institute estimates that the average compound growth rate of the global printed circuit board industry from 2019 to 2024 will remain at 5.1%. Among them, the average annual compound growth rate of the application of the HDI process will be up to 6.5%.

Taking a further look at the copper foil substrate market, in the past, the high-end copper foil substrate market was mostly dominated by Japanese and American manufacturers. However, in recent years, domestic manufacturers have gradually

stepped into the development and mass production of mid-to-high-end copper foil substrates to respond to requirements of terminal applications such as automotive systems, and 5G equipment. Electrolytic copper foil is mainly applied in the major material for copper foil substrates, to meet the high-frequency, high-speed, miniaturization, and other specification demands required by the carrying components, the technical capabilities of copper foil production are important keys to link board manufacturers and copper foil factories.

Benefiting from the influence of electric vehicles and the consumption of electronic products driven by the epidemic, the electric vehicle market and the PCB market are in great demand. Overall, the production capacity of the electronic circuit copper foil supply market should be in shortage.

### 3. Competitive Niches

#### (1) Master the technological trends and continue to develop mainstream products

The Company's machine design process can disperse different PCB product application fields, and the diversity spans consumer-electronics, automotive electronics, communication equipment, general computer peripherals, etc., and has the tailor-made ability, and co-develop servers, radar, and high-end smartphones with customers by using copper foil, targeting thin lines and high-frequency high-speed transmission boards; the Company has customers all over China, Thailand, Japan, Korea, and Europe, with the depth of technical capabilities and the breadth of downstream customers.

#### (2) Good and stable customer relationship

The Company has certificated ISO-9001 2015 version quality management system, IATF 16949 2016 version global automotive quality management system, and customer excellent supplier, and has long-term cooperation with downstream customers to maintain stable relationships; in addition, punctual delivery reduces the risk of delayed delivery, and often visit customers to understand customer needs, so that sales customers will not have the risk of downtime for materials, and truly implement product after-sales service to improve customer satisfaction.

#### (3) Robust financial structure

The Company has a sound asset/liability structure to ensure its sustainable and steady development. In addition, the Company's operating expense ratio in the recent fiscal year is controlled within 5%. Therefore, a stable financial structure is an important foundation for long-term cooperation and grow together for the Company and its customers. It is also the key to maintaining operational stability during the overall economic downturn.

#### 4. Future Development Positive and Negative Factors and Response

##### (1) Positive Factors

- A. Terminal electronic products are booming, and the demand for conductive materials continues to rise

Printed circuit boards are the core of the industrial foundation. With the promotion of terminal application products such as the Internet of Things and big data, the production value of the electronics industry has grown year by year. Copper foil has high conductivity and is relatively low in price compared to other metal materials making it an important raw material that is widely used in printed circuit boards, and there is currently no alternative product to replace it. Therefore, under the trend of development, integration of information, communication equipment and devices, consumer products, and industrial medical care, as well as the innovation of new application products, the Company will continue to drive growth room for the copper foil industry.

- B. Automotive electronics push up demand for copper foil

Issues such as the Internet of Vehicles, autonomous driving, and driving safety continue to heat up. Compared with the navigation system that is basically equipped with traditional vehicles, technologies such as Advanced Driver Assistance Systems (ADAS), automotive sensor technology, electronic speakers, and virtual panels have been developed, and also gradually applied to new car models launched by various well-known car manufacturers. It is estimated that each traditional car needs 0.5 square meters of copper foil (approximately 0.143 kg). The amount of electronic copper foil used in cars is estimated to reach 2 square meters level, and the demand for copper foil continues to rise.

- C. 5G wireless communication brings new market opportunities

The prototype of the 5th generation communication design and demand has been revealed in 2017. However, due to the impact of Sino-US trade, the spectrum license release schedule has been delayed. The ultra-low dielectric loss coefficient is required by the substrate to improve the transmission quality, and the substrate manufacturers continue to focus on thinning and high-frequency and high-speed fields. In addition to wireless antenna design and high-speed computing calculations, the difficulty of combining design and the process capability of printed circuit boards will influence the development momentum of equipment, the development of copper foil substrates must meet the needs of high-frequency and high-speed. According to Digitimes Research's broadband and wireless research forecast, in response to mobile data services,



communication software applications, high-speed and other needs, the market scale of 5G network infrastructure (including communication services, terminals, and base station equipment) will reach US\$26 billion in 2026, and the compound annual growth rate (CAGR) will continue to expand, creating new growth momentum for the demand for copper foil materials.

D. It is a high-tech and capital-intensive industry with high barriers to entry for potential competitors

The copper foil needs to integrate a lot of precise knowledge in the manufacturing process. In addition to high technical requirements, it also needs to meet a certain level of quality and product stability. Therefore, the process of entering the mass production stage of new products is deeply challenging. Furthermore, currently, domestic copper foil factories are mostly deployed in the petrochemical industry system, including Chang Chun Chemical, Nan Ya Plastics, Co-Tech, and the company. In addition to the foundation of petrochemical electroplating, proper pipeline configuration, and key production equipment titanium cylinders are required. And post-processing machines also require high capital investment. Compared with other industries, copper foil is a high-tech and highly capital-intensive production knowledge. As far as new factories are concerned, in addition to land and environmental assessments related to government promoting policies, It takes about one to one and half years lead time to obtain the key equipment titanium cylinder, which leads to an initial estimate of at least NT\$4 billion invested in the construction of the factory. Coupled with the impact of high depreciation costs, it becomes difficult for potential entrants to enter.

(2) Negative Factors

A. Market supply and demand are affected by global inflation and the capacity expansion of peer industries

The Company belongs to the printed circuit board industry chain required by global electronic products. In addition to the upstream raw material supply cost being affected by the fluctuations in the international copper price market, the downstream demand of the terminal is impacted by the global inflationary. Furthermore, like the copper foil industry in the Chinese mainland, the continuous expansion of production capacity has caused fluctuations in market supply and demand, and the risks have gradually increased.



- B. It is uneasy to cultivate professional and technical talents in the copper foil industry

The copper foil industry requires long-term manpower cultivating, and it is uneasy to cultivate R&D personnel and accumulate experience. The Company needs to jointly design and develop products according to customer needs. It needs sufficient and high-quality R&D personnel to meet various tailor-made needs of customers.

- C. Japanese copper foil manufacturers are leading in technology, while Chinese mainland manufacturers are highly competitive

Compared with other Asian copper foil manufacturers, Japanese copper foil manufacturers possess higher-level technology; in addition, the copper foil industry in the Chinese mainland is highly competitive with each other.

- D. Rising electricity prices

Electricity bill is one of the main costs of producing copper foil by electrolysis, accounting for nearly 10% of the cost. Coupled with the impact of global warming, our country's manufacturing industry is facing the issue of energy transition. To cooperate with energy fairness and energy conservation, matching electricity prices and pollution reduction, industry-specific electricity bill cost burdens, etc., will influence the adjustment of electricity prices and thus affect production costs.

### (3) Response

- A. In response to fluctuations in the global economic cycle and changes in the supply and demand of the copper foil industry, the Company continues to improve its own research and development capabilities and cooperates and communicates with professional institutions, introduces special copper foil research and development technology and develops high-end products, and actively increases the proportion of sales to automotive electronics customers with relatively high growth and stability in the printed circuit boards industry, and to keep an eye on market supply and demand anytime, maintain operational stability with a sound financial structure, and reduce the price impact of future economic fluctuations and supply and demand reversals.
- B. In addition to improving employee salaries and various benefits, the Company has also established its core value culture, so that colleagues can deeply recognize its business direction and strategies, so the R&D team has an average seniority of more than 10 years; in addition, the Company also cooperates with professional organizations to cooperate

technically, improve the development of new technologies and new products and jointly design and develop with customers, strengthen the application of special specifications and general products, provide tailor-made products and accumulate R&D talents, skills, and experience.

- C. Beyond that continuously improving its own research and development capabilities, the Company also continues to cooperate and communicate with professional institutions, introduce special copper foil research and development technologies, or research and develop designs according to tailor-made needs. In addition to improving the Company's research and development and manufacturing capabilities to create technical barriers to entry for other manufacturers, will also help the Company to provide more diversified products, catch up with the distance with Japanese manufacturers, and get rid of the follow-up catch-up of the red supply chain in the Chinese mainland, to strengthen the Company's competitiveness.
- D. In line with energy transition and supply chain requirements, and under the "Renewable Energy Development Act", the domestic electricity consumption of more than 5,000 kilowatts should purchase at least 10% green electricity and should be completed within 5 years, thus most domestic enterprises have procured green power, including through self-built power plants, purchase certificates, investment in energy storage equipment or payment of voucher. The Company purchased green power in 2021 and began to use it in 2023, and gradually improved corresponding to the energy conservation equipment ratio.

(II) Usage and Manufacturing Processes for Main Products

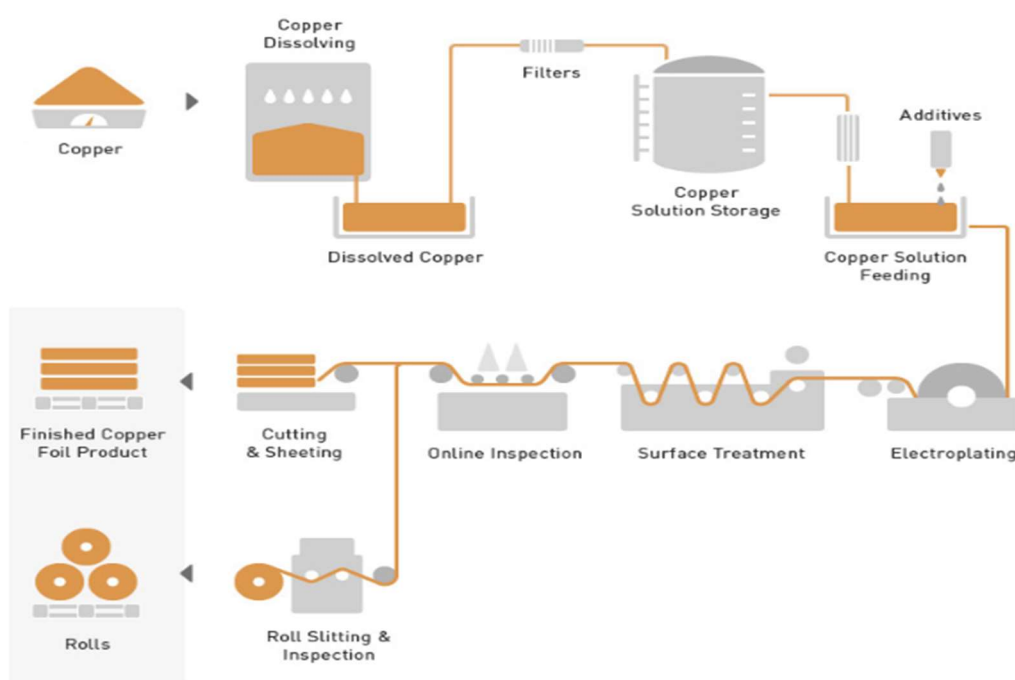
1. Usage for Main Products

Main Products	Usage
Electrolytic copper foil	Mainly applied in products such as copper foil substrates and printed circuit boards FCCL, FPC, BGA, TAB, COF, and lithium batteries.

## 2. Manufacturing Processes for Main Products

The manufacture of electrolytic copper foil is mainly to deposit copper sulfate solution under the action of direct current to make a raw foil roll, and then make a raw foil roll, and then surface treatments such as tumorization, high-temperature resistance, and anti-oxidation become annealed foil rolls, which are then cut and packaged to obtain finished products. They are mainly supplied to the upstream and downstream industries of printed circuit boards. The relevant processes and descriptions are as follows:

**Flow Chart of Copper Foil**



### (1) Raw foil manufacturing

Mainly use copper wire as raw material, react with sulfuric acid aqueous solution and oxygen to obtain copper sulfate solution; after precision filtration, control the purified solution at the required temperature and flow rate, add trace additives, and pump the solution into inside electrolytic cell, direct current is applied to carry out copper electroplating and precipitation, and then the equipment speed is controlled, and the copper foil of the required thickness can be torn off from the equipment and coiled, and a semi-finished raw foil roll can be obtained.

### (2) Annealed foil manufacturing

After the semi-finished raw foil roll is completed, it still needs to go through the post-processing procedure due to insufficient adhesion with the prepreg. Mainly 4 post-treatment processes, which are tumor treatment, heat resistance treatment, acid resistance treatment, and silane treatment. Tumor treatment is mainly to carry out copper tumor treatment on the bonding surface of the

prepreg, that is, roughening treatment, to increase its contact surface area, that is, to increase its bonding strength with the prepreg; followed by heat-resistant treatment, mainly on the surface of copper foil, A trace amount of zinc is plated to prevent the thermal oxidation of the copper foil during the pressing process of the user end; followed by acid-resistant treatment, mainly a layer of the very small amount of chromium oxide is plated to enhance the acid resistance of the printed circuit and the anti-oxidation ability of copper foil storage; Finally, a layer of silane is coated to increase the bonding strength with the prepreg; At the end, semi-finished annealed foil rolls can be obtained.

(3) Cutting and Shipping

The annealed foil rolls are cut and packaged by customer requirements, and after passing the quality control inspection, they can be shipped to customers.

(III) Supply Situation for Major Raw Materials

The main raw material of copper foil is copper wire, the main source of supply comes from several domestic and foreign copper wire recyclers and copper wire manufacturers, the production sources and supply are sufficient.

(IV) Suppliers and Clients that Have Accounting for 10% or More of the Total Purchase (Sales) Amount in Either of the Most Recent Two Years, and Explained the Reason for Any Change in the Amount

1. List of Major Suppliers in the Most Recent Two Years

Unit: NT\$1,000

Item	2021				2022			
	Name	Amount	Proportion to Net Purchase for the Year (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase for the Year (%)	Relationship with the Issuer
1	Company A	1,123,378	37.36	None	Company A	882,958	29.75	None
2	Company B	655,550	21.80	None	Company F	508,826	17.15	None
3	FORMOSA COPPER	432,390	14.38	The Company serves as its director	FORMOSA COPPER	477,506	16.09	The Company serves as its director
4	Company F	343,319	11.42	None	E	463,166	15.61	None
5	Others	452,112	15.04	—	B	297,757	10.03	None
	Net purchase	3,006,749	100.00		Others	337,446	11.37	
					Net purchase	2,967,659	100	

Explanation of changes: In 2022, the amount of goods purchased from supplier E increased due to the increase in the source of suppliers.

## 2. List of Major Clients in the Most Recent Two Years

Unit: NT\$1,000

Item	2021				2022			
	Name	Amount	Proportion to Net Sales for the Year (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Sales for the Year (%)	Relationship with the Issuer
1	Client A	728,759	16.26	None	Client A	972,573	24.03	None
2	Client C	722,372	16.11	None	Client C	804,568	19.88	None
3	Client B	479,864	10.70	None	Client B	366,447	9.05	None
	Others	2,552,143	56.93	—	Others	1,904,368	47.04	—
	Net Sales Net value	4,483,138	100.00	—	Net Sales Net value	4,047,957	100.00	—

Explanation of changes: There was no significant difference in the two years.

### (V) Table of Production Volume and Value for the Most Recent Two Years

Unit: ton; NT\$1,000

Production Volume and Value Main Products	Year	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Electrolytic copper foil		10,377	11,310	4,696,151	11,500	10,453	4,125,748

### (VI) Table of Sales Volume and Value for the Most Recent Two Years

Unit: ton; NT\$1,000

Sales Volume and Value Main Products	Year	2021				2022			
		Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electrolytic copper foil		1,483	611,327	9,321	3,871,811	1,036	415,909	9,343	3,632,048

### III. Information on Employees for the Two Most Recent Fiscal Years, and the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year		2021	2022	As of March 31 of the Current Year
Number of Employees	General staff	108	113	112
	Production line staff	115	110	108
	Total	221	223	220
Average Age		40.31	41.63	41.79
Average Service Year		12.33	12.67	12.74
Academic Background Distribution (%)	PhD	0.45%	0.4%	0.5%
	Master's	6.73%	6.7%	7.3%
	Bachelor's	65.92%	66.4%	65.0%
	High school	26.90%	26.5%	27.3%
	Below high school	0.00%	0%	0%

### IV. Disbursements for Environmental Protection

Losses and Fines in the Most Recent Fiscal Year and in the Current Fiscal Year Up to the Date of Publication of the Annual Report due to Environmental Pollution Incidents: None.

The Company has incorporated the possible risks of violating various environmental laws and regulations into the principles of daily operation and management, and actively understands the government's various environmental protection-related policies and drafts laws and regulations, to take countermeasures in advance. Currently, no environmental pollution and related compensation, punishment, and other expenses have occurred.

### V. Labor Relations

Labor harmony is the driving force behind the development of the Company. Based on this common philosophy, all colleagues in the Company work together in unity and cooperation under mutual trust, assistance, and understanding to establish a long-term stable working environment and good corporate culture. It also promotes continuous growth of the Company and will continue in the future. At the same time, the Company will continue to promote the following tasks to create better business performance and work hard to seek the well-being of the Company's shareholders and all colleagues.

- (I) Employee Benefit Plans, Continuing Education, Training, and 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

- (1) Labor insurance, health insurance, and related insurance are handled under our laws and regulations
- (2) Employee group insurance, term life insurance, term accident insurance, medical insurance (including family dependents)
- (3) Regular health examination
- (4) Year-end bonus
- (5) Education and training
- (6) Employee Benefit Saving Trust (Employee holds the share)
- (7) The Company allocates welfare funds by the law for the benefit of employees, and disburses and handles the following welfare matters under our laws and regulations: Spring Festival, Mid-Autumn Festival, Dragon Boat Festival cash gift, birthday cash gift, etc.

In addition to setting a reasonable and competitive salary level based on the labor market conditions, the Company's various benefits also handle relevant insurance under the laws and regulations, and issue bonuses based on its overall operating performance to encourage employees to make long-term contributions and grow together with the Company.

2. Continuing education and training

The goal of the Company's training and development is to continuously improve the quality of human resources and work skills, stimulate work enthusiasm and meet challenges, create higher corporate value, and achieve operating targets and future development. In order to achieve this goal and respond to the rapidly growing manpower needs of the operating scale, the Company has established a complete education and training structure in conjunction with the functional system, planning appropriate new recruit training, professional training, management training at all levels, environmental safety related training and corporate philosophy courses. Providing all-round training for colleagues by physical or e-learning methods, so that each employee can continuously improve their professional functions, find a stage to show their abilities, and build a mid-to-long-term functional and career development plan with the Company.

In addition to professional function training, the Company also arranges job rotations according to the career planning of colleagues and encourages employees to learn in multiple ways or self-improvement, and strives to improve the overall quality of employees and improve the cultivation and development of talents.

(1) Education and training system

EXPERTISE, ON-THE-JOB TRAINING	MANAGEMENT CAPACITY TRAINING	NEWLY RECRUITED PERSONNEL TRAINING	STATUTORY ENVIRONMENTAL SECURITY TRAINING
<p>(1) Use the internal professional learning or the training courses held with external professional institutions to provide opportunities to communicate with peers; through multiple learning methods and channels, and enhance career professional skills.</p> <p>(2) Carry out job rotation, enhance the professional functions of employees in different fields, and increase the breadth and depth of employees' professionalism.</p>	<p>(1) Plan for gradual and continuous supervisory function development, expecting to build a high-quality management team.</p> <p>(2) Courses are divided into different stages by the trainees to cultivate all-round management ability.</p> <p>(3) Establish a common management language to enhance organizational management performance.</p>	<p>(1) Through the common training arranged by the human resources department, new recruits can understand the entire organizational culture and system, strengthen the recognition and solidarity of new recruits to the Company, understand the functions of each unit in a short time, and accelerate their integration into the Company environment.</p> <p>(2) Through the relevant training arranged by the department head, new recruits can clearly learn the working environment and work content, and complete the professional knowledge and skills required for the job.</p>	<p>(1) The Company attaches great importance to environmental safety and hygiene training, and the industrial safety and environmental protection department plans appropriate safety awareness/environmental protection/hygiene/firefighting/emergency response courses, etc., to build and improve the environmental safety and hygiene system.</p> <p>(2) Participate in various legal certificate training courses under laws and regulations and operational requirements to ensure the safety of production and various operations.</p>

(2) A total of 93 courses were held in 2022, and the total number of training hours was 3,067 hours.

3. Retirement Systems and the Status of Implementation

The Company has a complete and clear retirement system, in line with the implementation of the Labor Pension Act on July 1, 2005. For those who belong to the old system of employee retirement, the seniority has been fully settled, and the employer set aside 6% of the pension monthly. Deposit in the labor pension individual account established by the Bureau of Labor Insurance.



4. Labor-management agreements and measures for preserving employees' rights and interests

The Company has always attached great importance to the interaction between labor and management. It has a labor-management meeting channel for employees to directly express personal opinions and has a proposal bonus to encourage employees to put forward suggestions for Company improvement. No Labor Dispute Occurred in the Most Recent Fiscal Year and in the Current Fiscal Year Up to the Date of Publication of the Annual Report.

