APEX DYNAMICS, INC.

Stock Code：4583

Information declaration website：http://mops.twse.com.tw

Corporate website：http://www.apexdyna.com

ANNUAL REPORT 2022

April 20, 2023 Published

1. **Spokesperson:**

   Name: Kuo, Chung-Che

   Title: General Manager

   Tel: 886-4-2465-0219 ext.6663
   E-mail: spokesman@apexdyna.com

   Deputy Spokesperson

   Name: Hung, Hsiu-Min

   Title: Accounting Supervisor

   Tel: 886-4-2465-0219 ext.6663

   E-mail: spokesman@apexdyna.com

2. **Headquarters, Branches and Plant**

<table>
<tr><th colspan="2">Name</th><th>Address</th><th>Tel</th></tr>
<tr><td colspan="2">Headquarters</td><td>Central Taiwan Science Park
No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City</td><td rowspan="4">886-4-2465-0219</td></tr>
<tr><td rowspan="3">Factory</td><td>1</td><td>Central Taiwan Science Park
No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City</td></tr>
<tr><td>2</td><td>Central Taiwan Science Park
No. 10, Keyuan 2rd Rd., Xitun Dist., Taichung City</td></tr>
<tr><td>3</td><td>Central Taiwan Science Park
No. 18, Houke S. Rd., Houli Dist., Taichung City</td></tr>
<tr><td colspan="2">Branches</td><td>None</td><td></td></tr>
</table>

3. **Stock Transfer Agent**

   Name: Mega Securities Co., Ltd. Agent for stock affairs

   Address: 3F, No.95, Sec. 2, Jhongsiao E. Rd.,Taipei City, Taiwan

   Website: https://www.emega.com.tw

   Tel: 886-2-3393-0898 (Customer Service)

4. **Auditors**

   Accountant Name: Chen, Cheng-Hsueh Chang, Tsu-Hsin

   Accounting Firm: KPMG Taiwan

   Address : Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei City , Taiwan

   Website: https://www.kpmg.com.tw

   Tel: 886-2-8101-6666

5. **Overseas Securities Exchange**

   None

6. **Corporate Website**

   http://www.apexdyna.com

Table of contents

1. Report to the shareholders

1.1. 2022 Annual Operating Results

1.1.1. Business plan implementation results

APEX DYNAMICS, INC.'s 2022 consolidated operating revenue increased by 4.22%, net income before tax increased by 31.62%, net income after tax increased by 30.34%, and EPS after tax was NT$14.47, an increase of 22.32%, as shown in the following table:

Consolidated of APEX DYNAMICS, INC.

Unit: NT$1000 ; %

Item	2021	2022	Increase (decrease) ratio
Operating revenue	3,291,062	3,429,784	4.22
Gross profit	1,635,607	1,740,582	6.42
Operating income	1,091,623	1,154,187	5.73
Net Icome before tax	1,056,242	1,390,199	31.62
Net income	862,450	1,124,094	30.34

APEX DYNAMICS, INC. (Machinery Industry)

Unit: NT$1000 ; %

Item	2021	2022	Increase (decrease) ratio
Operating revenue	2,920,885	2,966,054	1.55
Gross profit	1,415,996	1,435,921	1.41
Operating income	1,152,895	1,153,118	0.02

1.1.2. Budget implementation

The company has not disclosed its financial forecast in 2022, so there is no disclosure of the previous year's budget execution.

1.1.3. Financial balance and Profitability analysis

Unit: %

Item	2021	2022
Return on assets	8.41	10.09
Return on equity	11.47	12.83
Pre-tax income/capital	144.83	173.40
Net profit margin	26.21	32.77
Earnings per share (NT$)	11.83	14.47

1.1.4. Operating Results

In 2022, the Covid-19 around the world has fluctuated to varying degrees, simultaneous, Ukrainian-Russian War and high inflation affected the global economic situation, the business activity across countries has had varying degrees of impac, China's trade market was closed due to the epidemic, and its performance has shrunk sharply since the second half of 2022Fortunately, the European and American trade markets recovered to a greater exten, the overall global economic operation has picked up compared to 2021, but it has not yet returned to the growth momentum before the epidemic.

The APEX DYNAMICS, INC. has a global presence, therefore, it is less affected by a single regional market, the domestic epidemic situation in Taiwan was properly controlled, so that the production capacity of the APEX DYNAMICS, INC.'s machinery industry was not disturbed, and the existing efficient production could be maintained to respond to orders and consistent fast delivery strategy. The global production and marketing activities remain sluggish, the APEX DYNAMICS, INC.'s machinery industry can still gain a comparative advantage, machinery business grew slightly by 1.55%.

In the second half year of 2022, the government has gradually opened up the control of the epidemic, driving tourism and catering consumption, and the tourism market was rebound considerably. In addition, the APEX DYNAMICS, INC.'s subsidiary-Millennium VEE Hotel Taichung, part of the depreciation of fixed assets has been fully amortized in the third quarter of 2022, reduced depreciation expense and operating burden. In 2022, the Millennium VEE Hotel Taichung has significantly reduced its losses and is close to breaking even.

With the support of foreign exchange benefits and Millennium VEE Hotel Taichung turned from loss to profit, the APEX DYNAMICS, INC. consolidated operating net profit, net profit margin and earnings per share have all increased in 2022.

1.1.5. Research and development status

Main research and development products	Main purpose and function
S S Series High Performance Teach-In Programmer Wing Type Robot	Added EURMAP 12 interface. Integrated circuit board design reduces manufacturing costs and reduces assembly time.
AExxS / AERxxS for IP69(K)	Comply with the protection level requirements of ISO 20653-2013, the grade can reach IP 69(K), the highest level of protection requirements at present, which can meet the needs of harsh environments with high temperature and high pressure.
PF Series Gearbox	The hollow output shaft can be fully matched with the automation system to protect the transmission components.

1.2. Summary of 2023 business plan

1.2.1. Business policy and production and marketing policy

In response to the liberalization of epidemic control policies for Covid-19 in various countries, marketing activities have rebounded to a greater extent compared to the two years before the epidemic, but, due to the impact of the Ukrainian-Russian War and high inflation, world economic activities are still somewhat limited. The company's agents in various countries still communicate with customers or with the parent company by telephone, email and online video, actively consolidate existing customers and develop new customers. With the strong production capacity support of the parent company (the company), agents in various countries can also undertake the transfer order effect of the industry.

The company currently has 36 general agents in 30 countries around the world, in the midst of the epidemic, we are still actively seeking agents, expanding marketing channels, opening up new markets, and promoting our brand image.

1.2.2. Expected sales volume and its rationale

The company refers to the market analysis of major research institutions, and according to the estimated needs of customers, considers production capacity planning, and sets annual sales targets based on past operating performance.

1.3. The future development strategy of the company will be affected by the external competitive environment, regulatory environment and overall business environment

The company's third factory located in Central Taiwan Science Park (Houli Park), the production machines in the factory building have been stationed in batches, in addition to strongly increasing production capacity and production of existing products, at the same time, new product development projects were carried out to expand product lines, provide more industrial application solutions, and join new markets.

Looking forward to 2023, under the guidance of the principles of ESG and energy conservation and carbon reduction, the company will continue to improve various management processes within the company, optimize the cross-departmental information system, real-time and accurate control of the production process, and improve the power of the production line, and continue to optimize the processing and assembly process, strengthen personnel training, and further improve efficiency and yield, continuous optimization of the consistent fast delivery strategy. Among them, the re-optimization of production automation will be used to cope with the increasingly serious shortage of personnel.

We hope the Covid-19 will ease in the future and reopen borders, the business people and tourists from international and domestic will keep coming back, and the previous good operating performance of MILLENNIUM VEE Hotel Taichung will surely be reproduced, it will also be a positive help to APEX DYNAMICS, INC.

In this way, the company maintains its growth momentum at a steady pace and enters the next economic cycle.

Finally, I would like to thank all shareholders for their long-term support and encouragement to the company. Here, on behalf of APEX DYNAMICS, INC., I would like to extend my sincerest thanks to all shareholders, and wish all shareholders good health!

President	General Manager	Accounting Supervisor
Chang, Chung-Hsing	Kuo, Chung-Che	Hung, Hsiu-Min

2. Company Profile

2.1. Date of Incorporation：October 26, 1999

2.2. Company History

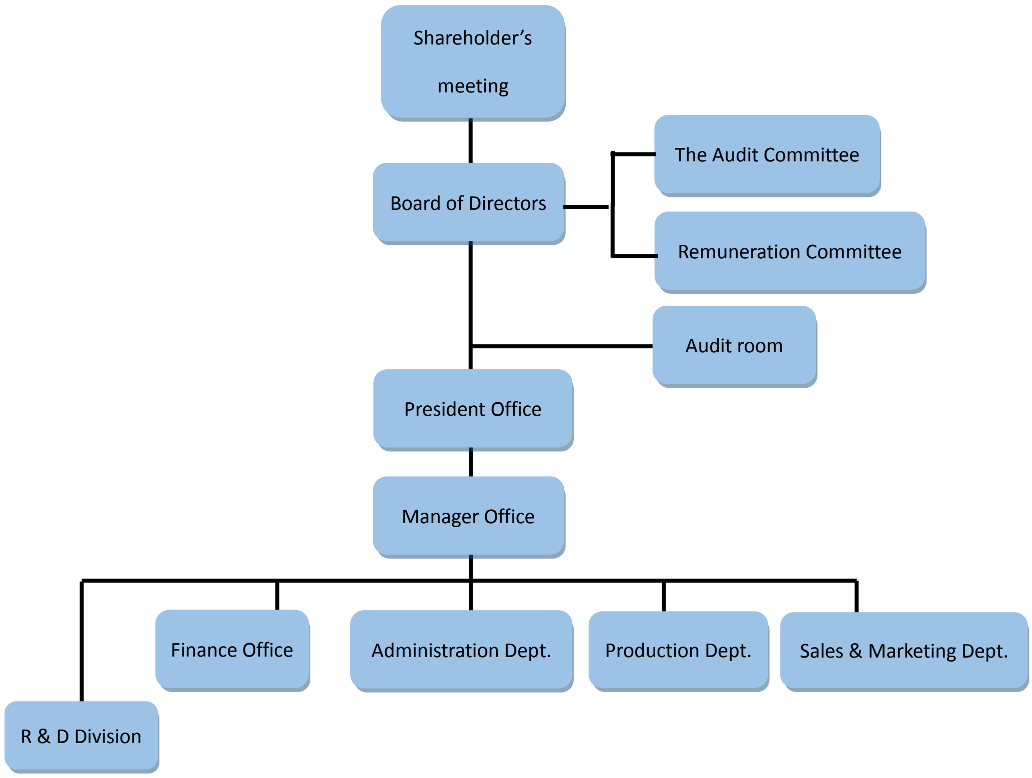
Year	Milestones
1999	1. Taiwan KuangYung Dynamics Technology Co., Ltd. was established under the original name, with a capital of NT$1,000,000. 2.Established at No.6, Gongyecyu 20th Rd., Situn Dist., Taichung City.
2000	Debt as shares is NT$99,000,000, and the paid-in capital after capital increase is NT$100,000,000.
2001	Debt as shares is NT$110,000,000, and the paid-in capital after capital increase is NT$210,000,000.
2002	Changed its name to Taiwan KuangYung Dynamics Technology Co., Ltd.
2003	The cash capital increase was NT$156,870,000, and the paid-in capital after the capital increase was NT$366,870,000.
2006	The surplus was transferred to capital increase of NT$110,061, and the paid-in capital after the capital increase was NT$476,931.
2007	The surplus was transferred to increase the capital of NT$110,061,000, and the paid-in capital after the capital increase was NT$476,931,000.
2008	1. The cash capital increase was NT$51,469,000, and the paid-in capital after the capital increase was NT$600,000,000. 2. Merged with APEX DYNAMCS, Inc. with the company as the surviving company after the merger.
2009	1.The combined capital reduction was NT$73,586,000, and the paid-in capital after capital reduction was NT$526,414,000. 2. Renamed to APEX DYNAMCS, Inc. 3. Moved to No.10 Keyuan 3rd Rd., Situn District, Taichung City. 3.NT$90,000,000 in debt as shares; capital increase of NT$38,900,000 in cash; capital increase of NT$73,970,000 by transfer of surplus. After capital increase, the paid-in capital is NT$729,284,000. 4. Obtain a patent certificate “Planetary gear lubrication of gear Box”.
2010	Passed ISO14001 and OHSAS18001 verification.
2011	1. Obtain a patent certificate “Coupling Japan”. 2. Validated by the General Administration of Customs AEO.
2013	1. Obtain a patent certificate “APEX DYNAMICS,INC. and design drawings-Japan’’. 2. Obtain a patent certificate “Hydraulic Turret and clutch drivetrain’’. 3. Obtain a patent certificate “Turret Power Switching Device- Germany’’ 4. Obtain a patent certificate “Structure of tight fit block - Japan’’ 5. Obtain a patent certificate “Structure of Coupling- Italy’’
2014	1. Obtain a patent certificate “ APEX DYNAMICS,INC. and design drawings - Korea’’ 2. Obtain a patent certificate “Power turret power transmission clutch device’’ 3. Obtain a patent certificate “Structure of tight fit block - Taiwan’’ 4. Obtain a patent certificate “Turret anfd Knife seat packing machine’’ 5. Obtained 87% equity of “S Millennium VEE Hotel Taichung’’, the investment amount is NT$609,000,000.