To protect the rights of employees, in addition to complying with relevant laws and regulations, the Company has formulated "work rules" to regulate the rights and obligations between employees and the Company. If there is any overreach, the heads of each department will hold a meeting to discuss it. Employees can also directly express personal opinions through the suggestion box and legitimate channels.

- (II) Loss Resulting from Labor Dispute in the Most Recent Fiscal Year and in the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

**VI. Cyber security management:**

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

The Company has an information security supervise committee, with the general manager as the chairman, and the head of business units or departments as members of other committees. At least one meeting is held every year, and internal colleagues or external experts make reports or put forward suggestions on the Company's information security issues.

To ensure the safety of collection, processing, transmission, storage, and flow of Company information, the information department coordinates and promotes related matters under information security management standards, formulates relevant information security policies, maintains computer system security, network security, system access control management, physical and operating environment security, personnel management, information security education and training, and sensitive information protection management, etc., based on the principles of confidentiality, integrity, and availability, allows the Company's personnel to follow and abide by. Besides, the service contract with third-party manufacturers also requires to sign a confidentiality agreement and compliance with information security regulations to implement the Company's requirements for information security.

The Company evaluates the information security policy every year, and according to the needs of the job category, conducts information security education training and publicity at least once a year, regularly reminds colleagues to update accounts, anti-virus software, and prohibit information access to external hard drives without approval, and other measures, to ensure the effectiveness of information security software; In addition, in terms of computer room security, the equipment is fixed and secure, important entrances and exits are equipped with monitors, temperature and humidity control in the computer room is maintained, and emergency backup power is equipped with an uninterruptible power system protective measures such as emergency response operations for supporting; moreover, equipment maintenance manufacturers also need to register and approve when entering and leaving the computer room, and off-site backup operations, etc., to ensure the effectiveness of information security entities.

Focusing on the key points of information security control, mainly regarding the effectiveness review of information security, such as Company information access should be approved, information system recovery test, system exception handling, off-site backup operations, computer room equipment inspection, and regular inventory. Up to the date of publication of the annual report, no major defects have been found that affect the Company's information security.

In terms of information security risk assessment, although the Company has a complete network and computer security protection system to control or maintain the Company's operations and financial accounting and other important business operations, it still cannot guarantee that its computer system can completely avoid any third parties malicious network attacks, social engineering attacks, and service providers' failure to perform or strictly follow relevant obligations lead to the theft of Company confidential information or interference with Company operations. These attacks can pose the Company to harden its cybersecurity environments and systems causing the cost of remedial and improvement measures has increased, and the responsibility for related legal cases or regulatory investigations may also increase due to leakage of confidentiality obligations to customers or third-party information. However, up to the date of publication of the annual report, the Company has not discovered any major cyber attacks or events that have or may have a material adverse impact on the Company's business and operations and has not been involved in any legal cases or regulatory investigations related to this.

- (II) List any losses suffered by the Company in the most recent two years and up to the date of publication of the annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

None.

## VII. Important Contracts

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Raw material supply	Company A	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	Company B	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	FORMOSA COPPER	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	Company D	2022.01.01~2022.12.31 2023.03.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	Company E	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	Company F	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	Company G	2022.01.01~2022.12.31 2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Raw material supply	Company H	2023.01.01~2023.12.31	Copper Wire Raw material supply	—
Lease contract	LCY Chemical Corp.	2018.11.01~2028.10.31	Land lease	—
Lease contract	LEE CHANG YUNG COMPANY, LTD.	2019.01.01~2021.12.31 2022.01.01~2024.12.31	Office lease	—

## Chapter 6. Financial Information

### (I) Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years and Names and Audit Opinions of CPAs

#### (I) Condensed Consolidated Balance Sheets and Statements of Comprehensive Profit or Loss - Under IFRSs

##### 1. Condensed Balance Sheets - Consolidated

Unit: NT\$1,000

Item	Year	Financial Information for the Past Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		2,217,792	1,885,650	1,828,748	2,537,076	2,431,110
Property, Plant, and Equipment		456,740	439,637	441,723	387,152	456,457
Intangible Assets		3,393	2,837	7,539	6,339	4,909
Other Assets		69,265	222,005	209,486	255,036	198,553
Total Assets		2,747,190	2,550,129	2,487,496	3,185,603	3,091,029
Current Liabilities	Before distribution	427,190	313,323	312,063	631,403	592,373
	After distribution	672,126	405,174	403,914	838,068	Note 2
Non-current Liabilities		270	142,615	133,621	127,056	121,663
Total Liabilities	Before distribution	427,460	455,938	445,684	758,459	714,036
	After distribution	672,936	547,789	537,535	965,124	Note 2
Equity Attributable to Owners of the Parent		2,319,730	2,094,191	2,041,812	2,427,144	2,376,993
Capital Stock		1,530,850	1,530,850	1,530,850	1,377,765	1,377,765
Capital Surplus		307,478	307,478	307,478	313,107	318,594
Retained Earnings	Before distribution	471,034	260,211	202,683	675,040	671,369
	After distribution	226,098	168,360	110,832	468,375	Note 2
Other Equity		10,368	(4,348)	801	61,232	9,265
Treasury Stock		—	—	—	—	—
Non-controlling Interests		—	—	—	—	—
Total Equity	Before distribution	2,319,730	2,094,191	2,041,812	2,427,144	2,376,993
	After distribution	2,074,794	2,002,340	1,949,961	2,220,479	Note 2

Note 1: Each annual financial information has been audited by the CPAs.

Note 2: The proposal for 2022 earnings distribution has been resolved by the Board of Directors on March 24, 2023. It has not been approved by the Annual Shareholders' Meeting yet, so the amount after distribution will not be listed for the time being.

2. Condensed Statements of Comprehensive Income - Consolidated

Unit: NT\$1,000

Item \ Year	Financial Information for the Past Five Fiscal Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	3,209,423	2,984,117	2,796,303	4,483,138	4,047,957
Gross Profit	457,635	178,416	183,901	863,976	285,541
Operating Profit or loss	315,143	52,645	68,381	716,411	133,590
Non-operating profit and expense	36,404	(9,547)	(25,478)	(9,785)	133,220
Income before Tax	351,547	43,098	42,903	706,626	266,810
Profit or Loss from Continuing Operations	276,552	34,113	34,323	564,208	202,994
Profit or Loss from Discontinued Operations	—	—	—	—	—
Net Income	276,552	34,113	34,323	564,208	202,994
Other Comprehensive Profit or Loss	8,682	(14,716)	5,149	60,431	(51,967)
Total Comprehensive Profit or Loss	285,234	19,397	39,472	624,639	151,027
Net Income Attributable to Shareholders of the Parent	276,552	34,113	34,323	564,208	202,994
Net Income Attributable to Non-controlling Interests	—	—	—	—	—
Comprehensive Income Attributable to Owners of the Parent	285,234	19,397	39,472	624,639	151,027
Comprehensive Income Attributable to Non-controlling Interests	—	—	—	—	—
Earnings Per Share (NT\$)	1.88	0.22	0.22	3.77	1.47

Note: Each annual financial information has been audited by the CPAs.

(II) Condensed Parent Company Only Balance Sheets and Statements of Comprehensive Income - Under IFRSs

1. Condensed Balance Sheets - Parent Company Only

Unit: NT\$1,000

Item	Year	Financial Information for the Past Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		2,217,779	1,885,637	1,828,736	2,537,064	2,431,097
Property, Plant, and Equipment		456,740	439,637	441,723	387,152	456,457
Intangible Assets		3,393	2,837	7,539	6,339	4,909
Other Assets		69,278	222,018	209,498	255,048	198,566
Total Assets		2,747,190	2,550,129	2,487,496	3,185,603	3,091,029
Current Liabilities	Before distribution	427,190	313,323	312,063	631,403	592,373
	After distribution	672,126	405,174	403,914	838,068	Note 2
Non-current Liabilities		270	142,615	133,621	127,056	121,663
Total Liabilities	Before distribution	427,460	455,938	445,684	758,459	714,036
	After distribution	672,396	547,789	537,535	965,124	Note 2
Equity Attributable to Owners of the Parent		2,319,730	2,094,191	2,041,812	2,427,144	2,376,993
Capital Stock		1,530,850	1,530,850	1,530,850	1,377,765	1,377,765
Capital Surplus		307,478	307,478	307,478	313,107	318,594
Retained Earnings	Before distribution	471,034	260,211	202,683	675,040	671,369
	After distribution	226,098	168,360	110,832	468,375	Note 2
Other Equity		10,368	(4,348)	801	61,232	9,265
Treasury Stock		—	—	—	—	—
Non-controlling Interests		—	—	—	—	—
Total Equity	Before distribution	2,319,730	2,094,191	2,041,812	2,427,144	2,376,993
	After distribution	2,074,794	2,002,340	1,949,961	2,220,479	Note 2

Note 1: Each annual financial information has been audited by the CPAs.

Note 2: The proposal for 2022 earnings distribution has been discussed by the Board of Directors on March 24, 2023. It has not been approved by the Annual Shareholders' Meeting yet, so the amount after distribution will not be listed for the time being.

2. Condensed Statements of Comprehensive Income - Parent Company Only

Unit: NT\$1,000

Item \ Year	Financial Information for the Past Five Fiscal Years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	3,209,423	2,984,117	2,796,303	4,483,138	4,047,957
Gross Profit	457,635	178,416	183,901	863,976	285,541
Operating Profit or loss	315,143	52,645	68,381	716,411	133,590
Non-operating Income and Expenses	36,404	(9,547)	(25,478)	(9,785)	133,220
Income before Tax	351,547	43,098	42,903	706,626	266,810
Income from Continuing Operations	276,552	34,113	34,323	564,208	202,994
Loss from Discontinued Operations	—	—	—	—	—
Net Income	276,552	34,113	34,323	564,208	202,994
Other Comprehensive Profit or loss (after Tax)	8,682	(14,716)	5,149	60,431	(51,967)
Total Comprehensive Profit or Loss	285,234	19,397	39,472	624,639	151,027
Earnings Per Share (NT\$)	1.88	0.22	0.22	3.77	1.47

Note: Each annual financial information has been audited by the CPAs.

(III) Name of CPAs and Audit Opinions for the Past Five Fiscal Years

Year	CPA Firm	Name of CPA	Opinions
2018	Deloitte & Touche	Liu Chien-Liang, Wang I-Wen	Unmodified opinion
2019	Deloitte & Touche	Lin Wen-Chin, Wang I-Wen	Unmodified opinion
2020	Deloitte & Touche	Lin Wen-Chin, Wang I-Wen	Unmodified opinion
2021	Deloitte & Touche	Lin Wen-Chin, Wang I-Wen	Unmodified opinion
2022	Deloitte & Touche	Lin Wen-Chin, Liu Chien-Liang	Unmodified opinion

## (II) Financial Analyses for the Past Five Fiscal Years

### (I) Consolidated Financial Analyses for the Past Five Fiscal Years - Under IFRSs

Analysis Item		Year	Financial Analysis for the Past Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022	
Financial structure	Debt ratio (%)	15.56	17.88	17.92	23.80	23.10	
	Ratio of long-term capital to property, plant, and equipment (%)	507.95	508.78	492.49	659.74	547.40	
Solvency	Current ratio (%)	519.16	601.82	586.02	401.81	410.40	
	Quick ratio (%)	405.75	482.20	461.98	304.09	298.25	
	Interest coverage ratio (ratio)	—	16.17	16.93	278.98	108.71	
Operating ability	Accounts receivable turnover rate (times)	6.45	5.17	3.77	4.84	4.19	
	Average days for cash receipts	56.58	70.59	96.82	75.41	87.11	
	Inventory turnover rate (times)	6.46	6.62	6.98	7.29	5.94	
	Accounts payable turnover rate (times)	11.93	15.29	14.92	14.32	11.26	
	Average days for sale of goods	56.50	55.13	52.29	50.06	61.44	
	Property, plant, and equipment turnover rate (times)	7.07	6.65	6.35	10.81	9.59	
	Total assets turnover rate (times)	1.21	1.12	1.11	1.58	1.28	
Profitability	Return on total assets (%)	10.39	1.37	1.45	19.96	6.53	
	Return on equity (%)	12.37	1.54	1.66	25.25	8.45	
	Ratio of income before tax to paid-in capital (%)	22.96	2.81	2.80	51.28	19.36	
	Net profit margin (%)	8.62	1.14	1.23	12.58	5.01	
	Earnings Per Share (NT\$)	1.88	0.22	0.22	3.77	1.47	
Cash flows	Cash flow ratio (%)	81.87	(52.50)	53.46	65.18	55.60	
	Cash flow adequacy ratio (%)	207.53	117.98	107.48	83.61	56.86	
	Cash reinvestment ratio (%)	(2.56)	(7.69)	1.40	5.50	2.11	
Leverage	Operating leverage	2.20	7.83	6.31	1.57	3.71	
	Financial leverage	1.00	1.06	1.04	1.00	1.01	

Descriptions for any changes in financial ratios up to 20% for the past two fiscal years:

1. Interest coverage ratio: Declined compared to 2021 due to profits decreased.
2. Accounts payable turnover rate (times): Declined compared to 2021 due to payables increased.
3. Average days for sale of goods: Rose compared to 2021 due to inventory increased.
4. Profitability: Due to the decrease in income after-tax, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin, and earnings per share decreased accordingly.
5. Cash flow allowable ratio (%): decreased compared with 2021, mainly due to the calculation base of net cash flow of operating activities in the past five years having decreased compared with 2021.
6. Cash reinvestment ratio (%): decreased compared with 2021, mainly due to the decrease in net cash flow from operating activities and the increase in cash dividends paid.
7. Operating leverage: increased compared with 2021, mainly due to the decrease in net operating revenue and operating income.



Note 1: Each annual financial information has been audited by the CPAs.

Note 2: The calculation formulas of the form are as follows:

1. Financial structure:

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.

2. Solvency:

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

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.

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

3. Operating ability:

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average days for cash receipts = 365 days/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average days for sale of goods = 365 days/Inventory turnover rate.

(6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.

(7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability:

(1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.

(2) Return on equity = Income after tax/Average total equity.

(3) Net profit margin = Income after tax/Net sales.

(4) Earnings per share = (Income attributable to owners of the parent - Preferred stock dividends)/Weighted average number of shares issued. (Note 3)

5. Cash Flows:

(1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 4)

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income. (Note 5)

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 3: Special attention shall be paid to the following matters when using the formula of Earnings Per Share above:

1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.

2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.

3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.

4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

- Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
  2. Capital expenditure refers to the cash outflow to annual capital investment.
  3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
  4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
  5. Gross property, plant, and equipment refer to total property, plant and equipment before the accumulated depreciation is subtracted.
- Note 5: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.
- Note 6: Where Company shares have no par value or where the par value per share is not NT\$10, any above-mentioned calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent company of the asset balance sheet.

## (II) Parent Company Only Financial Analyses for the Past Five Fiscal Years - Under IFRSs

Analysis Item		Financial Analysis for the Past Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure	Debt ratio (%)	15.56	17.88	17.92	23.80	23.10
	Ratio of long-term capital to property, plant, and equipment (%)	507.95	508.78	492.49	659.74	547.40
Solvency	Current ratio (%)	519.16	601.82	586.02	401.81	410.38
	Quick ratio (%)	405.75	482.19	461.98	304.08	298.25
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Operating ability	Accounts receivable turnover rate (times)	6.45	5.18	3.77	4.84	4.19
	Average days for cash receipts	56.62	70.51	96.81	75.41	87.11
	Inventory turnover rate (times)	6.46	6.62	6.98	7.29	5.94
	Accounts payable turnover rate (times)	11.93	15.29	14.92	14.32	11.26
	Average days for sale of goods	56.54	55.10	52.29	50.06	61.44
	Property, plant, and equipment turnover rate (times)	7.07	6.66	6.35	10.81	9.59
	Total assets turnover rate (times)	1.21	1.13	1.11	1.58	1.28
Profitability	Return on total assets (%)	10.39	1.37	1.45	19.96	6.53
	Return on equity (%)	12.37	1.55	1.66	25.25	8.45
	Ratio of income before tax to paid-in capital (%)	22.96	2.82	2.80	51.28	19.36
	Net profit margin (%)	8.62	1.14	1.23	12.58	5.01
	Earnings Per Share (NT\$)	1.88	0.22	0.22	3.77	1.47
Cash flows	Cash flow ratio (%)	81.87	(52.51)	53.46	65.18	55.60
	Cash flow adequacy ratio (%)	207.55	117.99	107.49	83.61	56.86
	Cash reinvestment ratio (%)	(2.55)	(7.70)	1.40	5.50	2.11
Leverage	Operating leverage	2.20	7.83	6.31	1.57	3.71
	Financial leverage	1.00	1.06	1.04	1.00	1.01

Descriptions for any changes in financial ratios up to 20% for the past two fiscal years:

- Interest coverage ratio: Declined compared to 2021 due to profits decreased.
- Accounts payable turnover rate (times): Declined compared to 2021 due to payables increased.
- Average days for sale of goods: Rose compared to 2021 due to inventory increased.
- Profitability: Due to the decrease in income after-tax, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin, and earnings per share decreased accordingly.
- Cash flow allowable ratio: decreased compared with 2021, mainly due to the calculation base of net cash flow of operating activities in the past five years having decreased compared with 2021.
- Cash reinvestment ratio: decreased compared with 2021, mainly due to the decrease in net cash flow from operating activities and the increase in cash dividends paid.
- Operating leverage: increased compared with 2021, mainly due to the decrease in net operating revenue and operating income.

Note 1: Each annual financial information has been audited by the CPAs.

Note 2: The calculation formulas of the form are as follows:

1. Financial structure:

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.

2. Solvency:

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

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.

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

3. Operating ability:

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average days for cash receipts = 365 days/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average days for sale of goods = 365 days/Inventory turnover rate.

(6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.

(7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability:

(1) Return on assets = [Income after tax + Interest expenses x (1 - Tax rate)]/Average total assets.

(2) Return on equity = Income after tax/Average total equity.

(3) Net profit margin = Income after tax/Net sales.

(4) Earnings per share = (Income attributable to owners of the parent - Preferred stock dividends)/Weighted average number of shares issued. (Note 3)

5. Cash Flows:

(1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 4)

6. Leverage:

(1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income. (Note 5)

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 3: Special attention shall be paid to the following matters when using the formula of Earnings Per Share above:

1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.
3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

- Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
  2. Capital expenditure refers to the cash outflow to annual capital investment.
  3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
  4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
  5. Gross property, plant, and equipment refer to total property, plant and equipment before the accumulated depreciation is subtracted.
- Note 5: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.
- Note 6: Where Company shares have no par value or where the par value per share is not NT\$10, any above-mentioned calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent company of the asset balance sheet.

**(III) Audit Committee's Review Report on Financial Statements for the Most Recent Fiscal Year**

**Audit Committee's Audit Report**

The Board of Directors has prepared the business report, parent company only financial statements, consolidated financial statements, and the proposal for distribution of earnings for 2022. The parent company only financial statements and consolidated financial statements have been duly audited by Lin Wen-Chin and Liu Chien-Liang, CPAs of Deloitte & Touche appointed by the Board of Directors. And the audit report has been issued. The said business report, parent company only financial statements, consolidated financial statements, and the proposal for distribution of earnings have been audited and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act. The Audit Committee's Report is hereby prepared.

Please review.

Sincerely,

2023 Annual Shareholders' Meeting of LCY TECHNOLOGY CORP.

LCY TECHNOLOGY CORP.

Convener of the Audit Committee: Liu San-Chi

March 24, 2023

**(IV) Consolidated Financial Statements for the Most Recent Fiscal Year, Certified by CPAs**

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

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

Very truly yours,

LCY TECHNOLOGY CORP.

By

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PAUL CHEN  
Chairman

March 24, 2023

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
LCY Technology Corp.

### **Opinion**

We have audited the accompanying consolidated financial statements of LCY Technology Corp. and its subsidiary (the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 Attestation of Financial Statements by Certified Public Accountants and the 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



The key audit matters of the consolidated financial statements for the year ended December 31, 2022 are stated as follows:

#### Timing of Revenue Recognition

The Group recognizes revenue when goods arrived at the agreed destination pursuant to the shipping terms of the sale, which increased the risk that the sale of goods may not be recognized in the correct period at or near the end of the reporting period; therefore, we considered the timing of revenue recognition a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

Our audit procedures performed related to the timing of revenue recognition included the following:

1. We evaluated the design of the internal controls with respect to the recognition of revenue from sales under the terms that the transfer of control over the goods to customers is based on the time when goods arrived at the agreed destination; we tested the operating effectiveness of the controls.
2. We performed cut-off tests and confirmed that sales are recognized in the correct period; we traced the recorded sales to third-party notification and related supporting documentation.

#### **Others**

We have also audited the parent company only financial statements of LCY Technology Corp. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified 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 IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group'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 maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 statements 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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wen-Chin Lin and Chien-Liang Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2023

*Notice to Readers*

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

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

# LCY TECHNOLOGY CORP. AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 721,055	23	\$ 717,178	23
Notes receivable - related parties (Notes 19 and 26)	-	-	8,688	-
Trade receivable (Notes 8 and 19)	858,445	28	1,061,517	34
Trade receivable - related parties (Notes 19 and 26)	2,339	-	-	-
Other receivables (Notes 8 and 25)	146,980	5	69,197	2
Other receivables - related parties (Note 26)	260	-	64	-
Current tax assets (Note 21)	-	-	23,999	1
Inventories (Note 9)	653,794	21	611,000	19
Prepayments (Note 14)	10,534	1	6,042	-
Other current assets (Note 14)	37,703	1	39,391	1
Total current assets	<u>2,431,110</u>	<u>79</u>	<u>2,537,076</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Note 7)	57,070	2	109,038	4
Investments accounted for using the equity method (Note 11)	2,006	-	2,000	-
Property, plant and equipment (Notes 12 and 26)	456,457	15	387,152	12
Right-of-use assets (Note 13)	127,724	4	131,882	4
Other intangible assets	4,909	-	6,339	-
Deferred tax assets (Note 22)	7,652	-	4,589	-
Refundable deposits (Note 27)	3,227	-	3,227	-
Long-term prepayments	874	-	4,300	-
Total non-current assets	<u>659,919</u>	<u>21</u>	<u>648,527</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 3,091,029</u>	<u>100</u>	<u>\$ 3,185,603</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables (Note 15)	\$ 305,275	10	\$ 286,901	9
Trade payables - related parties (Note 26)	39,892	1	36,146	1
Other payables (Note 16)	142,508	5	143,848	5
Other payables - related parties (Note 26)	21,041	1	8,758	-
Current tax liabilities (Note 21)	66,476	2	140,831	5
Lease liabilities (Notes 13 and 26)	9,829	-	7,690	-
Other current liabilities (Notes 16 and 19)	7,352	-	7,229	-
Total current liabilities	<u>592,373</u>	<u>19</u>	<u>631,403</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 21)	135	-	169	-
Lease liabilities (Notes 13 and 26)	121,528	4	126,887	4
Total non-current liabilities	<u>121,663</u>	<u>4</u>	<u>127,056</u>	<u>4</u>
Total liabilities	<u>714,036</u>	<u>23</u>	<u>758,459</u>	<u>24</u>
<b>EQUITY (Note 18)</b>				
Share capital	1,377,765	45	1,377,765	43
Capital surplus	318,594	10	313,107	10
Retained earnings				
Legal reserve	158,865	5	102,444	3
Unappropriated earnings	512,504	17	572,596	18
Total retained earnings	671,369	22	675,040	21
Other equity	9,265	-	61,232	2
Total equity	<u>2,376,993</u>	<u>77</u>	<u>2,427,144</u>	<u>76</u>
<b>TOTAL</b>	<u>\$ 3,091,029</u>	<u>100</u>	<u>\$ 3,185,603</u>	<u>100</u>

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

## LCY TECHNOLOGY CORP. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
SALES (Note 26)	\$ 4,047,957	100	\$ 4,483,138	100
COST OF GOODS SOLD (Notes 9, 20 and 26)	<u>3,762,416</u>	<u>93</u>	<u>3,619,162</u>	<u>81</u>
GROSS PROFIT	<u>285,541</u>	<u>7</u>	<u>863,976</u>	<u>19</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	68,855	1	59,538	1
General and administrative expenses	69,859	2	74,354	2
Research and development expenses	<u>13,237</u>	<u>-</u>	<u>13,673</u>	<u>-</u>
Total operating expenses	<u>151,951</u>	<u>3</u>	<u>147,565</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>133,590</u>	<u>4</u>	<u>716,411</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Notes 20 and 26)				
Interest income	4,443	-	1,164	-
Other income	19,297	-	6,676	-
Other gains and losses	111,951	3	(15,083)	-
Finance costs	(2,477)	-	(2,542)	-
Share of profit or loss of associates (Note 11)	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>133,220</u>	<u>3</u>	<u>(9,785)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	266,810	7	706,626	16
INCOME TAX EXPENSE (Note 21)	<u>63,816</u>	<u>2</u>	<u>142,418</u>	<u>3</u>
NET PROFIT	<u>202,994</u>	<u>5</u>	<u>564,208</u>	<u>13</u>

(Continued)

## LCY TECHNOLOGY CORP. AND SUBSIDIARY

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	\$ (51,968)	(1)	\$ 60,431	1
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	<u>1</u>	-	<u>-</u>	<u>-</u>
Total other comprehensive income (loss)	<u>(51,967)</u>	<u>(1)</u>	<u>60,431</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 151,027</u>	<u>4</u>	<u>\$ 624,639</u>	<u>14</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.47</u>		<u>\$ 3.77</u>	
Diluted	<u>\$ 1.47</u>		<u>\$ 3.77</u>	

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

**LCY TECHNOLOGY CORP. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Share Capital		Retained Earnings			Other Equity		Total Equity	
	Number of Shares (In Thousands)	Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
BALANCE AT JANUARY 1, 2021	153,085	\$ 1,530,850	\$ 307,478	\$ 99,012	\$ 4,348	\$ 99,323	\$ 135	\$ 666	\$ 2,041,812
Appropriation of 2020 earnings									
Legal reserve	-	-	-	3,432	-	(3,432)	-	-	-
Special reserve	-	-	-	-	(4,348)	4,348	-	-	-
Cash dividends	-	-	-	-	-	(91,851)	-	-	(91,851)
Capital reduction by cash	(15,309)	(153,085)	-	-	-	-	-	-	(153,085)
Share-based payment	-	-	5,629	-	-	-	-	-	5,629
Net profit in 2021	-	-	-	-	-	564,208	-	-	564,208
Other comprehensive income in 2021	-	-	-	-	-	-	-	60,431	60,431
Total comprehensive income in 2021	-	-	-	-	-	564,208	-	60,431	624,639
BALANCE AT DECEMBER 31, 2021	137,776	1,377,765	313,107	102,444	-	572,596	135	61,097	2,427,144
Appropriation of 2021 earnings									
Legal reserve	-	-	-	56,421	-	(56,421)	-	-	-
Cash dividends	-	-	-	-	-	(206,665)	-	-	(206,665)
Share-based payment	-	-	5,487	-	-	-	-	-	5,487
Net profit in 2022	-	-	-	-	-	202,994	-	-	202,994
Other comprehensive income (loss) in 2022	-	-	-	-	-	-	1	(51,968)	(51,967)
Total comprehensive income (loss) in 2022	-	-	-	-	-	202,994	1	(51,968)	151,027
BALANCE AT DECEMBER 31, 2022	137,776	\$ 1,377,765	\$ 318,594	\$ 158,865	\$ -	\$ 512,504	\$ 136	\$ 9,129	\$ 2,376,993

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

# LCY TECHNOLOGY CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 266,810	\$ 706,626
Adjustments for:		
Depreciation expense	84,292	93,811
Amortization expense	1,430	1,397
Amortization of prepayments	3,426	3,743
Expected credit loss reversed on trade receivables	(1)	-
Share-based payment	5,487	5,629
Finance costs	2,477	2,542
Interest income	(4,443)	(1,164)
Dividend income	(2,873)	-
Share of profit of associates	(6)	-
(Gain) loss on disposal of property, plant and equipment	(250)	192
Write-down of inventories	10,990	77
Net loss (gain) on unrealized foreign currency exchange	8,504	(2,724)
Gain on lease modifications	-	(3)
Changes in operating assets and liabilities		
Notes receivable - related parties	8,688	(6,105)
Trade receivables	196,719	(281,581)
Trade receivables - related parties	(2,339)	-
Other receivables	(78,887)	(48,638)
Other receivables - related parties	(196)	(35)
Inventories	(53,784)	(230,251)
Prepayments	(4,492)	(110)
Other current assets	1,688	(790)
Trade payables	20,534	125,971
Trade payables - related parties	4,512	14,202
Other payables	(31,539)	40,178
Other payables - related parties	12,283	(2,227)
Other current liabilities	<u>123</u>	<u>216</u>
Cash generated from operations	449,153	420,956
Interest paid	(2,497)	(2,563)
Income tax paid	<u>(117,269)</u>	<u>(6,841)</u>
Net cash generated from operating activities	<u>329,387</u>	<u>411,552</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at amortized cost	-	60,000
Payments for property, plant and equipment	(113,162)	(21,085)
Proceeds from disposal of property, plant and equipment	250	467
Decrease in refundable deposits	-	357
Payments for intangible assets	-	(197)
Interest received	4,443	1,164
Other dividends received	<u>2,873</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>(105,596)</u>	<u>40,706</u>

(Continued)



# LCY TECHNOLOGY CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	\$ (9,278)	\$ (9,352)
Dividends paid	(206,665)	(91,851)
Capital reduction by cash	<u>-</u>	<u>(153,085)</u>
Net cash used in financing activities	<u>(215,943)</u>	<u>(254,288)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(3,971)</u>	<u>641</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,877	198,611
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>717,178</u>	<u>518,567</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 721,055</u>	<u>\$ 717,178</u>

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

(Concluded)

# LCY TECHNOLOGY CORP. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL

LCY Technology Corp. (the “Corporation”), incorporated on January 16, 1997, mainly manufactures and sells electrolytic copper foil, an upstream material for printed circuit boards (PCBs).

The Corporation’s shares have been listed on the Taiwan Stock Exchange since June 28, 2018.

These consolidated financial statements of the Corporation and its subsidiary (collectively, the “Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 24, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of the related standards and interpretations would not have any material impact on the Group's financial position and financial performance.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of related standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- c. Level 3 inputs are unobservable inputs for an asset or liability.

### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiary, including special purpose entities).

When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 10 and Table 3 for the detailed information of the subsidiary (including the percentages of ownership and main businesses).

### **Foreign Currencies**

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Corporation and other entities in the Group (including subsidiary in other country or those that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

### **Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. The cost of inventory received in a swap is based on the carrying amount of inventory given out.

### **Investments in Associates**

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Intangible Assets**

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

### Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units or to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## Financial assets

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

### a. Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost, investments in debt instruments and equity instruments at FVTOCI.

#### 1) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### 2) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

#### 3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.



### Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

### Financial liabilities

#### a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

#### b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### **Revenue Recognition**

The Group identifies contracts and performance obligations in each contract, allocates the transaction price to the performance obligations in each contract, and recognizes revenue when performance obligations are satisfied.

### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electrolytic copper foil products. Sales of goods are recognized as revenue when the goods are delivered to the customer's specified location (destination or shipping port) because it is the time when the customer has full control over the products and the Group's performance obligations are satisfied. Trade receivables are recognized concurrently. The Group recognizes contract liabilities for payments received before the delivery of the goods and assumes the responsibility to transfer the goods.

### **Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the lease or other terms, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented on a separate line in the consolidated balance sheets.

### **Employee Benefits**

#### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

#### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

### **Share-based Payment Arrangements**

#### The Corporation's parent grants cash-settled share-based payment to the employees of the Corporation

The Corporation's parent grants the cash-settled share-based payment to the Corporation's employees and the parent has the obligation to settle the share-based transaction by cash, which is treated as a capital contribution to the Corporation. The fair value at the grant date of the cash-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding recognition of capital surplus - share-based payments.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **a. Current tax**

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current tax and deferred tax

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 24	\$ 63
Checking accounts and demand deposits	690,321	717,115
Cash equivalents		
Time deposits with original maturities less than three months	<u>30,710</u>	<u>-</u>
	<u>\$ 721,055</u>	<u>\$ 717,178</u>

The ranges of market interest rates for cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Demand deposits	0.001%-4.05%	0.001%-0.10%
Time deposits	4.20%	-

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares	<u>\$ 57,070</u>	<u>\$ 109,038</u>

These investments in equity instruments are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Trade receivables</u>		
At amortized cost		
Carrying amount	\$ 851,986	\$ 793,521
Less: Allowance for impairment loss	<u>(2)</u>	<u>(3)</u>
	851,984	793,518
At FVTOCI	<u>6,461</u>	<u>267,999</u>
	<u>\$ 858,445</u>	<u>\$ 1,061,517</u>

(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Other receivables</u>		
Factored accounts receivable	\$ 58,151	\$ 5,991
Sales tax refund receivable	25,493	27,640
Others	<u>63,336</u>	<u>35,566</u>
	<u>\$ 146,980</u>	<u>\$ 69,197</u>
		(Concluded)

Trade receivables

a. At amortized cost

The average credit period of sales of goods was 90-120 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In determining the recoverable amount of trade receivables, the Group considers any changes in the credit quality of trade receivables from the original credit grant date to the balance sheet date. Accordingly, the management of the Group believes that the credit risk of the Group has been significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The Group establishes credit loss rates based on historical credit loss experience and the loss patterns of different customer segments supplemented by the number of days past due on trade receivables.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Not past due	\$ 834,001	\$ 793,489
Up to 90 days	17,985	30
91-180 days	<u>-</u>	<u>2</u>
	<u>\$ 851,986</u>	<u>\$ 793,521</u>

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

b. At FVTOCI

The Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

As of December 31, 2022 and 2021, there was no past due trade receivables and no allowance was provided for losses.

Refer to Note 25 for details of the factoring agreements for trade receivables.

## 9. INVENTORIES

	<u>December 31</u>	
	2022	2021
Finished goods	\$ 344,631	\$ 365,194
Work in process	245,663	192,499
Raw materials and supplies	<u>63,500</u>	<u>53,307</u>
	<u>\$ 653,794</u>	<u>\$ 611,000</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$10,990 thousand and \$77 thousand, respectively.

## 10. SUBSIDIARY

Subsidiary included in the consolidated financial statements:

Investor	Investee	Nature of Activities	<u>% of Ownership</u>		Remark
			<u>December 31</u>		
			2022	2021	
LCY Technology Corp.	LCY Holdings Corp.	Investment	100.0	100.0	

Based on the Corporation's evaluation, the abovementioned foreign subsidiary does not have any anticipated significant business risk.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associate

	<u>December 31</u>	
	2022	2021
<u>Associate that is not individually material</u>		
Unlisted company		
Kaohsiung Cogen Co., Ltd.	<u>\$ 2,006</u>	<u>\$ 2,000</u>

Percentage of ownership interest and voting rights of the Group in the associate as of the balance sheet date.

Investee	December 31	
	2022	2021
Kaohsiung Cogen Co., Ltd.	20%	20%

Aggregate information of associate that is not individually material.

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net profit	\$ 6	\$ -

## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 448,991	\$ 3,169,410	\$ 12,547	\$ 61,520	\$ 72,241	\$ 3,764,709
Additions	120	95	-	4,545	27,209	31,969
Disposals	-	(12,422)	(1,233)	(2,001)	-	(15,656)
Reclassified to expenses	-	-	-	(2,448)	-	(2,448)
Reclassified property in construction	-	67,027	-	5,543	(72,570)	-
Balance at December 31, 2021	<u>\$ 449,111</u>	<u>\$ 3,224,110</u>	<u>\$ 11,314</u>	<u>\$ 67,159</u>	<u>\$ 26,880</u>	<u>\$ 3,778,574</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ 299,215	\$ 2,975,703	\$ 10,992	\$ 37,076	\$ -	\$ 3,322,986
Disposals	-	(11,801)	(1,233)	(1,963)	-	(14,997)
Depreciation expense	21,839	56,727	603	4,264	-	83,433
Balance at December 31, 2021	<u>\$ 321,054</u>	<u>\$ 3,020,629</u>	<u>\$ 10,362</u>	<u>\$ 39,377</u>	<u>\$ -</u>	<u>\$ 3,391,422</u>
Carrying amount at December 31, 2021	<u>\$ 128,057</u>	<u>\$ 203,481</u>	<u>\$ 952</u>	<u>\$ 27,782</u>	<u>\$ 26,880</u>	<u>\$ 387,152</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 449,111	\$ 3,224,110	\$ 11,314	\$ 67,159	\$ 26,880	\$ 3,778,574
Additions	-	-	750	4,601	142,738	148,089
Disposals	-	(26,072)	(3,731)	(3,324)	-	(33,127)
Reclassified to expenses	-	-	-	(4,638)	(90)	(4,728)
Reclassified property in construction	-	79,745	-	17,767	(97,512)	-
Balance at December 31, 2022	<u>\$ 449,111</u>	<u>\$ 3,277,783</u>	<u>\$ 8,333</u>	<u>\$ 81,565</u>	<u>\$ 72,016</u>	<u>\$ 3,888,808</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ 321,054	\$ 3,020,629	\$ 10,362	\$ 39,377	\$ -	\$ 3,391,422
Disposals	-	(26,072)	(3,731)	(3,324)	-	(33,127)
Depreciation expense	20,596	47,327	432	5,701	-	74,056
Balance at December 31, 2022	<u>\$ 341,650</u>	<u>\$ 3,041,884</u>	<u>\$ 7,063</u>	<u>\$ 41,754</u>	<u>\$ -</u>	<u>\$ 3,432,351</u>
Carrying amount at December 31, 2022	<u>\$ 107,461</u>	<u>\$ 235,899</u>	<u>\$ 1,270</u>	<u>\$ 39,811</u>	<u>\$ 72,016</u>	<u>\$ 456,457</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	26 years
Plant accessories and office renovation	3-11 years
Machinery and equipment	2-20 years
Transportation equipment	5-10 years
Other equipment	2-15 years

No impairment loss was recognized for the years ended December 31, 2022 and 2021.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 123,018	\$ 130,651
Buildings	3,924	-
Office equipment	222	282
Transportation equipment	<u>560</u>	<u>949</u>
	<u>\$ 127,724</u>	<u>\$ 131,882</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 6,078</u>	<u>\$ 1,168</u>
Depreciation charge for right-of-use assets		
Land	\$ 7,825	\$ 7,826
Buildings	1,962	1,963
Office equipment	59	59
Transportation equipment	<u>390</u>	<u>530</u>
	<u>\$ 10,236</u>	<u>\$ 10,378</u>

Except for the recognized depreciation, the Group did not have significant addition, sublease or impairment of right-of-use assets for the years ended December 31, 2022 and 2021.



b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Current	\$ <u>9,829</u>	\$ <u>7,690</u>
Non-current	\$ <u>121,528</u>	\$ <u>126,887</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2022	2021
Land	1.41%-1.85%	1.85%
Buildings	1.41%	-
Office equipment	1.38%	1.38%
Transportation equipment	1.37%	1.37%

c. Material leasing activities and terms

The Group mainly leases office and land with lease terms of 3 to 10 years. The Group does not have bargain purchase options to acquire the leasehold office and land at the end of the lease terms; the lease term of the land has option to extend for another 10 years.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to low-value asset leases	\$ <u>41</u>	\$ <u>41</u>
Total cash outflow for leases	\$ <u>(11,812)</u>	\$ <u>(11,956)</u>

The Group's leases of certain transportation equipment qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 14. OTHER ASSETS

	<u>December 31</u>	
	2022	2021
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 5,057	\$ 4,797
Input tax	4,750	1,118
Others	<u>727</u>	<u>127</u>
		(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$ 10,534</u>	<u>\$ 6,042</u>
Other current assets		
Spare parts	\$ 36,975	\$ 38,770
Others	<u>728</u>	<u>621</u>
	<u>\$ 37,703</u>	<u>\$ 39,391</u>
		(Concluded)

## 15. TRADE PAYABLES

Trade payables are generated from operations. The average credit period on purchases of certain goods was 29 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 41,467	\$ 78,428
Payables for equipment	40,639	10,440
Payables for utilities	27,826	23,480
Payables for compensation of employees and directors	2,694	7,138
Others	<u>29,882</u>	<u>24,362</u>
	<u>\$ 142,508</u>	<u>\$ 143,848</u>
Other liabilities		
Refund liabilities	\$ 2,361	\$ 6,522
Contract liabilities	4,325	-
Others	<u>666</u>	<u>707</u>
	<u>\$ 7,352</u>	<u>\$ 7,229</u>

Refund liabilities are recognized on the basis of historical experience, management's judgment and other known reasons for possible sales return and discount, and the relative amount is recognized as a deduction to sale of goods upon the goods were sold.

## 17. RETIREMENT BENEFIT PLANS

The pension plan under the Labor Pension Act is a defined contribution pension plan. Pursuant to the plan, the Corporation make monthly contributions to employees' individual pension accounts at 6% of each employee's monthly salary.

## 18. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>137,776</u>	<u>137,776</u>
Shares issued and fully paid	<u>\$ 1,377,765</u>	<u>\$ 1,377,765</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The \$240,000 thousand of the authorized capital share is reserved for the exercise of share options for warrants, preferred share with share options, and corporate bonds with share options.

The Corporation's board of directors resolved on March 24, 2021 to reduce cash capital and return share capital, which was subsequently resolved in the shareholders' meeting on July 20, 2021. The total capital reduction amounted to \$153,085 thousand, which represented the cancellation of 15,309 thousand shares, and the ratio of capital reduction was 10%. The share capital was 137,776 thousand shares after the capital reduction.

The capital reduction was approved and put into effect by Taiwan Stock Exchange Corporation on October 7, 2021. The record date of the capital reduction approved by the Corporation's board of the directors was October 8, 2021, and the change in registration was completed on October 27, 2021. The capital reduction was returned to the Corporation's shareholders in November 2021.