Year	Milestones
	6. Established the second factory.
2015	1. Obtain a patent certificate “Power turret power switching device - Italy’’ 2. Obtain a patent certificate “Gearbox improved structure - China’’ 3. Obtained 100% equity of "Millennium VEE Hotel Taichung", with an accumulated investment capital of NT$700,000,000.
2016	1.Obtain a patent certificate “Improved Gearbox structure -Taiwan’’ 2. Obtain a patent certificate “Rack structure - Taiwan’’ 3. Obtain a patent certificate “Rack - European Union’’ 4. Launched new product “Rack and Pinion’’
2017	1. Obtain a patent certificate “Pinio and Pinion box KHA -appearance paten-New’’ 2. Obtain a patent certificate “Pinion and Pinion box KF -appearance paten-New’’ 3. Obtain a patent certificate “Coupling - Taiwan’’ 4. Obtain a patent certificate “Transmission output shaft connection -Taiwan’’ 5. Obtain a patent certificate “Rack part (1)- European Union’’ 6. Obtain a patent certificate “Rack part (2)- European Union’’ 7. Obtain a patent certificate “Rack part (3)- European Union’’ 8. Obtain a patent certificate “Pinion part (1)- Japan’’ 9. Obtain a patent certificate “Pinion part (2)- Japan’’ 10. Obtain a patent certificate “Pinion part (3)- Japan’’
2018	1. Obtain a patent certificate “Rack structure- Italy’’ 2. Obtain a patent certificate “Coupling - Japan’’ 3. Obtain a patent certificate “Transmission (1)- European Union’’ 4. Obtain a patent certificate “Transmission (2)- European Union’’ 5. Obtain a patent certificate “Rack - U.S.A.’’ 6. Decided to build the third factory in Central Taiwan Science Park’s Houli Area
2019	1. Obtain a patent certificate “Rack structure- Switzerland’’ 2. Obtain a patent certificate “Rack (new style)- China’’ 3. Obtain a patent certificate “Pinion (1)(new style)- China’’
2020	1. Obtain a patent certificate “Pinion (2)(new style)- China’’ 2. Obtain a patent certificate “Pinion (3)(new style)- China’’ 3. Obtain a patent certificate “Pinion part (1)- U.S.A.’’ 4. Obtain a patent certificate “Pinion part (2)- U.S.A.’’ 5. Obtain a patent certificate “Pinion part (3)- U.S.A.’’ 6. Approved by Taipei Exchange, public issue of shares on September 29, 2020. 7. Approved by Taipei Exchange , OTC stock trading on December 1, 2020.
2021	1. The third factory in Central Taiwan Science Park’s Houli Area was completed.
2022	1. Cash capital increase of NT$72,430,000, and the paid-in capital after capital increase is NT$801,714,000. 2. Approved by TWSE, it was officially listed on May 9, 2022.

3. Corporate Governance Report

3.1. Organizational system

3.1.1. Organization



3.1.2. Major Corporate Functions

Department	Functions
Audit room	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
President office	Strategic planning, business planning authorization and supervision.
Manager office	Implement the company's goals and cooperate with the company's major business decisions, project planning and implementation. Responsible for leading the various departments and units of the organization to jointly achieve organizational goals.
Sales & Marketing Dept.	Develop customers, sell technical support and support customers and take into account the cost.
Production Dept.	Responsible for product manufacturing and production capacity allocation.
Administration Dept.	Human resources, planning and execution of general affairs, factory affairs, and information systems.
Finance Office	Responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control, and stocks services.
R & D Division	Advanced product, technology research and development, intellectual property development and management.

3.2. Information on the company's directors, supervisors, general managers, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units, as follows:

3.2.1. Information on Directors and Supervisors

3.2.1.1. 【Information on Directors and Supervisors -1】

March 28, 2023 Unit: shares；%

Job Title	Nationality or place of registration	Name	Gender /Age	Date of election / appointment to current term	Term (Years)	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	ther officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Shareh olding ratio	No. of shares	Share holding ratio			Job Title	Name	Relation	
President	R.O.C	Chang, Chung-Hsing	M 51~60	May 22, 2020	3	October 19, 1999	25,172,775	34.52	29,024,654	36.20	227,700	0.28	34,142,162	42.59	National Ilan University Major in Mechanical Engineering President of APEX DYNAMICS, INC.	■APEX GROUP: CEO ■MILLENNIUM VEE Hotel Taichung: President ■Titan Sheet Metal Making Technique INC. : President ■Pu-Mei Co., Ltd. : President ■APEX Construction Co., Ltd: Director ■Hsing-Chang Investment Co., LTD: President ■APEX Steel Technology Inc. : Director ■Golden Peak International Limited: Director ■Best Elite International Limited: Director	—	—	—	Note
Director	R.O.C	Chang, Yao-Tung	M 61~70	May 22, 2020	3	November 01, 2001	495,017	0.68	495,017	0.62	100,976	0.13	—	—	Vanung University Major in Civil Engineering	■Min-Da Land Administration Agents Office: Person in charge ■Titan Sheet Metal Making Technique INC. : Supervisor ■Hsing-Chang Investment Co., LTD: Supervisor	—	—	—	—
Director	R.O.C	Huang, Yu-Wen	M 61~70	May 22, 2020	3	May 18, 2012	193,003	0.26	193,003	0.24	—	—	—	—	Tunghai University Institute Major in Architecture	■Huang-Yu-Wen Architects Office: Person in charge ■Taichung Architects Association: President	—	—	—	—
Director	R.O.C	Hsu, Che-Chia	M 51~60	May 22, 2020	3	May 25, 2018	—	—	—	—	—	—	—	—	National Taipei University Institute Major in Law	■MILLENNIUM VEE Hotel Taichun: Supervisor ■Ann-Hsing Cooperative Law Offic: Person in charge	—	—	—	—
independent director	R.O.C	Kao, Cheng-Shu	M 71~80	November 06, 2020	2.7	November 06, 2020	—	—	—	—	—	—	—	—	*Ohio State University, USA*	■Feng Chia University: Chairman of the Board	—	—	—	—
Independent Director	R.O.C	Chuang, Po-Nien	M 61~70	November 06, 2020	2.7	November 06, 2020	—	—	—	—	—	—	—	—	Nationa Changhua University of Industrial Education and Technology Doctor of Industrial EDU Deputy director of the	■Industrial Technology Research Institute: **Administrator** and **Vice** CEO of the South Branch	—	—	—	—

Job Title	Nationality or place of registration	Name	Gender /Age	Date of election / appointment to current term	Term (Years)	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	ther officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Shareholding ratio	No. of shares	Share holding ratio			Job Title	Name	Relation	
															National Measurement LAB					
Independent Director	R.O.C	Tsai, Yu-Ching	F 51~60	January 08 ,2021	2.5	January 08 ,2021	—	—	—	—	—	—	—	—	Nationa Taiwan University Institute Major in Accounting	■Everwell &Co., CPASs. : Accountant ■Formosa Optical Technology Co., Ltd. : Independent Director and Remuneration Committee ■Auden Techno CORP. : Independent Director and Remuneration Committee	—	—	—	—

Note:

The company's president concurrently serves as CEO, which is not only conducive to communication and coordination within the board of directors to reduce conflicts, but also improves the company's decision-making efficiency. In order to strengthen the independence of the board of directors, the company has actively trained suitable candidates. In addition, the president usually communicates closely with the directors on the company's current operating conditions and plans to implement corporate governance, in the future, the company will plan to increase the number of independent directors according to the development status, enhance the function of the board of directors and strengthen the supervision function, at present, the company has the following specific measures: 1. The current three independent directors are specialized in finance, accounting and industry, and can effectively perform their supervisory functions. 2. Every year, directors are arranged to participate in professional director courses of external institutions to enhance the operational efficiency of the board of directors. 3. Independent directors can fully discuss in each functional committee and make suggestions for the board of directors' reference to implement corporate governance.。

3.2.1.2. 【Information on Directors and Supervisors -2】

(1) Implementation of board diversity:

Diversity project / Director name	Gender	Part-time company employee	Age (Years old)			Term and Seniority of Independent Directors (Years)			Professional knowledge and skills						
			51~60	61~70	over 70	under 3	4~9	over 9	Industry knowledge	leadership decision	Operate management	Risk Management	Accounting /Legal	International Market View	Technology research
President Chang, Chung-Hsing	M	V	V						V	V	V	V		V	V
Director Chang, Yao-Tung	M			V					V	V	V	V		V	
Director Huang, Yu-Wen	M			V					V	V	V	V		V	
Director Hsu, Che-Chia	M		V						V	V	V	V	V	V	
Independent director Kao, Cheng-Shu	M				V	V			V	V	V	V		V	
Independent director Chuang,Po-Nien	M			V		V			V	V	V	V		V	V
Independent director Tsai, Yu-Ching	F		V				V		V	V	V	V	V	V	

I. Policies and management objectives of board diversity:

The company incorporates the concept of diversity into the "Director Selection Procedure" method, the selection of directors shall consider the basic conditions and values as well as professional knowledge and skills, the directors of the company have multiple professional qualifications such as accountants, lawyers, architects and land agents, Expertise in different fields such as financial accounting, law, business management and industrial technology application, can improve the professionalism of the board of directors' decision-making, and it is helpful to the company's operation and long-term development. The company's "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" also stipulates that the number of directors who concurrently serve as the company's managers should not exceed one-third of the number of directors.

The company pays attention to gender equality in the composition of the board of directors, and the target ratio of female directors is more than 10%. Currently, there is one female director, and the ratio of female directors is 14.29%.

II. Independence of Board of Directors:

The company's board of directors consists of seven directors, including three independent directors, accounting for 42.86% of the total number of directors and set up audit committees in accordance with the law to replace supervisors, Situations where the directors do not have a spouse or relative within the second degree, and none of the items in Article 30 of the Company Act.

III. The professional qualifications and experience of independent directors, their independence and the number of independent directors concurrently serving as other independent directors of other public offering companies:

<table>
<tr><th>Name</th><th>Professional qualifications and experience</th><th>Independence situation</th><th>Whether to concurrently serve director of other companies</th></tr>
<tr><td>Kao, Cheng-Shu</td><td>Ohio State University, U.S.
Has many years of university lecturer, professor and business management experience.</td><td rowspan="3">The company's independent directors have met the qualification requirements stipulated in the "Regulations on the Appointment of Independent Directors of Public Offering Companies and Matters to Be Followed" and Article 14-2 of the Securities and Exchange Law during the two years before the election and during their tenure.
In addition, all independent directors have been empowered to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers</td><td>None</td></tr>
<tr><td>Chuang, Po-Nien</td><td>Nationa Changhua University of EDU, Institute, Doctor of Industrial EDU.
Has many years of working experience in ITRI.</td><td>None</td></tr>
<tr><td>Tsai, Yu-Ching</td><td>Nationa Taiwan University, Institute, Major in Accounting.
Possess the professional qualification of accountants and many years of working experience as accountants.</td><td>3</td></tr>
</table>