### b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 307,478	\$ 307,478
<u>May not be used for any purpose</u>		
Share-based payment arrangements	<u>11,116</u>	<u>5,629</u>
	<u>\$ 318,594</u>	<u>\$ 313,107</u>

Capital surplus arising from issuance of ordinary shares may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation (the "Articles"), the proposal for profit distribution or offsetting of losses should be made at the end of each quarter of the fiscal year. The distribution should be resolved in the shareholders' meeting if the dividends and bonuses are distributed by issuance of shares, while the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash.

Where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan. The proposal for profit distribution or offsetting of losses made at the end of each quarter should be in compliance with the aforementioned procedures. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses, legal reserve and capital surplus in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 20 (e).

The Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are no less than 10% of the total dividends distributed.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020 were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 56,421	\$ 3,432
Special reserve	-	(4,348)
Cash dividends	206,665	91,851
Dividends Per Share (NT\$)	1.5	0.6

The appropriation of earnings for 2022 was as follows:

	<b>Appropriation</b>
	<b>of Earnings</b>
	<b>For the Year</b>
	<b>Ended</b>
	<b>December 31</b>
	<b>2022</b>
Legal reserve	\$ 20,299
Cash dividends	68,888
Dividends Per Share (NT\$)	0.5

The above appropriation for cash dividends has been resolved by the Company's board of directors on March 24, 2023; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 28, 2023.

## 19. REVENUE

### Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and trade receivables (Notes 8 and 26)	\$ <u>860,784</u>	\$ <u>1,070,205</u>	\$ <u>779,878</u>
Contract liabilities (recognized as other current liabilities)			
Sale of goods	\$ <u>4,325</u>	\$ <u>-</u>	\$ <u>-</u>

The changes in the balance of contract liabilities primarily resulted from the timing differences between the Group's satisfaction of performance obligations and the respective customer's payment.

## 20. NET PROFIT

Information about net profit is as follows:

### a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2022	2021
Net foreign exchange gains (losses)	\$ 114,524	\$ (14,806)
Gain (loss) on disposal of property, plant and equipment	250	(192)
Gain on lease modifications	-	3
Others	<u>(2,823)</u>	<u>(88)</u>
	<u>\$ 111,951</u>	<u>\$ (15,083)</u>

### b. Finance costs

	<u>For the Year Ended December 31</u>	
	2022	2021
Interest on lease liabilities	\$ 2,473	\$ 2,542
Interest on bank overdrafts and loans	<u>4</u>	<u>-</u>
	<u>\$ 2,477</u>	<u>\$ 2,542</u>

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 74,056	\$ 83,433
Right-of-use assets	10,236	10,378
Intangible assets	<u>1,430</u>	<u>1,397</u>
	<u>\$ 85,722</u>	<u>\$ 95,208</u>
 An analysis of depreciation by function		
Operating costs	\$ 80,696	\$ 90,032
Operating expenses	<u>3,596</u>	<u>3,779</u>
	<u>\$ 84,292</u>	<u>\$ 93,811</u>
 An analysis of amortization by function		
Operating costs	\$ 430	\$ 436
Operating expenses	<u>1,000</u>	<u>961</u>
	<u>\$ 1,430</u>	<u>\$ 1,397</u>

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 241,008	\$ 285,948
Post-employment benefits (Note 17)		
Defined contribution plans	9,557	9,307
Share-based payments (Note 23)	5,487	5,629
Other employee benefits	<u>14,948</u>	<u>15,805</u>
 Total employee benefits expense	<u>\$ 271,000</u>	<u>\$ 316,689</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 213,757	\$ 248,781
Operating expenses	<u>57,243</u>	<u>67,908</u>
	<u>\$ 271,000</u>	<u>\$ 316,689</u>

e. Compensation of employees and remuneration of directors

In accordance with the Articles, the Corporation accrued compensation of employees and remuneration of directors at rates of no less than 0.5% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Corporation's board of directors on March 24, 2023 and March 23, 2022, respectively, were as follows:

### Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Compensation of employees	0.5%	0.5%
Remuneration of directors	0.5%	0.5%

### Cash

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Compensation of employees	\$ 1,347	\$ 3,569
Remuneration of directors	1,347	3,569

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### f. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Foreign exchange gains	\$ 167,382	\$ 38,615
Foreign exchange losses	<u>(52,858)</u>	<u>(53,421)</u>
Net gains (losses)	<u>\$ 114,524</u>	<u>\$ (14,806)</u>

## 21. INCOME TAXES

#### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 56,483	\$ 140,928
Income tax on unappropriated earnings	10,404	-
Adjustments for prior year	<u>26</u>	<u>-</u>
	<u>66,913</u>	<u>140,928</u>
Deferred tax		
In respect of the current year	<u>(3,097)</u>	<u>1,490</u>
Income tax expense recognized in profit or loss	<u>\$ 63,816</u>	<u>\$ 142,418</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	\$ 266,810	\$ 706,626
Income tax expense calculated at the statutory rate	\$ 53,362	\$ 141,325
Nondeductible expenses in determining taxable income	24	900
Income tax on unappropriated earnings	10,404	-
Unrecognized deductible temporary difference	-	193
Adjustments for prior years' tax	<u>26</u>	<u>-</u>
Income tax expense recognized in profit or loss	\$ 63,816	\$ 142,418

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax assets		
Tax refund receivable	\$ -	\$ 23,999
Current tax liabilities		
Income tax payable	\$ 66,476	\$ 140,831

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Inventory reserve	\$ 137	\$ 2,197	\$ -	\$ 2,334
Loss of foreign investment	1,391	-	-	1,391
Refund liabilities	1,304	(832)	-	472
Unrealized exchange loss	599	1,701	-	2,300
Others	<u>1,158</u>	<u>(3)</u>	<u>-</u>	<u>1,155</u>
	\$ 4,589	\$ 3,063	\$ -	\$ 7,652
<u>Deferred tax liabilities</u>				
Temporary differences				
Interest capitalization	\$ 135	\$ (34)	\$ -	\$ 101
Exchange differences on translation of the financial statements of foreign operations	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
	\$ 169	\$ (34)	\$ -	\$ 135



For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory reserve	\$ 122	\$ 15	\$ -	\$ 137
Loss of foreign investment	1,391	-	-	1,391
Property, plant and equipment	832	(832)	-	-
Refund liabilities	1,291	13	-	1,304
Unrealized exchange loss	1,144	(545)	-	599
Others	<u>1,333</u>	<u>(175)</u>	<u>-</u>	<u>1,158</u>
	<u>\$ 6,113</u>	<u>\$ (1,524)</u>	<u>\$ -</u>	<u>\$ 4,589</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Interest capitalization	\$ 169	\$ (34)	\$ -	\$ 135
Exchange differences on translation of the financial statements of foreign operations	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
	<u>\$ 203</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ 169</u>

d. Income tax assessments

The income tax returns through 2020 have been assessed by the tax authorities.

**22. EARNINGS PER SHARE**

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 1.47</u>	<u>\$ 3.77</u>
Diluted earnings per share	<u>\$ 1.47</u>	<u>\$ 3.77</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

## Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	\$ <u>202,994</u>	\$ <u>564,208</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	137,776	149,520
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>74</u>	<u>79</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>137,850</u>	<u>149,599</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, then the Group should assume the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 23. SHARE-BASED PAYMENT ARRANGEMENTS

### Cash-settled share-based payments granted to the employees of the Group by the Group's parent

The Corporation's parent LCY Chemical Corp. ("LCY Chemical") issued to certain employees share appreciation rights (SARs) that require LCY Chemical Corp. to settle the SARs by cash; the SARs are treated as a capital contribution to the Corporation. The SARs execution period is from 2021 to 2024, and SARs shall be granted to employees on September 30 every year. The SARs granted are valid for 10 years and exercisable earlier after 3 years from the grant date, or LCY Chemical (or its controlling company) may be successfully listed, and the employees who have remained employed with the Group. The parent shall pay the SARs in cash at the value agreed upon with the employees when the SARs are exercised by employees.

As of December 31, 2022 and 2021, the numbers of share appreciation rights outstanding were 350 thousand and 278 thousand, respectively.

The fair value of the cash-settled share-based payments was measured using the Black-Scholes pricing model, and the inputs to the model were as follows:

	<u>September 30</u>	
	<u>2022</u>	<u>2021</u>
Grant-date share price	\$26.40	\$49.32
Exercise price	-	-
Expected volatility	24.10%	25.38%
Expected life (in years)	6.5	6.5
Expected dividend yield	-	-
Risk-free interest rate	1.51%	0.37%

Compensation costs recognized were \$5,487 thousand and \$5,629 thousand for the years ended December 31, 2022 and 2021, respectively.

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while achieving optimization of the debt and equity balance through the issuance of ordinary shares for cash and loans. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group usually review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of new shares, and the amount of new debt issued.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management considers that carrying amounts of other financial instruments, such as cash and cash equivalents, financial assets at amortized cost, receivables and payables recognized in the consolidated financial statements approximate their fair values.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

#### December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 57,070	\$ 57,070
Investments in debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>6,461</u>	<u>6,461</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,531</u>	<u>\$ 63,531</u>

#### December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 109,038	\$ 109,038
Investments in debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>267,999</u>	<u>267,999</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,037</u>	<u>\$ 377,037</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	<b>Financial Assets at FVTOCI</b>		<b>Total</b>
	<b>Equity Instruments</b>	<b>Debt Instruments</b>	
<u>Financial assets</u>			
Balance at January 1, 2022	\$ 109,038	\$ 267,999	\$ 377,037
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(51,968)	-	(51,968)
Increase in trade receivables	-	487,170	487,170
Factoring for trade receivables	-	<u>(748,708)</u>	<u>(748,708)</u>
Balance at December 31, 2022	<u>\$ 57,070</u>	<u>\$ 6,461</u>	<u>\$ 63,531</u>

For the year ended December 31, 2021

	<b>Financial Assets at FVTOCI</b>		<b>Total</b>
	<b>Equity Instruments</b>	<b>Debt Instruments</b>	
<u>Financial assets</u>			
Balance at January 1, 2021	\$ 48,607	\$ 149,509	\$ 198,116
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	60,431	-	60,431
Increase in trade receivables	-	781,122	781,122
Factoring for trade receivables	-	<u>(662,632)</u>	<u>(662,632)</u>
Balance at December 31, 2021	<u>\$ 109,038</u>	<u>\$ 267,999</u>	<u>\$ 377,037</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity securities are determined using the market approach, which references the transaction price, price multiplier implicit in the transaction price and other related information of comparable companies that operate in the same industry in active markets.

The fair value of the trade receivable at FVTOCI is based on the estimated future cash flow that reflects the credit risk of counterparties. The Group measures the fair value based on the original invoice amount since the effect of discounting was not material.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,725,845	\$ 1,591,872
Financial assets at FVTOCI		
Equity instruments	57,070	109,038
Trade receivables	6,461	267,999

Financial liabilities

Financial liabilities at amortized cost (2)	460,071	385,545
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1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables and refundable deposits.

2) The balances include financial assets at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables and trade payables. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Group's management and board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 96% of the Group's sales were denominated in currencies other than the functional currency, whilst almost 95% of costs were denominated in currencies other than the functional currency. Some of the Group's purchases of plant and equipment were also denominated in currencies other than the functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

### Sensitivity analysis

The Group was mainly exposed to the U.S. dollar, RMB and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar (the functional currency) weakening by 1% against the relevant foreign currency. For a 1% strengthening of the New Taiwan dollar (the functional currency) against the relevant foreign currency, there would be an equal and opposite impact on pre-tax profit.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	<u>\$ 9,378</u>	<u>\$ 11,982</u>

	<b>RMB Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	<u>\$ 2,332</u>	<u>\$ 1,333</u>

	<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	<u>\$ (38)</u>	<u>\$ (39)</u>

This was mainly attributable to the exposure outstanding on bank deposits (including time deposits), receivables and payables denominated in currencies other than the functional currency.

#### b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 30,710	\$ -
Financial liabilities	131,357	134,577
Cash flow interest rate risk		
Financial assets	690,321	717,115

## Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$3,452 thousand and \$3,586 thousand, respectively.

### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation is the carrying amount of the financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit limits and scoring. The credit risk on derivatives was limited because the counterparties are large financial institutions.

The Group's concentration of credit risk by geographical location was mainly in China, which accounted for 46% and 56% of the total trade receivables as of December 31, 2022 and 2021, respectively.

The Group entered into transactions with a large number of unrelated customers. Apart from the top four customers of the Group, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics.

As of December 31, 2022 and 2021, the concentration of credit risk on the top four customers accounted for 74% and 65% of trade receivables, respectively.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables had been drawn up based on the undiscounted cash flows of financial liabilities based on the agreed upon repayment dates.

December 31, 2022

				<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities				<u>\$ 506,022</u>	<u>\$ 2,694</u>	
	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>More than 15 Years</b>
Lease liabilities	<u>\$ 2,943</u>	<u>\$ 8,829</u>	<u>\$ 39,400</u>	<u>\$ 46,238</u>	<u>\$ 46,238</u>	<u>\$ 6,936</u>

December 31, 2021

				<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities				<u>\$ 468,515</u>	<u>\$ 7,138</u>	
	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>More than 15 Years</b>
Lease liabilities	<u>\$ 2,427</u>	<u>\$ 7,280</u>	<u>\$ 37,793</u>	<u>\$ 46,238</u>	<u>\$ 46,239</u>	<u>\$ 16,183</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Unsecured bank borrowing facilities		
Amount used	\$ -	\$ -
Amount unused	<u>613,550</u>	<u>460,000</u>
	<u>\$ 613,550</u>	<u>\$ 460,000</u>

e. Transfers of financial assets

Information of the Group's factored trade receivables for the years ended December 31, 2022 and 2021 was as follows:

<u>Counterparties</u>	<u>Receivables Factoring Proceeds</u>	<u>Amount Reclassified to Other Receivable</u>	<u>Advance Received Unused</u>	<u>Advance Received Used</u>	<u>Annual Interest Rates on Advances Received (Used) (%)</u>
<u>December 31, 2022</u>					
O-Bank	<u>\$ 64,612</u>	<u>\$ 58,151</u>	<u>\$ 58,151</u>	<u>\$ -</u>	-
<u>December 31, 2021</u>					
O-Bank	<u>\$ 6,657</u>	<u>\$ 5,991</u>	<u>\$ 5,991</u>	<u>\$ -</u>	-



Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns or discounts) were borne by the Group, while losses from credit risk were borne by the banks (amounts factored are recorded in other receivables).

The Group discounted a portion of its trade receivables under letters of credit to the banks. Since the Group has transferred substantially all risks and rewards relating to these trade receivables, the full carrying amount of these trade receivables were derecognized. However, if the derecognized trade receivables are not paid at maturity, the banks have the right to demand the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these trade receivables.

The maximum exposure to loss from the Group’s continuing involvement in the derecognized trade receivables is equal to the face amounts of the transferred but unsettled trade receivables, and as of December 31, 2022, the face amount of these unsettled trade receivables was \$5,383 thousand. The unsettled trade receivables will be due in one month after December 31, 2022. Taking into consideration the credit risk of these derecognized trade receivables, the Group estimates that the fair values of its continuing involvement are not significant.

## 26. TRANSACTIONS WITH RELATED PARTIES

The Corporation’s parent is LCY Chemical Corp. which held 61.94% of the ordinary shares of the Corporation as of December 31, 2022 and 2021.

The Corporation’s ultimate parent and ultimate controlling party is the KKR Global Institute.

Details of transactions between the Group and other related parties are disclosed below.

### a. Related party name and categories:

<u>Related Party Name</u>	<u>Related Party Category</u>
LCY Chemical Corp. (“LCY Chemical”)	The Corporation’s parent
LCY Management Consulting Co., Ltd. (“LCY Management Consulting”)	Sister corporation
Lee Chang Yung Company, Ltd. (“Lee Chang Yung”)	Related party in substance
Lee Jamgo Co., Ltd. (“LEE Jamgo”)	Related party in substance
Chi Hwa Co., Ltd. (“Chi Hwa”)	Related party in substance
Hank Fah Co., Ltd. (“Hank Fah”)	Related party in substance
Shinmore Technology Materials Co., Ltd (“Shinmore Technology Materials”)	Other related party (the Corporation’s parent is one of the directors)
Formosa Copper Technology Corporation (“Formosa Copper Technology”)	Other related party (the Corporation is one of the directors)

### b. Sales of goods

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2022	2021
Sales	Other related party/Shinmore Technology Materials	\$ <u>21,611</u>	\$ <u>42,449</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Other related party/Formosa Copper Technology	\$ <u>477,506</u>	\$ <u>432,390</u>

d. Exchange of inventories

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Other related party/Formosa Copper Technology	\$ <u>139,660</u>	\$ <u>153,583</u>

e. Other expenses

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Manufacturing costs	The Corporation's parent/LCY Chemical	\$ 17,752	\$ 10,126
Operating expenses	The Corporation's parent/LCY Chemical	14,252	11,522
R&D expenses	The Corporation's parent/LCY Chemical	20	112
Operating expenses	Sister company/LCY Management Consulting	3,000	3,000
Manufacturing costs	Related party in substance/Hank Fah	1,518	-
Manufacturing costs	Other related party/Shinemore Technology Materials	<u>20</u>	<u>-</u>
		\$ <u>36,562</u>	\$ <u>24,760</u>

The related-party transactions were carried out under normal terms.

f. Acquisition of property, plant and equipment

Related Party Category/Name	Price	
	For the Year Ended December 31	
	2022	2021
Related party in substance/Hank Fah	\$ <u>2,820</u>	\$ <u>-</u>

g. Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Additions to right-of-use assets	Related party in substance/Lee Chang Yung	\$ 5,886	\$ -
	Related party in substance/LEE Jamgo	<u>192</u>	<u>-</u>
		\$ <u>6,078</u>	\$ <u>-</u>

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities	The Corporation's parent/LCY Chemical	\$ 126,485	\$ 133,341
	Related party in substance/Lee Chang Yung	3,951	-
	Related party in substance/LEE Jamgo	<u>129</u>	<u>-</u>
		<u>\$ 130,565</u>	<u>\$ 133,341</u>

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Interest expense		
The Corporation's parent/LCY Chemical	\$ 2,391	\$ 2,517
Related party in substance/Lee Chang Yung	66	10
Related party in substance/LEE Jamgo	<u>2</u>	<u>-</u>
	<u>\$ 2,459</u>	<u>\$ 2,527</u>

The rental is based on local rental rates and are paid quarterly.

h. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Notes receivable - related parties	Other related party/Shinemore Technology Materials	<u>\$ -</u>	<u>\$ 8,688</u>
Trade receivables - related parties	Other related party/Shinemore Technology Materials	<u>\$ 2,339</u>	<u>\$ -</u>

i. Other receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other receivable - related parties	The Corporation's parent/LCY Chemical	\$ 18	\$ 64
	Related party in substance/Lee Chang Yung	<u>242</u>	<u>-</u>
		<u>\$ 260</u>	<u>\$ 64</u>

j. Refundable deposits

Line Item	Related Party Category/Name	December 31	
		2022	2021
Refundable deposits	The Corporation's parent/LCY Chemical	\$ 2,100	\$ 2,100
	Related party in substance/Lee Chang Yung	<u>500</u>	<u>500</u>
		<u>\$ 2,600</u>	<u>\$ 2,600</u>

k. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade payables - related parties	Other related party/Formosa Copper Technology	\$ 39,892	\$ 36,146

l. Other payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other payables - related parties	The Corporation's parent/LCY Chemical	\$ 19,961	\$ 8,755
	Related party in substance/Lee Chang Yung	168	-
	Related party in substance/Hank Fah	912	-
	Other related party/Shinemo Technology Materials	-	3
		<u>\$ 21,041</u>	<u>\$ 8,758</u>

m. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 7,739	\$ 11,481
Share-based payments	1,494	506
Post-employment benefits	<u>108</u>	<u>108</u>
	<u>\$ 9,341</u>	<u>\$ 12,095</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments and contingencies of the Group were as follows:

As of December 31, 2022 and 2021, the commitments for purchase of properties were \$70,064 thousand and \$53,517 thousand, respectively.