3.2.2. Information on the Management Team

March 28, 2023 Unit: shares；%

Job Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relation	
President and C.E.O	R.O.C	Chang, Chung-Hsing	M	2017. 05.19	29,024,654	36.20	227,700	0.28	34,142,162	42.59	■National Ilan University/Mechanical Engineering ■APEX DYNAMICS, INC. : President	MILLENNIUM VEE HOTEL TAICHUNG: President Titan Sheet Metal Making Technique INC. :President Pu-Mei Co., Ltd. : President APEX Construction Co., Ltd: Director Hsing-Chang Investment Co., LTD: President Apex Steel Technology Inc: Director Golden Peak International Limited: Director Best Elite International Limited: Director	—	—	—	Please refer to P.12 Note
General Manager	R.O.C	Kuo, Chung-Che	M	2011. 08.01	140,000	0.18	—	—	—	—	■Technische Universität Berlin, TU Berlin/Applied Mechanic/D**octor's degree** ■Largan Precision Co., Ltd. : Special Assistant to President ■C-JAC INDUSTRIAL Co., Ltd. : Vice president	None	—	—	—	—
Sales Manager	R.O.C	Chao, Shu-Fen	F	2010. 07.01	15,000	0.02	—	—	—	—	■Tunghai University/Sociology /Bachelor's degree ■APEX DYNAMICS, INC. : **Sales rep**	None	—	—	—	—
Production Manager	R.O.C	Huang, Jen-Kuei	M	2012. 12.01	54,300	0.07	9,000	0.01	—	—	■National Chin-Yi University of Technolog Mechanical Design ■Yeong Chin Machinery Industries Co. Ltd. / Production Supervisor ■APEX DYNAMICS, INC. : Production Technology Dept./Section Manager	None	—	—	—	—
Production Department Factory Manager	R.O.C	Lin, Wen-Yen	M	2021. 04.01	15,000	0.02	—	—	—	—	■Hsiuping University of Scienceand Technolog/Mechanical Engineering ■APEX DYNAMICS, INC. : Production Technology Dept./Section Manager	None	—	—	—	—
R&D Section/ Deputy Section Manager	R.O.C	Hsueh, Shen-Tsung	M	2009. 02.27	20,000	0.02	—	—	—	—	■Nan-Kai University of Technology/ Mechanical ■GIAM MING ENTERPRISE CO., LTD. R & D Engineer ■De-Kai Corporation LTD: Engineer APEX DYNAMICS, INC.: Assistant engineer ■APEX DYNAMICS, INC.: R&D team leader	None	—	—	—	—

Job Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Note
					Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Job Title	Name	Relation	
Director of Management	R.O.C	Hung, Wen-Chung	M	2009. 12.23	—	—	—	—	—	—	■National Cgung-Hsing University /Environmental Engineering/ Master's degree ■(BASO) Precision Optics Ltd. : Supervisor of HR Dept., Environmental Health and Safety Dept., General Manager's Office ■Asia Optical: Safety Standard of Mechanical Equipment Dept. /Advisory specialist	None	—	—	—	—
Accounting Supervisor	R.O.C	Hung, Hsiu-Min	F	2014. 07.21	21,300	0.03	10,300	0.01	—	—	■Feng Chia University/ Business ■TAIWAN ULTRA POWER INDUSTRIES LTD: Accountant in charge ■VITA CORPORATION: Accounting Section Manager.	Pu-Mei Co., Ltd.: Supervisor	—	—	—	—
Audit supervisor	R.O.C	Lin, Fang-Jung	M	2020. 07.20	11,000	0.01	—	—	—	—	■National Taiwan University/Business Administration ■TOPKEY CORPORATION: Audit supervisor ■SUNREX TECHNOLOGY CORP. ccounting Supervisor	None	—	—	—	—

Note: The number of shares above is based on the number of shares on the register of shareholders on March 28, 2023.

3.3. Remuneration to Ordinary Directors and Independent Directors

3.3.1. Remuneration of Directors and Independent Directors (Individual Disclosure of Names and Remuneration Items)

Year of 2022 ; Unit: NT$1000 ;%

Job Title	Name	Remuneration: Remuneration (A)		Remuneration: Severance Pay (B)		Remuneration: Director Remuneration (C)		Remuneration: Business Execution Cost (D)		Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee: Salary, bonuses, and allowance, etc. (E)		Severance Pay (F)		Employee profit-sharing compensation (G)				Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company: Cash Amount	The Company: Stock Amount	All companies in the financial report: Cash Amount	All companies in the financial report: Stock Amount	The company	All companies in the financial report	
President	Chang, Chung-Hsing	-	-	-	-	2,584	2,584	-	-	0.23	0.23	2,592	2,592	-	-	142	-	142	-	5,318 0.47%	5,318 0.47%	None
Director	Chang, Yao-Tung																					
Director	Huang, Yu-Wen																					
Director	Hsu, Che-Chia																					
Independent Director	Kao, Cheng-Shu	1	1	-	-	1,938	1,938	180	180	0.19	0.19	-	–	–	–	–	–	-	-	2,119 0.19%	2,119 0.19%	None
Independent Director	Chuang, Po-Nien																					
Independent Director	Tsai, Yu-Ching																					

1. Please describe the independent director's remuneration payment policy, system, standards and structure, and describe the relationship with the amount of remuneration based on the responsibilities, risks, investment time and other factors:
   (1) According to the articles of association of the company, the remuneration of the chairman and directors shall be determined by the board of directors according to the degree of participation in the company's operations and the value of their contributions, taking into account domestic and foreign industry standards.
   (2) The company's articles of association also clearly stipulate that no more than 1% (inclusive) of the annual profit will be used as the director's remuneration, and the relevant regulations are handled in accordance with the articles of association of the company's remuneration committee.
   (3) The remuneration of the independent directors of the company, in addition to the director's remuneration provided according to the company's operation and profit status, attends to receive a fixed Traveling expenses according to the actual number of attendance.
2. In addition to the disclosure in the above table, the remuneration received by the directors of the company for providing equity affairs (such as acting as a consultant to the parent company/all companies in the financial report/non-employee reinvestment enterprises, etc.).) Last year: None.

Remuneration Range Table

The remuneration range paid by the company to the Directors	Name of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All companies in the financial report H	The Company	All companies in the financial report I
Less than NT$1,000,000	Chang, Chung-Hsing Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Po-Nien Tsai, Yu-Ching	Chang, Chung-Hsing Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Po-Nien Tsai, Yu-Ching	Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Po-Nien Tsai, Yu-Ching	Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Po-Nien Tsai, Yu-Ching
NT$ 1,000,000 (inclusive) ~ 2,000,000 (exclusive)	—	—	—	—
NT$ 2,000,000 (inclusive) ~ 3,500,000 (exclusive)	—	—	Chang, Chung-Hsing	Chang, Chung-Hsing
NT$ 3,500,000 (inclusive) ~ 5,000,000 (exclusive)	—	—	—	—
NT$ 5,000,000 (inclusive) ~ 10,000,000 (exclusive)	—	—	—	—
NT$ 10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—	—	—
NT$ 15,000,000 (inclusive) ~ 30,000,000 (exclusive)	—	—	—	—
NT$ 30,000,000 (inclusive) ~ 50,000,000 (exclusive	—	—	—	—
NT$ 50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—	—	—
More than NT$ 100,000,000	—	—	—	—
Total	7 persons in total	7 persons in total	7 persons in total	7 persons in total

3.3.2. Remuneration to C.E.O and General Manager (Individual Disclosure of Names and Remuneration Items)

Year of 2022 ; Unit: NT$1000; %

Job Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances, etc. (C)		Employee Remuneration (D)				Ratio of total compensation to net income (%) A, B, C and D, etc.,		Remuneration from ventures other than subsidiaries or from the parent company
								The Company		All companies in the financial report				
		The Company	All companies in the financial	The Company	All companies in the financial	The Company	All companies in the financial	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All companies in the financial	
C.E.O	Chang, Chung-Hsing	5,481	5,481	108	108	3,400	3,400	249	0	249	0	9,238 0.82%	9,238 0.82%	None
General Manage	Kuo, Chung-Che													

Remuneration Range Table

The remuneration range paid by the company To the C.E.O and General Manager	Name of C.E.O and General Manager	
	The company	All companies in the financial report
Less than NT$1,000,000	—	—
NT$ 1,000,000 (inclusive) ~ 2,000,000 (exclusive)	—	—
NT$ 2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Chang, Chung-Hsing	Chang, Chung-Hsing
NT$ 3,500,000 (inclusive) ~ 5,000,000 (exclusive)	—	—
NT$ 5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Kuo, Chung-Che	Kuo, Chung-Che
NT$ 10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—
NT$ 15,000,000 (inclusive) ~ 30,000,000 (exclusive)	—	—
NT$ 30,000,000 (inclusive) ~ 50,000,000 (exclusive	—	—
NT$ 50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—
More than NT$ 100,000,000	—	—
Total	2 persons in total	2 persons in total

3.3.3. Analysis of the ratio of the total amount of remuneration paid to the company's Directors, C.E.O and General Manager by the company and all companies with consolidated statements in the last two years to the after-tax profit of individual or individual financial reports, it also explains the policy, standard and combination of payment of remuneration, the procedure of setting remuneration and the relationship with business performance.

3.3.3.1. Proportion of the total remuneration of Directors, C.E.O and General Manager of the company to the after-tax net (loss) profit:

unit: %

Job Title	2021		2022	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Director	0.55	0.55	0.42	0.42
C.E.O and General Manager	0.89	0.89	0.82	0.82

3.3.3.2. The company's policy, standard and combination of remuneration, the procedure for determining remuneration, and its relationship with business performance and future risks:

The company's Directors, General Mnager, Vice President and Manager's remuneration are stipulated in the company's articles of association, authorizing the board of directors to negotiate according to the degree of participation in the company's operations and the value of their contributions, as well as the usual industry standards. If the company makes profits in the current year, it shall allocate no less than 0.5% (inclusive) as employee remuneration; and no more than 1% (inclusive) as director remuneration.

The company's remuneration procedures are based on the "Rules for Performance Evaluation of Board of Directors" and the "Annual Operation Dividend Reward Method" applicable to managers and employees, and combined with the company's overall operating performance, give reasonable remuneration. Among them, the company's future business development and business risks are considered, the evaluation is related to the company's business performance, the balance between sustainable operation and risk control is planned, and the performance evaluation results are used as a reference for issuing bonuses. Every year, the Remuneration Committee and the Board of Directors regularly review the rationality of employee performance appraisal and salary.

The name of the manager who distributes employee remuneration and the distribution situation

December 31, 2022 unit: NT$1,000

<table>
<tr><th>Assigned Duties</th><th>Job Title</th><th>Name</th><th>Stock Amount</th><th>Cash Aamount</th><th>Total</th><th>Ratio of Total Amount to Net income (%)</th></tr>
<tr><td rowspan="7">Manager</td><td>President and C.E.O</td><td>Chang, Chung-Hsing</td><td rowspan="7">—</td><td rowspan="7">495</td><td rowspan="7">495</td><td rowspan="7">0.04</td></tr>
<tr><td>General Mnager</td><td>Kuo, Chung-Che</td></tr>
<tr><td>Sales Manager</td><td>Chao, Shu-Fen</td></tr>
<tr><td>Production Manager</td><td>Huang, Jen-Kuei</td></tr>
<tr><td>Production Manager of the third factory</td><td>Lin, Wen-Yen</td></tr>
<tr><td>Accounting Supervisor</td><td>Hung, Hsiu-Min</td></tr>
<tr><td>Assistant Manager of Audit Office</td><td>Lin, Fang-Jung</td></tr>
</table>

3.4. The state of the company's implementation of corporate governance

3.4.1. Operation of the Board of Directors

3.4.1.1. 4 annual board meetings have been held recently, and the directors present are as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Note
President	Chang, Chung-Hsing	4	0	100 %	
Director	Chang, Yao-Tung	3	1	75 %	
Director	Huang, Yu-Wen	4	0	100 %	
Director	Hsu, Che-Chia	4	0	100 %	
Independent Director	Kao, Cheng-Shu	4	0	100 %	
Independent Director	Chuang, Po-Nien	4	0	100 %	
Independent Director	Tsai, Yu-Ching	4	0	100 %	

Other information required to be disclosed:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

   (2) In addition to the aforementioned matters, other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

   (1) On March 25, 2022, when directors discussed the remuneration amount and distribution, salary structure and standards for directors, the directors of Chang, Chung-Hsing; Chang, Yao-Tung; Huang, Yu-We and Hsu, Che-Chia they did not participate because they were related to their own interests. After discussion, the remaining directors present passed without objection.