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,803	30.71 (USD:NTD)	<u>\$ 1,160,930</u>
RMB	52,879	4.409 (RMB: NTD)	<u>\$ 233,161</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,265	30.71 (USD:NTD)	<u>\$ 223,108</u>
JPY	16,335	0.232 (JPY:NTD)	<u>\$ 3,796</u>

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,622	27.68 (USD:NTD)	<u>\$ 1,428,897</u>
RMB	30,708	4.342 (RMB: NTD)	<u>\$ 133,322</u>
JPY	360	0.241 (JPY:NTD)	<u>\$ 87</u>
<u>Financial liabilities</u>			
Monetary items			
USD	8,333	27.68 (USD:NTD)	<u>\$ 230,657</u>
JPY	16,752	0.241 (JPY:NTD)	<u>\$ 4,029</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Year Ended December 31</b>				
		<b>2022</b>	<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
USD	29.85 (USD:NTD)	\$ 109,501	28.00 (USD:NTD)	\$ (12,983)
RMB	4.4355 (RMB:NTD)	4,282	4.340 (RMB:NTD)	(2,110)
JPY	0.2275 (JPY:NTD)	<u>736</u>	0.255 (JPY:NTD)	<u>287</u>
		<u>\$ 114,519</u>		<u>\$ (14,806)</u>

## 29. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):  
Table 1 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital:  
None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital:  
None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:  
None
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: None
- 11) Information on investees: Table 3 (attached)

### b. Information on investments in mainland China

- 1) Information on any investee company in mainland China: None
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

### c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 4 (attached)

## 30. SEGMENT INFORMATION

The Group currently sells a single product, copper foil, and its consolidated income statement is the result of operations that are regularly reviewed by the decision maker. There are no other significant product business units, but the overall information of other enterprises of the Group is disclosed as follows:

### a. Geographical information

The Group operates in Taiwan, and its place of operations for revenues from external customers and the location of non-current assets are located in Taiwan.

b. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>% of Sales</b>	<b>Amount</b>	<b>% of Sales</b>
Group F	\$ 972,573	24	\$ 728,759	16
Group Q	804,568	20	722,372	16
Group C	366,447	9	479,864	11

**LCY TECHNOLOGY CORP. AND SUBSIDIARY**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
LCY Technology Corp.	<u>Stocks</u> Formosa Copper Technology Corporation	The Corporation is one of the directors	Financial assets at FVTOCI	6,609,015	\$ 57,070	9.7	\$ 57,070	



**LCY TECHNOLOGY CORP. AND SUBSIDIARY**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
LCY Technology Corp.	Formosa Copper Technology Corporation	The Corporation is one of the directors	Purchase	\$ 477,506	16.09	Net 30 days after delivery	Same as general customers	Same as general customers	\$ (39,892)	(11.56)	

**LCY TECHNOLOGY CORP. AND SUBSIDIARY**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
LCY Technology Corp.	LCYT Holdings Corp. Kaohsiung Cogen Co., Ltd	Craigmuir Chamers P.O. Box 71, Road Town, Tortola, BVI 3F., No. 83, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105035, Taiwan (R.O.C.)	Investment	\$ 6,800	\$ 6,800	100	100	\$ 13	\$ -	\$ -	
			Planning, design, and procurement of the co-generation system, environmental protection, and engineering	2,000	2,000	200,000	20	2,006	29	6	

**LCY TECHNOLOGY CORP.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
LCY Chemical Corp.	85,339,392	61.94

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

**(V) Parent Company Only Financial Statements for the Most Recent Fiscal Year,  
Audited by CPAs**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
LCY Technology Corp.

**Opinion**

We have audited the accompanying financial statements of LCY Technology Corp. (the "Corporation"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation 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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 Attestation of Financial Statements by Certified Public Accountants and the 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 Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's financial statements for the year ended December 31, 2022 are stated as follows:

Timing of Revenue Recognition

The Corporation recognizes revenue when goods arrived at the agreed destination pursuant to the shipping terms of the sale, which increased the risk that the sale of goods may not be recognized in the correct period at or near the end of the reporting period; therefore, we considered the timing of revenue recognition a key audit matter. Refer to Note 4 to the financial statements for the accounting policies on revenue recognition.

Our audit procedures performed related to the timing of revenue recognition included the following:

1. We evaluated the design of the internal controls with respect to the recognition of revenue from sales under the terms that the transfer of control over the goods to customers is based on the time when goods arrived at the agreed destination; we tested the operating effectiveness of the controls.
2. We performed cut-off tests and confirmed that sales are recognized in the correct period; we traced the recorded sales to third-party notification and related supporting documentation.

### **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 IFRS, IAS, IFRIC and 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 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Corporation'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 auditors' report. However, future events or conditions may cause the Corporation 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 entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with statements 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 for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wen-Chin Lin and Chien-Liang Liu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 24, 2023

Notice to Readers

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

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

# LCY TECHNOLOGY CORP.

## BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 721,042	23	\$ 717,166	23
Notes receivable - related parties (Notes 18 and 25)	-	-	8,688	-
Trade receivable (Notes 8 and 18)	858,445	28	1,061,517	34
Trade receivable - related parties (Notes 18 and 25)	2,339	-	-	-
Other receivables (Notes 8 and 24)	146,980	5	69,197	2
Other receivables - related parties (Note 25)	260	-	64	-
Current tax assets (Note 20)	-	-	23,999	1
Inventories (Note 9)	653,794	21	611,000	19
Prepayments (Note 13)	10,534	1	6,042	-
Other current assets (Note 13)	<u>37,703</u>	<u>1</u>	<u>39,391</u>	<u>1</u>
Total current assets	<u>2,431,097</u>	<u>79</u>	<u>2,537,064</u>	<u>80</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Note 7)	57,070	2	109,038	4
Investments accounted for using the equity method (Note 10)	2,019	-	2,012	-
Property, plant and equipment (Notes 11 and 25)	456,457	15	387,152	12
Right-of-use assets (Note 12)	127,724	4	131,882	4
Other intangible assets	4,909	-	6,339	-
Deferred tax assets (Note 20)	7,652	-	4,589	-
Refundable deposits (Note 25)	3,227	-	3,227	-
Long-term prepayments	<u>874</u>	<u>-</u>	<u>4,300</u>	<u>-</u>
Total non-current assets	<u>659,932</u>	<u>21</u>	<u>648,539</u>	<u>20</u>
<b>TOTAL</b>	<u>\$ 3,091,029</u>	<u>100</u>	<u>\$ 3,185,603</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables (Note 14)	\$ 305,275	10	\$ 286,901	9
Trade payables - related parties (Note 25)	39,892	1	36,146	1
Other payables (Note 15)	142,508	5	143,848	5
Other payables - related parties (Note 25)	21,041	1	8,758	-
Current tax liabilities (Note 20)	66,476	2	140,831	5
Lease liabilities (Notes 12 and 25)	9,829	-	7,690	-
Other current liabilities (Notes 15 and 18)	<u>7,352</u>	<u>-</u>	<u>7,229</u>	<u>-</u>
Total current liabilities	<u>592,373</u>	<u>19</u>	<u>631,403</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 20)	135	-	169	-
Lease liabilities (Notes 12 and 25)	<u>121,528</u>	<u>4</u>	<u>126,887</u>	<u>4</u>
Total non-current liabilities	<u>121,663</u>	<u>4</u>	<u>127,056</u>	<u>4</u>
Total liabilities	<u>714,036</u>	<u>23</u>	<u>758,459</u>	<u>24</u>
<b>EQUITY (Note 17)</b>				
Share capital	<u>1,377,765</u>	<u>45</u>	<u>1,377,765</u>	<u>43</u>
Capital surplus	<u>318,594</u>	<u>10</u>	<u>313,107</u>	<u>10</u>
Retained earnings				
Legal reserve	158,865	5	102,444	3
Unappropriated earnings	<u>512,504</u>	<u>17</u>	<u>572,596</u>	<u>18</u>
Total retained earnings	<u>671,369</u>	<u>22</u>	<u>675,040</u>	<u>21</u>
Other equity	<u>9,265</u>	<u>-</u>	<u>61,232</u>	<u>2</u>
Total equity	<u>2,376,993</u>	<u>77</u>	<u>2,427,144</u>	<u>76</u>
<b>TOTAL</b>	<u>\$ 3,091,029</u>	<u>100</u>	<u>\$ 3,185,603</u>	<u>100</u>

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



# LCY TECHNOLOGY CORP.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
SALES (Note 25)	\$ 4,047,957	100	\$ 4,483,138	100
COST OF GOODS SOLD (Notes 9, 19 and 25)	<u>3,762,416</u>	<u>93</u>	<u>3,619,162</u>	<u>81</u>
GROSS PROFIT	<u>285,541</u>	<u>7</u>	<u>863,976</u>	<u>19</u>
OPERATING EXPENSES (Notes 19 and 25)				
Selling and marketing expenses	68,855	1	59,538	1
General and administrative expenses	69,859	2	74,354	2
Research and development expenses	<u>13,237</u>	<u>-</u>	<u>13,673</u>	<u>-</u>
Total operating expenses	<u>151,951</u>	<u>3</u>	<u>147,565</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>133,590</u>	<u>4</u>	<u>716,411</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES (Notes 19 and 25)				
Interest income	4,443	-	1,164	-
Other income	19,297	-	6,676	-
Other gains and losses	111,951	3	(15,083)	-
Finance costs	(2,477)	-	(2,542)	-
Share of profit or loss of associates (Note 10)	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>133,220</u>	<u>3</u>	<u>(9,785)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	266,810	7	706,626	16
INCOME TAX EXPENSE (Note 20)	<u>63,816</u>	<u>2</u>	<u>142,418</u>	<u>3</u>
NET PROFIT	<u>202,994</u>	<u>5</u>	<u>564,208</u>	<u>13</u>

(Continued)

# LCY TECHNOLOGY CORP.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	\$ (51,968)	(1)	\$ 60,431	1
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other comprehensive income (loss)	<u>(51,967)</u>	<u>(1)</u>	<u>60,431</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 151,027</u>	<u>4</u>	<u>\$ 624,639</u>	<u>14</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 1.47</u>		<u>\$ 3.77</u>	
Diluted	<u>\$ 1.47</u>		<u>\$ 3.77</u>	

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

(Concluded)

**LCY TECHNOLOGY CORP.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Share Capital			Retained Earnings			Other Equity		Total Equity
	Number of Shares (In Thousands)	Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	153,085	\$ 1,530,850	\$ 307,478	\$ 99,012	\$ 4,348	\$ 99,323	\$ 135	\$ 666	\$ 2,041,812
Appropriation of 2020 earnings									
Legal reserve	-	-	-	3,432	-	(3,432)	-	-	-
Special reserve	-	-	-	-	(4,348)	4,348	-	-	-
Cash dividends	-	-	-	-	-	(91,851)	-	-	(91,851)
Capital reduction by cash	(15,309)	(153,085)	-	-	-	-	-	-	(153,085)
Share-based payment	-	-	5,629	-	-	-	-	-	5,629
Net profit in 2021	-	-	-	-	-	564,208	-	-	564,208
Other comprehensive income in 2021	-	-	-	-	-	-	-	60,431	60,431
Total comprehensive income in 2021	-	-	-	-	-	564,208	-	60,431	624,639
BALANCE AT DECEMBER 31, 2021	137,776	1,377,765	313,107	102,444	-	572,596	135	61,097	2,427,144
Appropriation of 2021 earnings									
Legal reserve	-	-	-	56,421	-	(56,421)	-	-	-
Cash dividends	-	-	-	-	-	(206,665)	-	-	(206,665)
Share-based payment	-	-	5,487	-	-	-	-	-	5,487
Net profit in 2022	-	-	-	-	-	202,994	-	-	202,994
Other comprehensive income (loss) in 2022	-	-	-	-	-	-	1	(51,968)	(51,967)
Total comprehensive income (loss) in 2022	-	-	-	-	-	202,994	1	(51,968)	151,027
BALANCE AT DECEMBER 31, 2022	137,776	\$ 1,377,765	\$ 318,594	\$ 158,865	\$ -	\$ 512,504	\$ 136	\$ 9,129	\$ 2,376,993

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

# LCY TECHNOLOGY CORP.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 266,810	\$ 706,626
Adjustments for:		
Depreciation expense	84,292	93,811
Amortization expense	1,430	1,397
Amortization of prepayments	3,426	3,743
Expected credit loss reversed on trade receivables	(1)	-
Share-based payment	5,487	5,629
Finance costs	2,477	2,542
Interest income	(4,443)	(1,164)
Dividend income	(2,873)	-
Share of profit of associates	(6)	-
(Gain) loss on disposal of property, plant and equipment	(250)	192
Write-down (reversal of write-down) of inventories	10,990	77
Net loss (gain) on unrealized foreign currency exchange	8,504	(2,724)
Gain on lease modifications	-	(3)
Changes in operating assets and liabilities		
Notes receivable - related parties	8,688	(6,105)
Trade receivables	196,719	(281,581)
Trade receivables - related parties	(2,339)	-
Other receivables	(78,887)	(48,638)
Other receivables - related parties	(196)	(35)
Inventories	(53,784)	(230,251)
Prepayments	(4,492)	(110)
Other current assets	1,688	(790)
Trade payables	20,534	125,971
Trade payables - related parties	4,512	14,202
Other payables	(31,539)	40,178
Other payables - related parties	12,283	(2,227)
Other current liabilities	<u>123</u>	<u>216</u>
Cash generated from operations	449,153	420,956
Interest paid	(2,497)	(2,563)
Income tax paid	<u>(117,269)</u>	<u>(6,841)</u>
Net cash generated from operating activities	<u>329,387</u>	<u>411,552</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Payments to acquire financial assets at amortized cost	-	-
Proceeds from sale of financial assets at amortized cost	-	60,000
Payments for property, plant and equipment	(113,162)	(21,085)
Proceeds from disposal of property, plant and equipment	250	467
Decrease in refundable deposits	-	357
Payments for intangible assets	-	(197)

(Continued)

# LCY TECHNOLOGY CORP.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	2022	2021
Interest received	\$ 4,443	\$ 1,164
Other dividends received	<u>2,873</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>(105,596)</u>	<u>40,706</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of the principal portion of lease liabilities	(9,278)	(9,352)
Dividends paid	(206,665)	(91,851)
Capital reduction by cash	<u>-</u>	<u>(153,085)</u>
Net cash used in financing activities	<u>(215,943)</u>	<u>(254,288)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(3,972)</u>	<u>641</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,876	198,611
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>717,166</u>	<u>518,555</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 721,042</u>	<u>\$ 717,166</u>

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

(Concluded)

# LCY TECHNOLOGY CORP.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL

LCY Technology Corp. (the “Corporation”), incorporated on January 16, 1997, mainly manufactures and sells electrolytic copper foil, an upstream material for printed circuit boards (PCBs).

The Corporation’s shares have been listed on the Taiwan Stock Exchange since June 28, 2018.

These financial statements of the Corporation is presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 24, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation has assessed that the application of the related standards and interpretations would not have any material impact on the Corporation's financial position and financial performance.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact of the application of related standards and interpretations on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these financial statements.

### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

### **Foreign Currencies**

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.



For the purpose of presenting financial statements, the financial statements of the Corporation and other entities in the Corporation (including subsidiary in other country or those that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

## **Inventories**

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Corporation similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. The cost of inventory received in a swap is based on the carrying amount of inventory given out.

## **Investments Accounted for Using the Equity Method**

### **a. Investments in subsidiaries**

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries attributable to the Corporation.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

### **b. Investments in associates**

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in joint venture.

The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

## **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Intangible Assets**

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

### Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets**

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units or to the smallest Corporation of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### Financial assets

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

#### a. Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost, investments in debt instruments and equity instruments at FVTOCI.

##### 1) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

##### 2) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

### 3) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b. Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 180 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c. Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### Equity instruments

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

#### Financial liabilities

a. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b. Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### **Revenue Recognition**

The Corporation identifies contracts and performance obligations in each contract, allocates the transaction price to the performance obligations in each contract, and recognizes revenue when performance obligations are satisfied.

#### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electrolytic copper foil products. Sales of goods are recognized as revenue when the goods are delivered to the customer's specified location (destination or shipping port) because it is the time when the customer has full control over the products and the Corporation's performance obligations are satisfied. Trade receivables are recognized concurrently. The Corporation recognizes contract liabilities for payments received before the delivery of the goods and assumes the responsibility to transfer the goods.

## **Leases**

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

### The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the lease or other terms, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

For a lease modification that is not accounted for as a separate lease, the Corporation accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented on a separate line in the balance sheets.

## **Employee Benefits**

### a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

### b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

## **Share-based Payment Arrangements**

### The Corporation's parent grants cash-settled share-based payment to the employees of the Corporation

The Corporation's parent grants the cash-settled share-based payment to the Corporation's employees and the parent has the obligation to settle the share-based transaction by cash, which is treated as a capital contribution to the Corporation. The fair value at the grant date of the cash-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding recognition of capital surplus - share-based payments.

## Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### c. Current tax and deferred tax

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Corporation considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2022	2021
Cash on hand	\$ 24	\$ 63
Checking accounts and demand deposits	690,308	717,103
Cash equivalents		
Time deposits with original maturities less than three months	<u>30,710</u>	<u>-</u>
	<u>\$ 721,042</u>	<u>\$ 717,166</u>

The ranges of market interest rates for cash in bank and repurchase agreements at the end of the reporting period were as follows:

	<u>December 31</u>	
	2022	2021
Demand deposits	0.001%-4.05%	0.001%-0.10%
Time deposits	4.20%	-

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2022	2021
<u>Non-current</u>		
Domestic investments		
Unlisted shares	<u>\$ 57,070</u>	<u>\$ 109,038</u>

These investments in equity instruments are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.



## 8. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Trade receivables</u>		
At amortized cost		
Carrying amount	\$ 851,986	\$ 793,521
Less: Allowance for impairment loss	<u>(2)</u>	<u>(3)</u>
	851,984	793,518
At FVTOCI	<u>6,461</u>	<u>267,999</u>
	<u>\$ 858,445</u>	<u>\$ 1,061,517</u>
 <u>Other receivables</u>		
Factored accounts receivable	\$ 58,151	\$ 5,991
Sales tax refund receivable	25,493	27,640
Others	<u>63,336</u>	<u>35,566</u>
	<u>\$ 146,980</u>	<u>\$ 69,197</u>

### Trade Receivables

#### a. At amortized cost

The average credit period of sales of goods was 90-120 days.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In determining the recoverable amount of trade receivables, the Corporation considers any changes in the credit quality of trade receivables from the original credit grant date to the balance sheet date. Accordingly, the management of the Corporation believes that the credit risk of the Corporation has been significantly reduced.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The Corporation establishes credit loss rates based on historical credit loss experience and the loss patterns of different customer segments supplemented by the number of days past due on trade receivables.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Not past due	\$ 834,001	\$ 793,489
Up to 90 days	17,985	30
91-180 days	<u>-</u>	<u>2</u>
	<u>\$ 851,986</u>	<u>\$ 793,521</u>

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

b. At FVTOCI

The Corporation will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

As of December 31, 2022 and 2021, there was no past due trade receivables and no allowance was provided for losses.

Refer to Note 24 for details of the factoring agreements for trade receivables.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 344,631	\$ 365,194
Work in process	245,663	192,499
Raw materials and supplies	<u>63,500</u>	<u>53,307</u>
	<u>\$ 653,794</u>	<u>\$ 611,000</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$10,990 thousand and \$77 thousand, respectively. The reversal resulted from increased selling price of inventories in specific markets.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Investments in subsidiary	\$ 13	\$ 12
Investments in associate	<u>2,006</u>	<u>2,000</u>
	<u>\$ 2,019</u>	<u>\$ 2,012</u>

a. Investments in subsidiary

	<u>December 31</u>	
	2022	2021
Unlisted company		
LCYT Holdings Corp.	\$ 13	\$ 12

Proportion of ownership interest and voting rights in the subsidiary as of the balance sheet date was as follows:

	<u>December 31</u>	
Investee	2022	2021
LCYT Holdings Corp.	100%	100%

b. Investments in associate

	<u>December 31</u>	
	2022	2021
<u>Associate that is not individually material</u>		
Unlisted company		
Kaohsiung Cogen Co., Ltd.	\$ 2,006	\$ 2,000

Proportion of ownership and voting rights in the associate as of the balance sheet date was as follows:

	<u>December 31</u>	
Investee	2022	2021
Kaohsiung Cogen Co., Ltd.	20%	20%

Aggregate information of associate that is not individually material.