   (2) On March 25, 2022, when the directors discussed the remuneration amount and distribution, salary structure and standards for independent directors, the independent directors of Kao, Cheng-Shu; Chuang, Po-Nien; Tsai, Yu-Ching did not participate because they were related to their own interests. After discussion, the remaining directors present passed without objection.

   (3) On October 28, 2022, when the directors discussed the policies, systems, standards and structures of Salary for directors and managers, the directors of Chang, Chung-Hsing; Chang, Yao-Tung; Huang, Yu-We and Hsu, Che-Chia did not participate because they were related to their own interests. After discussion, the remaining directors present passed without objection.

(4) On October 28, 2022, when the directors discussed the policies, systems, standards and structures of Salary for directors and managers, independent directors of Kao, Cheng-Shu; Chuang, Po-Nien; Tsai, Yu-Ching did not participate because they were related to their own interests. After discussion, the remaining independent directors present passed without objection.

3. The listed companies should disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the board of directors' self (or peer) evaluation, as well as the implementation of the evaluation by the board of directors:

On October 28, 2022, the board of directors of the company passed the "Performance Evaluation Method of the Board of Directors", which stipulates that the internal performance evaluation of the board of directors and functional committees should be carried out once a year. The company reported to the board of directors on February 24, The 2023 Implementation of Evaluations of the board of directors and functional committees in 2022 was evaluated as follows:

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content
Once a year	2022	Performance Evaluation of the Board of Directors	Internal self-assessment of the board of directors	1. Involvement in company operations. 2. Improving the quality of board decision-making. 3. Composition and Structure of the Board of Directors. 4. Election and Continuing Education of Directors 5. Internal Control.
Once a yea	2022	Performance Evaluation of Individual Board Members	Board member self-assessment	1. Master the company's goals and tasks. 2. Awareness of Directors' Responsibilities. 3. Involvement in company operations. 4. Internal relationship management and communication. 5. Professional and continuing education for directors. 6. Internal Control.
Once a yea	2022	Performance Evaluation of Functional Committees	Audit Committee and Remuneration Committee Internal Self-evaluation	1. Involvement in company operations. 2. Functional Committee Responsibilities Awareness. 3. Improving the quality of decision-making by functional committees. 4. Functional Committee Composition and Member Appointment. 5. Internal Control.

Results of the 2022 Annual Performance Review:

(1) Performance evaluation of the board of directors: There are 20 self-evaluation indicators, and the total self-evaluation average is 93 points; the evaluation is extremely excellent.

(2) Performance evaluation of directors: There are 10 self-evaluation indicators, and the total self-evaluation average is 88.57; the score is beyond the standard.

(3) Audit Committee Performance Evaluation: There are 18 self-evaluation indicators, and the total self-evaluation average is 97 points; the evaluation is extremely excellent.

(4) Compensation committee performance evaluation: There are 18 self-evaluation indicators, and the total self-evaluation average is 97 points; the evaluation is extremely excellent.

4. Evaluation of the goals and implementation status of strengthening the functions of the board of directors in the current year and the most recent year:

(1) The board of directors shall guide the company's strategy, supervise the management level, be responsible to the company and the shareholders' meeting, and make arrangements for the various operations and arrangements of the corporate governance system to ensure that it exercises its powers in accordance with laws, regulations of the company's articles of association, or resolutions of the shareholders' meeting.

(2) The company has set up a remuneration committee and an audit committee, which are composed of three independent directors. Through the establishment of functional committees, the functions and powers of the board of directors are well divided, and with its independent and detached standpoint, it assists the board of directors in decision-making and strengthens corporate governance.

(3) Every year, directors choose courses covering finance, risk management, business, business, legal affairs, accounting, and corporate social responsibility related to corporate governance topics, or internal control system, financial reporting responsibility and other related courses to improve the awareness and implementation of corporate governance.

3.4.2. Operation of the Audit Committee

3.4.2.1. 4 annual board meetings have been held recently, and the directors present are as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person Attendance rate (%)	Note
Independent Director	Kao, Cheng-Shu	4	0	100 %	
Independent Director	Chuang, Po-Nien	4	0	100 %	
Independent Director	Tsai, Yu-Ching	4	0	100 %	

Other information required to be disclosed:

1. The annual work focus of the Audit Committee:

   Review the adequacy of financial reports, supervise the effective implementation and improvement of internal controls, assess risks, review the professionalism and independence of certified accountants, and strengthen corporate governance norms.

2. If the operation of the Audit Committee falls under any of the following circumstances, the audit committee meeting date, period, content of proposals, independent directors' objections, reservations, or major proposals, results of audit committee resolutions, and the company's handling of the audit committee's opinions should be stated.

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

Period	Date	Content	Results of Audit Committee Resolutions	How the company handles
The Sixth time of the first session	March 25, 2022	Self-assessment report on internal control system and statement of internal control	After being consulted by the chairman and all the members present without objection, it was passed as a proposal and submitted to the board of directors for discussion.	Approved by all directors present without objection.
		The Certified Public Accountant's public expense and accountant's professional and		
		Business report and financial statement of 2021.		
		Revise the company's "Procedures for Acquisition and Disposal of Assets".		
The Seventh of the first session	May 06, 2022	The first quarter Financial Statements of 2021.		
		Revise the company's "Administrative Measures for the Acquisition and Disposal of		
		The 2021 annual report for the change of the fund utilization plan for the cash capital		
The Eighth of the first session	August 01, 2022	2022 second quarter financial statement.		
		The company's funds are lent to subsidiaries.		
		Revise the company's "accounting system"		
The Ninth of the first session	October 28, 2022	Draft the company's audit plan for 2023.		
		Financial statements for the third quarter of 2022.		