	<u>For the Year Ended December 31</u>	
	2022	2021
The Corporation's share of:		
Net profit	\$ 6	\$ -

## 11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 448,991	\$ 3,169,410	\$ 12,547	\$ 61,520	\$ 72,241	\$ 3,764,709
Additions	120	95	-	4,545	27,209	31,969
Disposals	-	(12,422)	(1,233)	(2,001)	-	(15,656)
Reclassified to expenses	-	-	-	(2,448)	-	(2,448)
Reclassified property in construction	-	67,027	-	5,543	(72,570)	-
Balance at December 31, 2021	<u>\$ 449,111</u>	<u>\$ 3,224,110</u>	<u>\$ 11,314</u>	<u>\$ 67,159</u>	<u>\$ 26,880</u>	<u>\$ 3,778,574</u>

(Continued)

	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ 299,215	\$ 2,975,703	\$ 10,992	\$ 37,076	\$ -	\$ 3,322,986
Disposals	-	(11,801)	(1,233)	(1,963)	-	(14,997)
Depreciation expense	21,839	56,727	603	4,264	-	83,433
Balance at December 31, 2021	<u>\$ 321,054</u>	<u>\$ 3,020,629</u>	<u>\$ 10,362</u>	<u>\$ 39,377</u>	<u>\$ -</u>	<u>\$ 3,391,422</u>
Carrying amount at December 31, 2021	<u>\$ 128,057</u>	<u>\$ 203,481</u>	<u>\$ 952</u>	<u>\$ 27,782</u>	<u>\$ 26,880</u>	<u>\$ 387,152</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 449,111	\$ 3,224,110	\$ 11,314	\$ 67,159	\$ 26,880	\$ 3,778,574
Additions	-	-	750	4,601	142,738	148,089
Disposals	-	(26,072)	(3,731)	(3,324)	-	(33,127)
Reclassified to expenses	-	-	-	(4,638)	(90)	(4,728)
Reclassified property in construction	-	79,745	-	17,767	(97,512)	-
Balance at December 31, 2022	<u>\$ 449,111</u>	<u>\$ 3,277,783</u>	<u>\$ 8,333</u>	<u>\$ 81,565</u>	<u>\$ 72,016</u>	<u>\$ 3,888,808</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ 321,054	\$ 3,020,629	\$ 10,362	\$ 39,377	\$ -	\$ 3,391,422
Disposals	-	(26,072)	(3,731)	(3,324)	-	(33,127)
Depreciation expense	20,596	47,327	432	5,701	-	74,056
Balance at December 31, 2022	<u>\$ 341,650</u>	<u>\$ 3,041,884</u>	<u>\$ 7,063</u>	<u>\$ 41,754</u>	<u>\$ -</u>	<u>\$ 3,432,351</u>
Carrying amount at December 31, 2022	<u>\$ 107,461</u>	<u>\$ 235,899</u>	<u>\$ 1,270</u>	<u>\$ 39,811</u>	<u>\$ 72,016</u>	<u>\$ 456,457</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	26 years
Plant accessories and office renovation	3-11 years
Machinery and equipment	2-20 years
Transportation equipment	5-10 years
Other equipment	2-15 years

No impairment loss was recognized for the years ended December 31, 2022 and 2021.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Land	\$ 123,018	\$ 130,651
Buildings	3,924	-
Office equipment	222	282
Transportation equipment	<u>560</u>	<u>949</u>
	<u>\$ 127,724</u>	<u>\$ 131,882</u>

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	\$ <u>6,078</u>	\$ <u>1,168</u>
Depreciation charge for right-of-use assets		
Land	\$ 7,825	\$ 7,826
Buildings	1,962	1,963
Office equipment	59	59
Transportation equipment	<u>390</u>	<u>530</u>
	<u>\$ 10,236</u>	<u>\$ 10,378</u>

Except for the recognized depreciation, the Corporation did not have significant addition, sublease or impairment of right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	\$ <u>9,829</u>	\$ <u>7,690</u>
Non-current	\$ <u>121,528</u>	\$ <u>126,887</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.41%-1.85%	1.85%
Buildings	1.41%	-
Office equipment	1.38%	1.38%
Transportation equipment	1.37%	1.37%

c. Material leasing activities and terms

The Corporation mainly leases office and land with lease terms of 3 to 10 years. The Corporation does not have bargain purchase options to acquire the leasehold office and land at the end of the lease terms; the lease term of the land has option to extend for another 10 years.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to low-value asset leases	\$ <u>41</u>	\$ <u>41</u>
Total cash outflow for leases	\$ <u>(11,812)</u>	\$ <u>(11,956)</u>

The Corporation's leases of certain transportation equipment qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

### 13. OTHER ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 5,057	\$ 4,797
Input tax	4,750	1,118
Others	<u>727</u>	<u>127</u>
	<u>\$ 10,534</u>	<u>\$ 6,042</u>
Other current assets		
Spare parts	\$ 36,975	\$ 38,770
Others	<u>728</u>	<u>621</u>
	<u>\$ 37,703</u>	<u>\$ 39,391</u>

### 14. TRADE PAYABLES

Trade payables are generated from operations. The average credit period on purchases of certain goods was 29 days. The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

### 15. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 41,467	\$ 78,428
Payables for equipment	40,639	10,440
Payables for utilities	27,826	23,480
Payables for compensation of employees and directors	2,694	7,138
Others	<u>29,882</u>	<u>24,362</u>
	<u>\$ 142,508</u>	<u>\$ 143,848</u>
Other liabilities		
Refund liabilities	\$ 2,361	\$ 6,522
Contract liabilities	4,325	-
Others	<u>666</u>	<u>707</u>
	<u>\$ 7,352</u>	<u>\$ 7,229</u>

Refund liabilities are recognized on the basis of historical experience, management's judgment and other known reasons for possible sales return and discount, and the relative amount is recognized as a deduction to sale of goods upon the goods were sold.

## 16. RETIREMENT BENEFIT PLANS

The pension plan under the Labor Pension Act is a defined contribution pension plan. Pursuant to the plan, the Corporation make monthly contributions to employees' individual pension accounts at 6% of each employee's monthly salary.

## 17. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>137,776</u>	<u>137,776</u>
Shares issued and fully paid	<u>\$ 1,377,765</u>	<u>\$ 1,377,765</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The \$240,000 thousand of the authorized capital share is reserved for the exercise of share options for warrants, preferred share with share options, and corporate bonds with share options.

The Corporation's board of directors resolved on March 24, 2021 to reduce cash capital and return share capital, which was subsequently resolved in the shareholders' meeting on July 20, 2021. The total capital reduction amounted to \$153,085 thousand, which represented the cancellation of 15,309 thousand shares, and the ratio of capital reduction was 10%. The share capital was 137,776 thousand shares after the capital reduction.

The capital reduction was approved and put into effect by Taiwan Stock Exchange Corporation on October 7, 2021. The record date of the capital reduction approved by the Corporation's board of the directors was October 8, 2021, and the change in registration was completed on October 27, 2021. The capital reduction was returned to the Corporation's shareholders in November 2021.

### b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 307,478	\$ 307,478
<u>May not be used for any purpose</u>		
Share-based payment arrangements	<u>11,116</u>	<u>5,629</u>
	<u>\$ 318,594</u>	<u>\$ 313,107</u>

Capital surplus arising from issuance of ordinary shares may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation (the "Articles"), the proposal for profit distribution or offsetting of losses should be made at the end of each quarter of the fiscal year. The distribution should be resolved in the shareholders' meeting if the dividends and bonuses are distributed by the issuance of shares while the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash.

Where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan. The proposal for profit distribution or offsetting of losses made at the end of each quarter should be in compliance with the aforementioned procedures. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses, legal reserve and capital surplus in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 19 (e).

The Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are no less than 10% of the total dividends distributed.

When a special reserve is appropriated for cumulative net debit balance reserves from the prior period, the sum of net profit for the current period and items other than the net profit that are included directly in the unappropriated earnings for the current period is used if the prior unappropriated earnings are not sufficient.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020 were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 56,421	\$ 3,432
Special reserve	-	(4,348)
Cash dividends	206,665	91,851
Dividends Per Share (NT\$)	1.5	0.6



The appropriation of earnings for 2022 was as follows:

	<u>Appropriation of Earnings</u> For the Year Ended December 31, 2022
Legal reserve	\$ 20,299
Cash dividends	68,888
Dividends Per Share (NT\$)	0.5

The above appropriation for cash dividends has been resolved by the Company's board of directors on March 24, 2023; the other proposed appropriation will be resolved by the shareholders in their meeting to be held on June 28, 2023.

## 18. REVENUE

### Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and trade receivables (Notes 8 and 26)	<u>\$ 860,784</u>	<u>\$ 1,070,205</u>	<u>\$ 779,878</u>
Contract liabilities (recognized as other current liabilities)			
Sale of goods	<u>\$ 4,325</u>	<u>\$ -</u>	<u>\$ -</u>

The changes in the balance of contract liabilities primarily resulted from the timing differences between the Corporation's satisfaction of performance obligations and the respective customer's payment.

## 19. NET PROFIT

Information about net profit is as follows:

### a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2022	2021
Net foreign exchange gains (losses)	\$ 114,524	\$ (14,806)
Gain (loss) on disposal of property, plant and equipment	250	(192)
Gain on lease modifications	-	3
Others	<u>(2,823)</u>	<u>(88)</u>
	<u>\$ 111,951</u>	<u>\$ (15,083)</u>

b. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ 2,473	\$ 2,542
Interest on bank overdrafts and loans	<u>4</u>	<u>-</u>
	<u>\$ 2,477</u>	<u>\$ 2,542</u>

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 74,056	\$ 83,433
Right-of-use assets	10,236	10,378
Intangible assets	<u>1,430</u>	<u>1,397</u>
	<u>\$ 85,722</u>	<u>\$ 95,208</u>
 An analysis of depreciation by function		
Operating costs	\$ 80,696	\$ 90,032
Operating expenses	<u>3,596</u>	<u>3,779</u>
	<u>\$ 84,292</u>	<u>\$ 93,811</u>
 An analysis of amortization by function		
Operating costs	\$ 430	\$ 436
Operating expenses	<u>1,000</u>	<u>961</u>
	<u>\$ 1,430</u>	<u>\$ 1,397</u>

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 241,008	\$ 285,948
Post-employment benefits (Note 16)		
Defined contribution plans	9,557	9,307
Share-based payment (Note 22)	5,487	5,629
Other employee benefits	<u>14,948</u>	<u>15,805</u>
	<u>\$ 271,000</u>	<u>\$ 316,689</u>
 Total employee benefits expense		
Operating costs	\$ 213,757	\$ 248,781
Operating expenses	<u>57,243</u>	<u>67,908</u>
	<u>\$ 271,000</u>	<u>\$ 316,689</u>

e. Compensation of employees and remuneration of directors

In accordance with the Articles, the Corporation accrued compensation of employees and remuneration of directors at rates of no less than 0.5% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Corporation's board of directors on March 24, 2023 and March 23, 2022, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Compensation of employees	0.5%	0.5%
Remuneration of directors and supervisors	0.5%	0.5%

Cash

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Compensation of employees	\$ 1,347	\$ 3,569
Remuneration of directors and supervisors	1,347	3,569

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts, of the compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Foreign exchange gains	\$ 167,382	\$ 38,615
Foreign exchange losses	<u>(52,858)</u>	<u>(53,421)</u>
Net gains (losses)	<u>\$ 114,524</u>	<u>\$ (14,806)</u>

## 20. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 56,483	\$ 140,928
Income tax on unappropriated earnings	10,404	-
Adjustments for prior year	<u>26</u>	<u>-</u>
	<u>66,913</u>	<u>140,928</u>
Deferred tax		
In respect of the current year	<u>(3,097)</u>	<u>1,490</u>
Income tax expense recognized in profit or loss	<u>\$ 63,816</u>	<u>\$ 142,418</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 266,810</u>	<u>\$ 706,626</u>
Income tax expense calculated at the statutory rate	\$ 53,362	\$ 141,325
Nondeductible expenses in determining taxable income	24	900
Income tax on unappropriated earnings	10,404	-
Unrecognized deductible temporary difference	-	193
Adjustments for prior years' tax	<u>26</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 63,816</u>	<u>\$ 142,418</u>

### b. Current tax assets and liabilities

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 23,999</u>
Current tax liabilities		
Income tax payable	<u>\$ 66,476</u>	<u>\$ 140,831</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensiv e Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Inventory reserve	\$ 137	\$ 2,197	\$ -	\$ 2,334
Loss of foreign investment	1,391	-	-	1,391
Refund liabilities	1,304	(832)	-	472
Unrealized exchange loss	599	1,701	-	2,300
Others	<u>1,158</u>	<u>(3)</u>	<u>-</u>	<u>1,155</u>
	<u>\$ 4,589</u>	<u>\$ 3,063</u>	<u>\$ -</u>	<u>\$ 7,652</u>

Deferred tax liabilities

Temporary differences				
Interest capitalization	\$ 135	\$ (34)	\$ -	\$ 101
Exchange differences on translation of the financial statements of foreign operations	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
	<u>\$ 169</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ 135</u>

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensiv e Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Inventory reserve	\$ 122	\$ 15	\$ -	\$ 137
Loss of foreign investment	1,391	-	-	1,391
Property, plant and equipment	832	(832)	-	-
Refund liabilities	1,291	13	-	1,304
Unrealized exchange loss	1,144	(545)	-	599
Others	<u>1,333</u>	<u>(175)</u>	<u>-</u>	<u>1,158</u>
	<u>\$ 6,113</u>	<u>\$ (1,524)</u>	<u>\$ -</u>	<u>\$ 4,589</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Interest capitalization	\$ 169	\$ (34)	\$ -	\$ 135
Exchange differences on translation of the financial statements of foreign operations	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
	<u>\$ 203</u>	<u>\$ (34)</u>	<u>\$ -</u>	<u>\$ 169</u> (Concluded)

d. Income tax assessments

The income tax returns through 2020 have been assessed by the tax authorities.

## 21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 1.47</u>	<u>\$ 3.77</u>
Diluted earnings per share	<u>\$ 1.47</u>	<u>\$ 3.77</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 202,994</u>	<u>\$ 564,208</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	137,776	149,520
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>74</u>	<u>79</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>137,850</u>	<u>149,599</u>

The Corporation may settle compensation or bonuses paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential dilutive shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 22. SHARE-BASED PAYMENT ARRANGEMENTS

### Cash-settled share-based payments granted to the employees of the Corporation by the Corporation's parent

The Corporation's parent LCY Chemical Corp. ("LCY Chemical") issued to certain employees share appreciation rights (SARs) that require LCY Chemical Corp. to settle the SARs by cash; the SARs are treated as a capital contribution to the Corporation. The SARs execution period is from 2021 to 2024, and SARs shall be granted to employees on September 30 every year. The SARs granted are valid for 10 years and exercisable earlier after 3 years from the grant date, or LCY Chemical (or its controlling company) may be successfully listed, and the employees may have remained employed with the Group. The parent shall pay the SARs in cash at the value agreed upon with the employees when the SARs are exercised by employees.

As of December 31, 2022 and 2021, the numbers of share appreciation rights outstanding were 350 thousand and 278 thousand, respectively.

The fair value of the cash-settled share-based payments was measured using the Black-Scholes pricing model, and the inputs to the model were as follows:

	<b>September 30</b>	
	<b>2022</b>	<b>2021</b>
Grant-date share price	\$26.40	\$49.32
Exercise price	-	-
Expected volatility	24.10%	25.38%
Expected life (in years)	6.5	6.5
Expected dividend yield	-	-
Risk-free interest rate	1.51%	0.37%

Compensation costs recognized were \$5,487 thousand and \$5,629 thousand for the years ended December 31, 2022 and 2021, respectively.

## 23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while achieving optimization of the debt and equity balance through the issuance of ordinary shares for cash and loans. The Corporation's overall strategy remains unchanged from the prior year.

The capital structure of the Corporation consists of debts and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation usually review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the number of new shares, and the amount of new debt issued.

## 24. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management considers that carrying amounts of other financial instruments, such as cash and cash equivalents, financial assets at amortized cost, receivables and payables recognized in the financial statements approximate their fair values.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 57,070	\$ 57,070
Investments in debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>6,461</u>	<u>6,461</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,531</u>	<u>\$ 63,531</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity shares				
Domestic unlisted shares	\$ -	\$ -	\$ 109,038	\$ 109,038
Investments in debt instruments				
Trade receivables	<u>-</u>	<u>-</u>	<u>267,999</u>	<u>267,999</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,037</u>	<u>\$ 377,037</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.



2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	<b>Financial Assets at FVTOCI</b>		<b>Total</b>
	<b>Equity Instruments</b>	<b>Debt Instruments</b>	
<u>Financial assets</u>			
Balance at January 1, 2022	\$ 109,038	\$ 267,999	\$ 377,037
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(51,968)	-	(51,968)
Increase in trade receivables	-	487,170	487,170
Factoring for trade receivables	-	(748,708)	(748,708)
Balance at December 31, 2022	<u>\$ 57,070</u>	<u>\$ 6,461</u>	<u>\$ 63,531</u>

For the year ended December 31, 2021

	<b>Financial Assets at FVTOCI</b>		<b>Total</b>
	<b>Equity Instruments</b>	<b>Debt Instruments</b>	
<u>Financial assets</u>			
Balance at January 1, 2021	\$ 48,607	\$ 149,509	\$ 198,116
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	60,431	-	60,431
Increase in trade receivables	-	781,122	781,122
Factoring for trade receivables	-	(662,632)	(662,632)
Balance at December 31, 2021	<u>\$ 109,038</u>	<u>\$ 267,999</u>	<u>\$ 377,037</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity securities are determined using the market approach, which references the transaction price, price multiplier implicit in the transaction price and other related information of comparable companies that operate in the same industry in active markets.

The fair value of the trade receivable at FVTOCI is based on the estimated future cash flow that reflects the credit risk of counterparties. The Corporation measures the fair value based on the original invoice amount since the effect of discounting was not material.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,725,832	\$ 1,591,860
Financial assets at FVTOCI		
Equity instruments	57,070	109,038
Trade receivables	6,461	267,999
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	460,071	385,545

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables and other receivables and refundable deposits.

2) The balances include financial assets at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, trade receivables and trade payables. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Corporation's management and board of directors.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation has foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 96% of the Corporation's sales were denominated in currencies other than the functional currency, whilst almost 95% of costs were denominated in currencies other than the functional currency. Some of the Corporation's purchases of plant and equipment were also denominated in currencies other than the functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar, RMB and JPY.

The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar (the functional currency) weakening by 1% against the relevant foreign currency. For a 1% strengthening of the New Taiwan dollar (the functional currency) against the relevant foreign currency, there would be an equal and opposite impact on pre-tax profit.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	\$ <u>9,378</u>	\$ <u>11,982</u>
	<b>RMB Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	\$ <u>2,332</u>	\$ <u>1,333</u>
	<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	\$ <u>(38)</u>	\$ <u>(39)</u>

This was mainly attributable to the exposure outstanding on bank deposits (including time deposits), receivables and payables denominated in currencies other than the functional currency.

b) Interest rate risk

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<u>December 31</u>	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 30,710	\$ -
Financial liabilities	131,357	134,577
Cash flow interest rate risk		
Financial assets	690,308	717,103

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$3,452 thousand and \$3,586 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation is the carrying amount of the financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties. Before accepting any new customer, the Corporation uses an internal credit scoring system to assess the potential customer's credit limits and scoring. The credit risk on derivatives was limited because the counterparties are large financial institutions.

The Corporation's concentration of credit risk by geographical location was mainly in China, which accounted for 46% and 56% of the total trade receivables as of December 31, 2022 and 2021, respectively.

The Corporation entered into transactions with a large number of unrelated customers. Apart from the top four customers of the Corporation, the Corporation did not have significant credit risk exposure to any single counterparty or any Corporation of counterparties with similar characteristics.

As of December 31, 2022 and 2021, the concentration of credit risk on the top four customers accounted for 74% and 65% of trade receivables, respectively.

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturities for its non-derivative financial liabilities. The tables had been drawn up based on the undiscounted cash flows of financial liabilities based on the agreed upon repayment dates.

##### December 31, 2022

				<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities				<u>\$ 506,022</u>	<u>\$ 2,694</u>	
	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>More than 15 Years</b>
Lease liabilities	<u>\$ 2,943</u>	<u>\$ 8,829</u>	<u>\$ 39,400</u>	<u>\$ 46,238</u>	<u>\$ 46,238</u>	<u>\$ 6,936</u>

##### December 31, 2021

				<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities				<u>\$ 468,515</u>	<u>\$ 7,138</u>	
	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>More than 15 Years</b>
Lease liabilities	<u>\$ 2,427</u>	<u>\$ 7,280</u>	<u>\$ 37,793</u>	<u>\$ 46,238</u>	<u>\$ 46,239</u>	<u>\$ 16,183</u>

#### b) Financing facilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Unsecured bank borrowing facilities		
Amount used	\$ -	\$ -
Amount unused	<u>613,550</u>	<u>460,000</u>
	<u>\$ 613,550</u>	<u>\$ 460,000</u>

e. Transfers of financial assets

Information of the Corporation's factored trade receivables for the years ended December 31, 2022 and 2021 was as follows:

Counterparties	Receivables Factoring Proceeds	Amount Reclassified to Other Receivable	Advance Received Unused	Advance Received Used	Annual Interest Rates on Advances Received (Used) (%)
<u>December 31, 2022</u>					
O-Bank	\$ 64,612	\$ 58,151	\$ 58,151	\$ -	-
<u>December 31, 2021</u>					
O-Bank	\$ 6,657	\$ 5,991	\$ 5,991	\$ -	-

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns or discounts) were borne by the Corporation, while losses from credit risk were borne by the banks (amounts factored are recorded in other receivables).

The Corporation discounted a portion of its trade receivables under letters of credit to the banks. Since the Corporation has transferred substantially all risks and rewards relating to these trade receivables, the full carrying amount of these trade receivables were derecognized. However, if the derecognized trade receivables are not paid at maturity, the banks have the right to demand the Corporation to pay the unsettled balance; therefore, the Corporation still has continuing involvement in these trade receivables.

The maximum exposure to loss from the Corporation's continuing involvement in the derecognized trade receivables is equal to the face amounts of the transferred but unsettled trade receivables, and as of December 31, 2022, the face amount of these unsettled trade receivables was \$5,383 thousand. The unsettled trade receivables will be due in one month after December 31, 2022. Taking into consideration the credit risk of these derecognized trade receivables, the Corporation estimates that the fair values of its continuing involvement are not significant.

## 25. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is LCY Chemical Corp. which held 61.94% of the ordinary shares of the Corporation as of December 31, 2022 and 2021.

The Corporation's ultimate parent and ultimate controlling party is the KKR Global Institute.

Details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and categories:

<u>Related Party Name</u>	<u>Related Party Category</u>
LCY Chemical Corp. (“LCY Chemical”)	The Corporation’s parent
LCY Management Consulting Co., Ltd. (“LCY Management Consulting”)	Sister corporation
Lee Chang Yung Company, Ltd. (“Lee Chang Yung”)	Related party in substance
Lee Jamgo Co., Ltd. (“LEE Jamgo”)	Related party in substance
Chi Hwa Co., Ltd. (“Chi Hwa”)	Related party in substance
Hank Fah Co., Ltd. (“Hank Fah”)	Related party in substance
Shinemore Technology Materials Co., Ltd (“Shinemore Technology Materials”)	Other related party (the Corporation’s parent is one of the directors)
Formosa Copper Technology Corporation (“Formosa Copper Technology”)	Other related party (the Corporation is one of the directors)

b. Sales of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Other related party/ Shinemore Technology Materials	<u>\$ 21,611</u>	<u>\$ 42,449</u>

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Other related party/Formosa Copper Technology	<u>\$ 477,506</u>	<u>\$ 432,390</u>

d. Exchange of inventories

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Other related party/Formosa Copper Technology	<u>\$ 139,660</u>	<u>\$ 153,583</u>

e. Other expenses

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Manufacturing costs	The Corporation’s parent/LCY Chemical	\$ 17,752	\$ 10,126
Operating expenses	The Corporation’s parent/LCY Chemical	14,252	11,522
R&D expenses	The Corporation’s parent/LCY Chemical	20	112
Operating expenses	Sister company/LCY Management Consulting	3,000	3,000
Manufacturing costs	Related party in substance/Hank Fah	1,518	
Manufacturing costs	Other related party/Shinemore Technology Materials	<u>20</u>	<u>-</u>
		<u>\$ 36,562</u>	<u>\$ 24,760</u>

The related-party transactions were carried out under normal terms.

f. Acquisition of property, plant and equipment

Related Party Category/Name	Price	
	For the Year Ended December 31	
	2022	2021
Related party in substance/Hank Fah	\$ 2,820	\$ -

g. Lease arrangements

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Additions to right-of-use assets	Related party in substance/Lee Chang Yung	\$ 5,886	\$ -
	Related party in substance/LEE Jamgo	192	-
		\$ 6,078	\$ -

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities	The Corporation's parent/LCY Chemical	\$ 126,485	\$ 133,341
	Related party in substance/Lee Chang Yung	3,951	-
	Related party in substance/LEE Jamgo	129	-
		\$ 130,565	\$ 133,341

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Interest expense		
The Corporation's parent/LCY Chemical	\$ 2,391	\$ 2,517
Related party in substance/Lee Chang Yung	66	10
Related party in substance/LEE Jamgo	2	-
	\$ 2,459	\$ 2,527

The rental is based on local rental rates and are paid quarterly.

h. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Notes receivable - related parties	Other related party/Shinemore Technology Materials	\$ -	\$ 8,688
Trade receivables - related parties	Other related party/Shinemore Technology Materials	\$ 2,339	\$ -



i. Other receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other receivable - related parties	The Corporation's parent/LCY Chemical	\$ 18	\$ 64
	Related party in substance/Lee Chang Yung	<u>242</u>	<u>-</u>
		<u>\$ 260</u>	<u>\$ 64</u>

j. Refundable deposits

Line Item	Related Party Category/Name	December 31	
		2022	2021
Refundable deposits	The Corporation's parent/LCY Chemical	\$ 2,100	\$ 2,100
	Related party in substance/Lee Chang Yung	<u>500</u>	<u>500</u>
		<u>\$ 2,600</u>	<u>\$ 2,600</u>

k. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade payables - related parties	Other related party/Formosa Copper Technology	<u>\$ 39,892</u>	<u>\$ 36,146</u>

l. Other payables to related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other payables - related parties	The Corporation's parent/LCY Chemical	\$ 19,961	\$ 8,755
	Related party in substance/Lee Chang Yung	168	-
	Related party in substance/Hank Fah	912	-
	Other related party/Shinemore Technology Materials	<u>-</u>	<u>3</u>
		<u>\$ 21,041</u>	<u>\$ 8,758</u>

m. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 7,739	\$ 11,481
Share-based payments	1,494	506
Post-employment benefits	<u>108</u>	<u>108</u>
	<u>\$ 9,341</u>	<u>\$ 12,095</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments and contingencies of the Corporation were as follows:

As of December 31, 2022 and 2021, the commitments for purchase of properties were \$70,064 thousand and \$53,517 thousand, respectively.

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies of the entities in the Corporation and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

**(In Thousands of New Taiwan Dollars and Foreign Currencies)**

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 37,803	30.71 (USD:NTD)	\$ <u>1,160,930</u>
RMB	52,879	4.409 (RMB:NTD)	\$ <u>233,161</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	1	30.71 (USD:NTD)	\$ <u>13</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,265	30.71 (USD:NTD)	\$ <u>223,108</u>
JPY	16,335	0.232 (JPY:NTD)	\$ <u>3,796</u>

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,622	27.68 (USD:NTD)	\$ <u>1,428,897</u>
RMB	30,708	4.342 (USD:NTD)	\$ <u>133,322</u>
JPY	360	0.241 (JPY:NTD)	\$ <u>87</u>
Non-monetary items			
Investments accounted for using the equity method			
USD	1	27.68 (USD:NTD)	\$ <u>12</u>
<u>Financial liabilities</u>			
Monetary items			
USD	8,333	27.68 (USD:NTD)	\$ <u>230,657</u>
JPY	16,752	0.241 (JPY:NTD)	\$ <u>4,029</u>

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Year Ended December 31</b>				
		<b>2022</b>	<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
USD	29.85 (USD:NTD)	\$ 109,501	28.00 (USD:NTD)	\$ (12,983)
RMB	4.4355 (RMB:NTD)	4,282	4.340 (RMB:NTD)	(2,110)
JPY	0.2275 (JPY:NTD)	<u>736</u>	0.255 (JPY:NTD)	<u>287</u>
		<u>\$ 114,519</u>		<u>\$ (14,806)</u>

## 28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):  
Table 1 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital:  
None

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital:  
None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:  
None
  - 9) Trading in derivative instruments: None
  - 10) Information on investees: Table 3 (attached)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China: None
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder:  
Table 4 (attached)

## **29. SEGMENT INFORMATION**

The Corporation has disclosed segment financial information in the consolidated financial report.

**LCY TECHNOLOGY CORP.**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
LCY Technology Corp.	<u>Stocks</u> Formosa Copper Technology Corporation	The Corporation is one of the directors	Financial assets at FVTOCI	6,609,015	\$ 57,070	9.7	\$ 57,070	

**LCY TECHNOLOGY CORP.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
LCY Technology Corp.	Formosa Copper Technology Corporation	The Corporation is one of the directors	Purchase	\$ 477,506	16.09	Net 30 days after delivery	Same as general customers	Same as general customers	\$ (39,892)	(11.56)	

**LCY TECHNOLOGY CORP.**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
LCY Technology Corp.	LCYT Holdings Corp. Kaohsiung Cogen Co., Ltd.	Craigmuir Chamers P.O. Box 71, Road Town, Tortola, BVI 3F., No. 83, Sec. 4, Bade Rd., Songshan Dist., Taipei City 105035, Taiwan (R.O.C.)	Investment	\$ 6,800	\$ 6,800	100	100	\$ 13	\$ -	\$ -	
			Planning, design, and procurement of the co-generation system, environmental protection, and engineering	2,000	2,000	200,000	20	2,006	29	6	

**LCY TECHNOLOGY CORP.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
LCY Chemical Corp.	85,339,392	61.94

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.



# LCY TECHNOLOGY CORP.

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
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Major Accounting Items in Profit or Loss	
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Statement of cost of goods sold	8
Statement of manufacturing expenses	9
Statement of operating expenses	10
Statement of employee benefit, depreciation and amortization by function	11

**LCY TECHNOLOGY CORP.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Cash on hand		\$ 24
Check deposits		347
Fixed deposit	Mainly including US\$1,000 thousand with exchange rates of NT\$30.71	30,710
Demand deposits		
New Taiwan dollars		224,768
Foreign currency	Mainly including US\$14,321 thousand and RMB5,737 thousand with exchange rates of NT\$30.71 and NT\$4.409, respectively	<u>465,193</u>
		<u>\$ 721,042</u>

**LCY TECHNOLOGY CORP.**

**STATEMENT OF TRADE RECEIVABLES, NET**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Group Q	\$ 325,017
Group F	166,508
Group C	94,168
Group B	46,762
Others (Note)	<u>225,992</u>
	858,447
Less: Allowance for doubtful accounts	<u>(2)</u>
	<u>\$ 858,445</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**LCY TECHNOLOGY CORP.****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 63,753	\$ 65,019
Work-in-progress	245,663	258,649
Finished goods	<u>356,045</u>	<u>365,639</u>
	665,461	<u>\$ 689,307</u>
Less: Allowance for inventory write-down	<u>(11,667)</u>	
	<u>\$ 653,794</u>	

## LCY TECHNOLOGY CORP.

STATEMENT OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

	Land	Buildings	Office Equipment	Transportation Equipment	Total
<u>Cost</u>					
January 1, 2022	\$ 153,936	\$ -	\$ 356	\$ 1,168	\$ 155,460
Additions	<u>192</u>	<u>5,886</u>	<u>-</u>	<u>-</u>	<u>6,078</u>
December 31, 2022	<u>\$ 154,128</u>	<u>\$ 5,886</u>	<u>\$ 356</u>	<u>\$ 1,168</u>	<u>\$ 161,538</u>
<u>Accumulated depreciation</u>					
January 1, 2022	\$ 23,285	\$ -	\$ 74	\$ 219	\$ 23,578
Additions	<u>7,825</u>	<u>1,962</u>	<u>60</u>	<u>389</u>	<u>10,236</u>
December 31, 2022	<u>\$ 31,110</u>	<u>\$ 1,962</u>	<u>\$ 134</u>	<u>\$ 608</u>	<u>\$ 33,814</u>
December 31, 2022, net	<u>\$ 123,018</u>	<u>\$ 3,924</u>	<u>\$ 222</u>	<u>\$ 560</u>	<u>\$ 127,724</u>

**LCY TECHNOLOGY CORP.****STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
2000001431	\$ 142,051
2600255	38,092
2000000341	26,604
2000002098	20,075
Others (Note)	<u>78,453</u>
	<u>\$ 305,275</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

**LCY TECHNOLOGY CORP.****STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Lease Period</b>	<b>Discount Rate</b>	<b>Ending Balance</b>
Land	3-10 years	1.41%-1.85%	\$ 126,614
Buildings	3 years	1.41%	3,951
Office equipment	6 years	1.38%	226
Transportation equipment	3 years	1.37%	<u>566</u>
			131,357
Less: Current portion			<u>(9,829)</u>
Non-current lease liabilities			<u>\$ 121,528</u>

**LCY TECHNOLOGY CORP.****STATEMENT OF SALES REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Quantity (Ton)</b>	<b>Amount</b>
Sales from electrolytic copper foil	10,379	\$ 4,052,907
Less: Sales returns and discounts		<u>(4,950)</u>
Sales revenue, net		<u>\$ 4,047,957</u>



**LCY TECHNOLOGY CORP.****STATEMENT OF COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

Item	Amount
Cost of goods sold	
Raw materials	
Raw materials, beginning of year	\$ 53,823
Additions: Raw materials purchased	2,967,659
Others	(15,290)
Raw materials, end of year	<u>(63,753)</u>
	2,942,439
Direct labor	56,471
Outsourcing expense	10,837
Manufacturing expense	<u>741,009</u>
Manufacturing cost	3,750,756
Work in progress, beginning of year	192,499
Work in progress, end of year	<u>(245,663)</u>
Cost of finished goods	3,697,592
Finished goods, beginning of year	365,355
Other	(178)
Finished goods, end of year	<u>(356,045)</u>
	3,706,724
Unallocated fixed production overhead	44,702
Inventory write-downs	<u>10,990</u>
Cost of goods sold	<u>\$ 3,762,416</u>

**LCY TECHNOLOGY CORP.****STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Payroll and pension expense	\$ 128,000
Utilities expense	294,725
Depreciation expense	80,696
Repair and maintenance expense	104,253
Packing expense	51,826
Indirect materials	47,634
Others	<u>33,875</u>
	<u>\$ 741,009</u>

**LCY TECHNOLOGY CORP.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Payroll and pension expense	\$ 6,220	\$ 32,133	\$ 8,388	\$ 46,741
Export fee	16,414	106	-	16,520
Fright	26,103	4	-	26,107
Professional service fees	1,025	22,332	1,401	24,758
Commission expense	10,611	-	-	10,611
Insurance expense	6,255	2,172	693	9,120
Others	<u>2,227</u>	<u>13,112</u>	<u>2,755</u>	<u>18,094</u>
	<u>\$ 68,855</u>	<u>\$ 69,859</u>	<u>\$ 13,237</u>	<u>\$ 151,951</u>

## LCY TECHNOLOGY CORP.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

	2022			2021		
	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total
Employee benefits						
Salaries	\$ 176,339	\$ 41,276	\$ 217,615	\$ 211,299	\$ 49,546	\$ 260,845
Labor and health insurance	16,436	2,917	19,353	16,010	2,824	18,834
Pension	8,132	1,425	9,557	7,799	1,508	9,307
Board compensation	-	4,040	4,040	-	6,269	6,269
Others	<u>12,850</u>	<u>7,585</u>	<u>20,435</u>	<u>13,673</u>	<u>7,761</u>	<u>21,434</u>
	<u>\$ 213,757</u>	<u>\$ 57,243</u>	<u>\$ 271,000</u>	<u>\$ 248,781</u>	<u>\$ 67,908</u>	<u>\$ 316,689</u>
Depreciation	<u>\$ 80,696</u>	<u>\$ 3,596</u>	<u>\$ 84,292</u>	<u>\$ 90,032</u>	<u>\$ 3,779</u>	<u>\$ 93,811</u>
Amortization	<u>\$ 430</u>	<u>\$ 1,000</u>	<u>\$ 1,430</u>	<u>\$ 436</u>	<u>\$ 961</u>	<u>\$ 1,397</u>

Note 1: As of December 31, 2022 and 2021, the Corporation had 231 and 233 employees, respectively. There were both 7 non-employee directors.

Note 2: a. The average employee benefits for the years ended 2022 and 2021 were \$1,192 thousand and \$1,374 thousand, respectively.

b. The average salaries for the years ended 2022 and 2021 were \$971 thousand and \$1,154 thousand, respectively.

c. The average salaries decreased by 14% year over year.

Note 3: An audit committee was set up to replace supervisors in accordance with Securities and Exchange Act.

Note 4: a. Directors: The Corporation's compensation to the directors in accordance with the Articles of Incorporation: The board of directors is authorized to determine the compensation of the directors on the basis of the degree of their participation in and the value of their contributions to the operation of the Corporation based on the general standards in the industry. If there is a profit reported, the compensation of directors should be accrued in accordance with the Articles of Incorporation. The compensation of the directors should be reported to the shareholders in their meeting after being reviewed by the compensation committee and submitted to the board of directors for approval. A director who serves as employee of the Corporation is entitled to receive compensation in accordance with the Articles of Incorporation, and also may receive a monthly salary based on the salary level of management.

b. The management: The compensation of the management includes salary, bonuses and employee compensation. The salary level is determined based on the position they served, the responsibilities undertaken and their contribution to the Corporation, based on the general standards in the industry. The compensation of the management is reviewed by the compensation committee and submitted to the board of directors for approval.

c. Employees: In addition to setting reasonable and competitive salary levels based on labor market conditions, the Corporation should insure the employees in accordance with laws and regulations. The distribution of the bonuses is based on the Corporation's overall operational performance.

**(VI) Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report**

None.

## Chapter 7. Review and Analysis of Financial Position and Financial Performance, and Listing of Risks

### I. Financial Position

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	2,431,110	2,537,076	(105,966)	(4.18)
Property, Plant, and Equipment	456,457	387,152	69,305	17.90
Intangible Assets	4,909	6,339	(1,430)	(22.56)
Other Assets	198,553	255,036	(56,483)	(22.15)
Total Assets	3,091,029	3,185,603	(94,574)	(2.97)
Current Liabilities	592,373	631,403	(39,030)	(6.18)
Non-current Liabilities	121,663	127,056	(5,393)	(4.24)
Total Liabilities	714,036	758,459	(44,423)	(5.86)
Capital Stock	1,377,765	1,377,765	0	0.00
Capital Surplus	318,594	313,107	5,487	1.75
Retained Earnings	671,369	675,040	(3,671)	(0.54)
Other Equity	9,265	61,232	(51,967)	(84.87)
Total Equity	2,376,993	2,427,144	(50,151)	(2.07)

- Prepared on consolidated financial statement information of the Company and its subsidiaries.
- Explanation of major changes: (the change is over 20%, and the amount of change is over NT\$10 million)
  - Other assets, other equity: Mainly due to the unrealized evaluation loss of the investment in unlisted companies.

### II. Financial Performance

- Comparative analysis of operating results for the past two fiscal years

Unit: NT\$1,000

Item \ Year	2022	2021	Difference	
			Amount	%
Operating Revenue	4,047,957	4,483,138	(435,181)	(9.71)
Operating Costs	3,762,416	3,619,162	143,254	3.96
Gross Profit	285,541	863,976	(578,435)	(66.95)
Operating Expenses	151,951	147,565	4,386	2.97
Operating Income	133,590	716,411	(582,821)	(81.35)
Non-operating Income and Expenses	133,220	(9,785)	143,005	1,461.47
Income before Tax	266,810	706,626	(439,816)	(62.24)
Income Tax Expense	63,816	142,418	(78,602)	(55.19)
Net Income	202,994	564,208	(361,214)	(64.02)

1. Prepared on consolidated financial statement information of the Company and its subsidiaries.
2. Explanation of major changes: (the change is over 20%, and the amount of change is over NT\$10 million)
  - (1) Gross profit and operating income: mainly due to the decrease in market demand and the decrease in selling price for the year.
  - (2) Non-operating income and expenses: mainly due to foreign currency exchange benefits.
  - (3) Income before tax and net income: mainly due to the decrease in market demand and the decrease in selling price for the year.
  - (4) Income tax expense: mainly due to the decrease in profit for the year, and the relative decrease in income tax expense.

- (II) Sales volume forecast and the basis therefor, and the possible effect on the Company's future financial operations and plans in response

The Company estimates the 2023 full-year operating targets based on industry trends, business prospects of major customers, market demand forecasts, and technical production capabilities. However, there is no financial forecast announced, so it is not applicable.

### III. Cash flows

- (I) Cash Flow Analysis

Unit: NT\$1,000

Cash at Beginning of Year	Net Cash Flows from Operating Activities	Other Cash Flows for the Year	Cash Surplus (Inadequacy)	Expected Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
717,178	329,387	(325,510)	721,055		

#### Changes in Cash Flow Analysis:

1. Operating activities: Net inflow of NT\$329,387 thousand, mainly due to profit in the current period.
2. Investing activities: Net outflow of NT\$105,596 thousand, mainly for the purchase of operating equipment.
3. Financing activities: Net outflow of NT\$215,943 thousand, mainly due to payment of cash dividends.

(II) Liquidity Analysis for the Coming Year

Unit: NT\$1,000

Cash at Beginning of Year (1)	Expected Net Cash Flows from Operating Activities (2)	Expected Other Cash Flows for the Year(3)	Expected Cash Surplus (Inadequacy) (1) + (2) - (3)	Expected Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
721,055	241,800	(247,036)	715,819		

Changes in Cash Flow Analysis for the Coming Year:

1. Operating activities: It is expected that the revenue and profit will grow steadily, and the operating activities will show a net cash inflow.
2. Investing activities: It is expected to increase the purchase of equipment in the coming year.
3. Financing activities: mainly for the payment of cash dividends.

**IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year**

No Major Capital Expenditures for the Most Recent Fiscal Year.

**V. Reinvestment Policies for the Most Recent Year, the Main Reasons for Profit or Loss, and Remedy and Investment Plans for the Coming Year**

(I) Reinvestment Policy

The Company's reinvestment policy is based on the consideration of sustainable operation and operational growth, and under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the competent authority, the Company has formulated the "Regulations Governing the Acquisition and Disposal of Assets" as the basis of the Company's reinvestment to master the relevant business and financial position; in addition, to enhance the supervision management of the reinvested company, the Company has formulated monitoring management measures for subsidiaries in the internal control system, targeting at its information disclosure, finance, business, inventory, and relevant regulations concerning financial control, so that the Company's reinvestment business can maximize impact.



(II) Main Reasons and Improving Plans for Profits/Losses Generated Thereby Re-investment for the Most Recent Fiscal Year

Unit: NT\$1,000

Investee	Principal business activities	Investment gains (losses) recognized in 2022	Main Reasons for Profits/Losses	Improving Plans
LCYT Holdings Corp.	General Investment	—	—	Since no major losses have occurred, there is no need for an improvement plan.
KAO HSIUNG COGEN CO., LTD.	Cogeneration System, Environmental Protection, Engineering Plan, Design and Procurement	6	—	

(III) Investment Plans for the Coming Year: None.

## VI. Risk Issues

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future

1. Interest Rate Changes

In recent years, the Company's cash inflow from operating activities has been stable, and most capital expenditures can be supported by its own working capital. Therefore, there was no interest expense due to borrowing in 2022; in addition, in the global interest rate-hike cycles in 2022, Taiwan followed up whose interest rates increased consecutive four times. The Company has paid close attention to the changes and trends of each interest rate, maintained a good relationship with the bank to obtain preferential interest rates, and timely evaluate all interest-bearing liabilities rate risk that may be encountered, so the fluctuation of interest rate should not have a material impact on the Company.

2. Exchange Rate Changes

The Company always pays attention to exchange rate fluctuations to evaluate the position of foreign exchange funds in daily operations. The net exchange gains and losses in 2021 and 2022 were NT\$(14,806) thousand and NT\$114,524 thousand, respectively, and accounted for (0.33%) and 2.83% of the net operating revenue of the year, respectively, and the impact on the Company's profit and loss should be limited. The Company adopts foreign currency assets and liabilities balance of payments, with derivative financial product transactions and income and payment

currency adjustments to hedge against risks. In general, fluctuations in exchange rates do not have a significant impact on the Company.

3. Inflation

Inflation has a synchronous offsetting effect on the collection and payment of the company's sales and transactions, and will not affect the company's profit; in addition, the company implements the budget system and internal control to effectively control operating costs and expenses. The expenditure is within a reasonable range, so the company has not been significantly affected by inflation.

(II) During the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report, Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

1. Policy regarding High-risk Investments, Highly Leveraged Investments, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

The Company focuses on operating its own business. Based on conservative and prudent operating principles, it has not engaged in high-risk and high-leverage investments during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report.

2. Policy regarding Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future

During the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the Company has not engaged in loaning funds to others, and endorsements/guarantees. Based on operational risk considerations, if the Company intends to engage in loan funds to others and endorsement/guarantees in the future, it will be handled under the Company's "Operational Procedures for Loaning Funds to Others" and "Operational Procedures for Endorsements/Guarantees". In addition, the derivatives transactions that the Company engages in are based on the "Procedures Governing Derivatives Trading" formulated by the Company, and all transactions are based on the principle of natural hedging.

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work

The current development trend of consumer-electronics products is thinner, lighter, smaller, and more comprehensive functional enhancement. Coupled with the rapid development of the Internet of Things (IoT) and cloud-related products, the requirements for high-speed transmission, thin line width, and high-frequency interference will be more stringent. Under this requirement, corresponding to the requirements of the raw material copper foil substrate, it is necessary to match the thinner and lower roughness copper foil; for this trend, the Company will continue to use the independent large-scale raw foil testing machine and the independent large-scale post-processing testing machine invests in manufacturing process technologies that reduce signal loss, manufacture thin lines, reduce costs, and meet folding endurance requirements to enhance product diversity and differentiation.

1. The development plan for niche copper foil is expected to continue in 2023 as follows:

Expected Develop Items	Develop Progress As of March 31 of the Current Year
Mass production of extremely low roughness (Rz<2.0μm) reverse copper foil	Customer succeed in verification
Improve the bonding force between copper foil and high-frequency substrate	Select various silicon coupling agents for testing

2. Further Expenditures Expected for R&D Work

The research and development expenses invested by the Company are gradually compiled under the development progress of new products and new technologies. To ensure and enhance the Company's competitive advantages, the Company continues to invest manpower and material resources in the development of new products, and adjust anytime depending on the operating conditions and needs, to ensure that while having a highly competitive advantage, it can also respond to market adjustments anytime to strengthen the output of new products. In response to the needs of research and development plans, the estimated research and development expenses in 2023 will account for about 0.3% to 0.6% of the total revenue of the year.

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response

The Company operates under the relevant laws and regulations at home and abroad, and pays attention to the development trend of domestic and foreign policies and changes in regulations anytime, to fully master the changes in the market environment and proactively propose countermeasures timely. Up to the date of publication of the annual report, the Company has had no major events of financial business due to the impact of important domestic and foreign policy and legal changes.

(V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change, and Measures to Be Taken in Response

The Company produces copper foil. Currently, all electronic components need to use copper foil, and there is no substitute product. In response to changes in technology and industry that have a major impact on the Company's financial business, the Company attaches great importance to the cultivation of R&D talents and the development of product technology and keeps abreast of the technology industry.

(VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response

Since its establishment, the Company has complied with relevant laws and regulations, proactively enhanced internal management, and maintained harmonious labor relations to maintain a good corporate image. During the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the Company has not had any incidents that have affected the corporate image or suffered any crisis.

(VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response

During the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report, The Company did not engage in any mergers and acquisitions.

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response

During the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report, The Company did not engage in any plant expansion.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response

1. Net Sales

The main customers of the Company are printed circuit board and copper foil substrate manufacturers. Among them, the printed circuit board customers are quite diversifying, but the copper foil substrate customers are relatively concentrated. Therefore, in addition to maintaining a stable supply chain relationship, the Company is also actively developing new customers to diversify business volume, to avoid over-reliance on a single customer, there are no concerns about excessive concentration of sales.

2. Net purchase

The main raw material for the production of electrolytic copper foil is copper wire. To reduce the risk of centralized procurement and ensure a safe supply of raw materials, the Company purchases raw materials from different suppliers. Coupled with the international copper price market's open and transparent information, the source of supply is still sufficient, and no shortage or interruption of supply affects the Company's business.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response

Up to the date of publication of the annual report, no major quantity of shares belonging to a director and shareholder holding greater than a 10% stake in the Company was transferred or changed hands.

(XI) Effect on and Risk to the Company Associated with Any Change in Governance Personnel or Top Management, and Measures to Be Taken in Response

Kohlberg Kravis Roberts & Co. LP (KKR), an international investment institution, through its affiliated enterprise Carlton (Luxembourg) Holdings S.a.r.l. in July 2018, paid NT\$56 per share (including NT\$2.89924571 in cash dividends in 2018) in cash to under the Business Mergers and Acquisitions Act. The consideration was to acquire 100% of the shares outstanding of LCY Chemical Corp. (hereinafter referred to as LCY Chemical), the legal person director of the Company and the major shareholder holding more than 10% of the shares. LCY Chemical was converted into privatized on January 30, 2019, and delisted from the TWSE, and the Company became an investment company indirectly held by KKR. Up to the date of publication of the annual report, LCY Chemical has not reduced its shareholding in the Company, the Company's major shareholder structure is stable, and there is no risk of change of management rights.

(XII) Litigation or non-litigation events

1. If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending during the most recent fiscal years or during the current fiscal year up to the date of publication of the annual report shall disclose the facts in dispute, the amount in dispute, commencement date, main parties involved, and current status of the case.

None.

2. If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, actual person in charge, or major shareholder with a stake of more than 10%, and the matter was finalized or remained pending during the most recent fiscal years or during the current fiscal year up to the annual report publication date.

During the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report, the directors, general manager, actual person in charge, major shareholders, and subsidiaries with a shareholding ratio of more than 10% of the Company, except for the Company's legal person directors and holding more than 10% of the Company's shares Apart from LCY Chemical, the major shareholder of the Company, there is no litigation, non-litigation or administrative disputes that have been determined or are still in the process of being related.

Legal person directors and major shareholders of LCY Chemical holding more than 10% of the shares are still involved in litigation/non-litigation cases as follows:

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
National Health Insurance Administration, MOHW	1. Fubon Insurance Co., Ltd. 2. The First Insurance Co., Ltd. 3. Shinkong Insurance Co., Ltd. 4. Cathay Century Insurance Co., Ltd. 5. MSIG Mingtai Insurance CO., LTD. 6. SOUTH CHINA INSURANCE CO., LTD. 7. China General Terminal & Distribution Corporation 8. LCY Chemical Corp.	Compensation for Damages/2018 Zhong Shang Zi NO. 130	NT\$ 35,687,950	1. In the second instance, the plaintiff added the defendants: Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, Shen Mou Hsiu; Chen Mou Heng, Huang Mou Fa, Hung Mou Lin, and Kaohsiung City Government. The High Court Kaohsiung Branch Court ruled to reject the case, and the plaintiff lodged a protest, which was dismissed by the Supreme Court. 2. Interveners in the case: CPC

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
				Corporation, Taiwan, Lin Mou Chuang, Chin Mou Ming, Tien Mou Sheng, Fan Mou Ta, Lai Mou Lu, Chiao Mou Lai, and Wang Mou Liang
1. Taiwan Power Company Kaoping Power Supply Branch 2. Taiwan Power Company Southern Power Plant	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its legal agent Chang Mou Chang, employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons	Compensation for Damages/2020 Zhong Shang Zi NO. 93	NT\$ 166,277,962	Intervener: Kaohsiung City Government Interveners: CPC Corporation, Taiwan, Lin Mou Chuang, Chin Mou Ming, Tien Mou Sheng, Fan Mou Ta, Lai Mou Lu, Chiao Mou Lai, and Wang Mou Liang
1. Taiwan Power Company Distribution & Service Division Kaohsiung District Branch 2. Taiwan Power Company Distribution & Service Division Fongshan District Branch	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its legal agent Chang Mou Chang, employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons	Compensation for Damages/2022 Zhong Shang Zi NO. 93	NT\$ 99,543,652	Intervener: Kaohsiung City Government Interveners: CPC Corporation, Taiwan, Lin Mou Chuang, Chin Mou Ming, Tien Mou Sheng, Fan Mou Ta, Lai Mou Lu, Chiao Mou Lai, and Wang Mou Liang
KAOHSIUNG MASS RAPID TRANSIT	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin,	Compensation for Damages/2018 Zhong Shang Zi NO. 116	NT\$ 7,184,838	Interveners: Lai Mou Lu, Chiao Mou Lai, and Wang Mou Liang

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	<p>Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons</p> <p>2. China General Terminal &amp; Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons</p> <p>3. CPC Corporation, Taiwan</p>			
CPC Corporation, Taiwan	LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons	Compensation for Damages/2018 Zhong Shang Zi NO. 101	NT\$ 94,090,144	—
LCY Chemical Corp.	CPC Corporation, Taiwan, Lin Mou Chuang, HSU Mou SUNG, KO Mou TSUNG, Chin Mou Ming, Tien Mou Sheng, Fan Mou Ta, Lai Mou Lu, Chiao Mou Lai, and Wang Mou Liang	Compensation for Damages/2018 Zhong Shang Zi NO. 98	NT\$ 755,921,481	—
SHIN KAO GAS CO., LTD.	<p>1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons</p> <p>2. China General Terminal &amp; Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons</p>	Compensation for Damages/2018 Zhong Shang Zi NO. 273	NT\$ 25,398,049	
Chunghwa Telecom Kaohsiung Operations	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou	Compensation for Damages/2018	NT\$ 149,129,077	—



Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons 3. Chiu Mou Wen, Yang Mou Jen, and Chao Mou Chiao	Zhong Shang Zi NO. 266		
TAIWAN WATER CORPORATION	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons 3. Chiu Mou Wen, Yang Mou Jen, and Chao Mou Chiao	Compensation for Damages/2018 Zhong Shang Zi NO. 263	NT\$ 28,642,664	—
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa,	Compensation for Damages/2018 Zhong Shang Zi NO. 102	NT\$ 173,621,528	—

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	and Hung Mou Lin, a total of 3 persons 3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, and Chiao Mou Lai			
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons 3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, and Chiao Mou Lai	Compensation for Damages/2018 Zhong Shang Zi NO. 97	NT\$ 74,932,041	—
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons 3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou	Compensation for Damages/2018 Zhong Shang Zi NO. 99	NT\$ 69,987,564	In the second instance, the plaintiff added the defendants: Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng, Hsu Mou Sung, and Ko Mou Tsung

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	Liang, Lai Mou Lu, Chiao Mou Lai, Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng, Hsu Mou Sung, and Ko Mou Tsung			
Kaohsiung City Government	<ol style="list-style-type: none"> <li>1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons</li> <li>2. China General Terminal &amp; Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons</li> <li>3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, Chiao Mou Lai, Chin Mou Ming, Fan Mou Ta, and Tien Mou Sheng</li> </ol>	Compensation for Damages/2018 Zhong Shang Zi NO. 109	NT\$ 69,545,137	The plaintiff added the defendants: Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng
Kaohsiung City Government	<ol style="list-style-type: none"> <li>1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons</li> <li>2. China General Terminal &amp; Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons</li> </ol>	Compensation for Damages/2018 Zhong Shang Zi NO. 96	NT\$ 49,465,598	<ol style="list-style-type: none"> <li>1. The plaintiff's second-instance appealed request amounted to NT\$49,465,598.</li> <li>2. In the second instance, the plaintiff added the defendants: Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng</li> </ol>

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, Chiao Mou Lai, Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng, Hsu Mou Sung, and Ko Mou Tsung			
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons 3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, Chiao Mou Lai, Chin Mou Ming, Fan Mou Ta, and Tien Mou Sheng	Compensation for Damages/2018 Zhong Shang Zi NO. 110	NT\$ 152,376,836	In the second instance, the plaintiff added the defendants: Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa,	Compensation for Damages/2018 Zhong Shang Zi NO. 100	NT\$ 636,139,935	In the second instance, the plaintiff added the defendants: Chin Mou Ming, Fan Mou Ta, Tien Mou Sheng,

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	and Hung Mou Lin, a total of 3 persons 3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, Chiao Mou Lai, Chin Mou Ming, Fan Mou Ta, and Tien Mou Sheng			
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons 3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, and Chiao Mou Lai	Compensation for Damages/2016 Zhong Shang Zi NO. 287	NT\$ 1,686,105,781	—
Kaohsiung City Government	1. LCY Chemical Corp., Li Mou Wei, Wang Mou Chou, Tsai Mou Chien, Li Mou Lin, Huang Mou Ming, and Shen Mou Hsiu, a total of 6 persons 2. China General Terminal & Distribution Corporation and its employees Chen Mou Heng, Huang Mou Fa, and Hung Mou Lin, a total of 3 persons	Compensation for Damages/2020 Shang Zi NO. 145	NT\$ 2,970,283	Sentenced on March 31, 2020, first-instance verdict amount of NT\$900,489

Civil procedure				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
	3. CPC Corporation, Taiwan, Lin Mou Chuang, Wang Mou Liang, Lai Mou Lu, and Chiao Mou Lai			

Note: The above-mentioned amount will still change due to the reduction or expansion of the plaintiff's claim amount in the lawsuit.

Non-litigious				
Plaintiff (appellant)	Defendant (appellee)	Cause of action/Case No.	Amount	Remark
TAIWAN WATER CORPORATION	LCY Chemical Corp.	Debit Deposit Order/2017 Si Zhi Quan Chou Zi No. 169	NT\$ 25,603,200	—
LCY Chemical Corp.	1. Taiwan Power Company Kaoping Power Supply Branch	1. Advanced Security to Avoid Provisional Seizure/2015 Cun Zi No. 1650	1. NT\$ 32,858,075	—
	2. Taiwan Power Company Southern Power Plant	2. Advanced Security to Avoid Provisional Seizure/2015 Cun Zi No. 1651	2. NT\$ 128,248,323	

LCY Chemical, the legal person director of the Company and the major shareholder holding more than 10% of the shares, has advanced the relevant compensation expenses for the families of the victims of the gas explosion in advance in some cases and signed settlement contracts with some claimants, and the above-mentioned unsettled lawsuit is pending, and the relevant responsibilities are yet to be investigated by the court. Lawyers have been appointed to deal with it, and they are actively responding to the lawsuit.

Based on the capital and business scale of LCY Chemical, the Company's legal person director and major shareholder holding more than 10% of the shares, the above-mentioned amount will not have a significant impact on LCY Chemical; and the above-mentioned case has not involved with the Company, therefore regardless of the outcome of the above-mentioned lawsuit, it will not affect the Company's finances and business, nor will it have a material adverse impact on the Company's shareholders' equity or securities prices.

(XIII) Other Important Risks and Measures to Be Taken in Response

To ensure the safety of collection, processing, transmission, storage, and flow of Company information, the information department coordinates and promotes related matters under information security management standards, formulates relevant information security policies, maintains computer system security, network security, system access control management, physical and operating environment security, personnel management, information security education and training, and sensitive information protection management, etc., based on the principles of confidentiality, integrity, and availability, allows the Company's personnel to follow and abide by. Besides, the service contract with third-party manufacturers also requires to sign a confidentiality agreement and compliance with information security regulations to implement the Company's requirements for information security.

The Company evaluates the information security policy every year, and according to the needs of the job category, conducts information security education training and publicity at least once a year, regularly reminds colleagues to update accounts, anti-virus software, and prohibit information access to external hard drives without approval, and other measures, to ensure the effectiveness of information security software; In addition, in terms of computer room security, the equipment is fixed and secure, important entrances and exits are equipped with monitors, temperature and humidity control in the computer room is maintained, and emergency backup power is equipped with an uninterruptible power system protective measures such as emergency response operations for supporting; moreover, equipment maintenance manufacturers also need to register and approve when entering and leaving the computer room, and off-site backup operations, etc., to ensure the effectiveness of information security entities.

Focusing on the key points of information security control, mainly regarding the effectiveness review of information security, such as Company information access should be approved, information system recovery test, system exception handling, off-site backup operations, computer room equipment inspection, and regular inventory. Up to the date of publication of the annual report, no major defects have been found that affect the Company's information security.

In terms of information security risk assessment, although the Company has a complete network and computer security protection system to control or maintain the Company's operations and financial accounting and other important business operations, it still cannot guarantee that its computer system can completely avoid any third parties malicious network attacks, social engineering attacks, and service providers' failure to perform or strictly follow relevant obligations lead to the theft of Company confidential information or interference with Company operations. These attacks can pose the Company to harden its cybersecurity environments and systems causing the cost of remedial and improvement measures has increased, and the responsibility for related

legal cases or regulatory investigations may also increase due to leakage of confidentiality obligations to customers or third-party information. However, up to the date of publication of the annual report, the Company has not discovered any major cyber attacks or events that have or may have a material adverse impact on the Company's business and operations and has not been involved in any legal cases or regulatory investigations related to this.

## **VII. Other Important Matters**

None.



## **Chapter 8. Special Disclosure**

### **I. Information on Affiliates**

#### **(I) Consolidated Financial Statements of Affiliates**

##### Declaration of Consolidated Financial Reports of Affiliates

In 2022 (from January 1 to December 31, 2022), pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, "the Company's entities that shall be included in preparing the Consolidated Financial Statements of Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements of Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements of Affiliates will not be prepared.

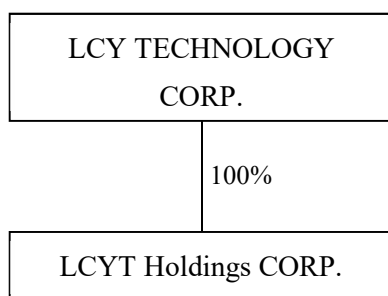
Sincerely,

LCY TECHNOLOGY CORP.

Chairman: Paul Chen

March 24, 2023

(II) Organizational chart of affiliates (As of March 31, 2022)



(III) Name of affiliates, establishment date, address, paid-in capital, and principal business activities

December 31, 2022

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
LCYT Holdings CORP.	2003.03.27	Craigmuir Chambers, Road Town Tortola, BVI (British Virgin Islands)	US\$100	General Investment

(IV) Where there is considered to be a controlled and subordinate relation

The Company does not have any circumstances where there is considered to be a controlled and subordinate relation under Article 369-3 of the Company Act.

(V) Overall business scope of affiliates

December 31, 2022

Affiliates	Operating industry	Division of business
LCYT Holdings CORP.	General Investment	None

(VI) Information on directors, supervisors, and general manager of affiliates

December 31, 2022; Unit: Share

Name of Affiliate	Title	Name	Shareholding		Remark
			Number of Shares	Percentage of Ownership	
LCYT Holdings CORP.	Directors	Li Mou-Wei	0	0%	—
	Directors	Yang Sai-Fen			

(VII) Operating status of affiliates

December 31, 2022; Unit: NT\$1,000

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit or loss	After-Tax Profit or Loss	After-Tax Earnings Per Share (NT\$)
LCYT Holdings CORP.	3	13	0	13	0	0	0	0

Note: Foreign companies should be converted into NT\$ according to the exchange rate. The above financial data have been audited by CPAs.

(VIII) Reports on Affiliations: None.

**II. Private Placement of Securities during the Most Recent Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report**

None.

**III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report**

None.

**IV. Other Supplementary Information**

None.

**V. Situations Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and the Current Fiscal Year Up to the Date of Publication of the Annual Report**

None.