(2) Except for the above-mentioned matters, other resolution matters that have not been approved by the audit committee and approved by more than two-thirds of all directors: None.

3. The independent director's implementation of the recusal of the stake-related proposal shall state the name of the independent director, the content of the proposal, the reason for the resignation of the interest, and the participation in voting: no such situation.

4. Communications between the independent directors, internal audit supervisors and accounting firm.

(1) Communication between independent directors and internal audit supervisors:

The internal audit supervisor regularly reports on the work of the audit office to the independent directors, And communicate with independent directors about the results of the audit report and the implementation of the follow-up report, The implementation and results of the audit business have been fully communicated. Normally, the audit supervisor can directly communicate with the independent directors by email, phone or meeting as needed, and the communication is very well.

Before the publication of the annual report, the communications between independent directors and accountants are as follows:

Meeting Date	Communication Method	Communication Focus	Result
March 25, 2022	Report and communicate in board meetings	The audit office work report for the fourth quarter of 2022. Self-assessment and statement of internal control system for 2021.	After discussion and communication, the independent directors had no objection to the report on the results of the audit business execution.
May 06, 2022	Report and communicate in board meetings	The work report of the audit office for the first quarter of 2022.	
August 01, 2022	Report and communicate in board meetings	The work report of the audit office for the second quarter of 2022.	
October 28, 2022	Report and communicate in board meetings	The work report of the audit office for the third quarter of 2022. Draft the audit plan for 2023.	
February 24, 2023	Report and communicate in board meetings	The work report of the audit office for the fourth quarter of 2022. Self-assessment and statement of internal control system for 2022.	

(2) Communication between independent directors and accountants:

Independent directors and accountants report to the board of directors in the audit committee or the board of directors on the review or inspection results of the company's and subsidiaries' financial statements and internal control inspections, Usually, accountants have good communication with direct access to independent directors via email, phone calls or meetings as needed.

Before the publication of the annual report, the communications between independent directors and accountants are as follows:

Meeting Date	Communication Method	Communication Focus	Result
March 25, 2022	Pre-meeting communication meeting of the Audit Committee	2021 annual financial report, independence of accountants, responsibility of auditors to audit financial statements, audit scope and audit findings, AQI, the main impact of Statement of Auditing Standard No. 75, International Accounting Standards or explanation letters, Securities and Exchange Act. , and Tax Act. , update instructions.	After discussion and communication, it was approved without objection, and the relevant financial report was announced and declared to the competent authority as scheduled.
May 06, 2022	The report and communication of the audit committee and the board of directors on the day	The financial report for the first quarter of 2022, the financial reporting responsibilities of reviewers during the review period, the update of laws and regulations, and the declaration of compliance. with independence norms.	
August 01, 2022	The report and communication of the audit committee and the board of directors on the day	The second quarter financial report for 2022, the revision of the company's "accounting system", the responsibility of the reviewers to review the interim financial report, the update of laws and regulations, and the declaration of compliance with independence norms.	
October 28, 2022	The report and communication of the audit committee and the board of directors on the day	The financial report for the third quarter of 2022, the responsibilities of reviewers to review the interim financial report, the update of laws and regulations, and the declaration of compliance with independence norms.	
February 24, 2023	The report and communication of the audit committee and the board of directors on the day	2022 Annual Financial Report, Independence of Accountants, Responsibilities of Auditors to Audit Financial Statements,International Accounting Standards or explanation letters, Securities and Exchange Act. , and Tax Act. ,update instructions.	

3.4.3. Corporate governance implementation status and the reason of deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		1.The company formulated the "Corporate Governance Code of Practice" in March 2021, and it was revised and approved by the board of directors on March 25, 2011, and it was disclosed on the TWSE MOPS and the company's website.	None
2. Shareholding Structure and Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(1) The company has spokespersons, acting spokespersons and other units specially assigned to accept shareholder suggestions, doubts, disputes and lawsuits, etc.	None
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		(2) The company appoints a stock affairs agency to regularly update the register of shareholders and the list of major shareholders, fully grasp the list of ultimate controllers, and disclose them according to law.	None
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(3) The management of the company's reinvested companies is in compliance with the "Internal Control System", "Internal Audit System", "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" and relevant laws and regulations stipulated by the company, and Ensure that the operations and business transactions between the company and affiliated companies are operated under appropriate risk control and security mechanisms.	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed Information?	V		(4) The company has formulated the "Internal Material Information Handling Procedures" and "Insider Trading Prevention Management Procedures", prohibiting company insiders from using unpublished information on the market to buy and sell securities.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(1) The company clearly stipulates the diversification policy of the board of directors in the "director selection procedure". The current directors also have accounting and professional skills and experience related to the company's business.	None
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	(2) The company has set up a remuneration committee and an audit committee, and other functional committees will be set up according to the actual needs of the company.	The company is still discussing its feasibility.
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		(3) On October 28, 2022, the Board of Directors of the company passed the "Board Performance Evaluation Measures", stipulating that the performance evaluation of the board of directors, directors, remuneration committee and audit committee should be carried out at least once a year, and the evaluation results should be reported to the board of directors and act as The reference basis for future determination of director remuneration.	No difference from Article 37 of the Code
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4)The company evaluates the independence and suitability of certified accountants every year. In addition to requiring certified	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			accountants to issue a statement of independence, the company also conducts assessments in accordance with the standards of assessment items and audit quality indicators (AQI). The latest assessment results have been passed on February 24, 2023 After deliberation and approval by the Audit Committee, it is submitted to the Board of Directors for approval of the independence and competence of accountants. The evaluation items are as follows: 1. As of the latest visa operation, there is no status that has not been replaced for seven years 2. There is no direct or indirect financial interest relationship with the company. 3. There is no significant and close business relationship with the company. 4. Accountants should ensure the integrity, impartiality and independence of their assistants. 5. Shall not be a director, supervisor or manager of the company, or a position that has a significant impact on audit cases within the last two years. 6. The identity of an accountant cannot be borrowed by others. 7. Does not hold shares in the company and affiliated companies. 8. No money borrowed from the company or affiliated companies 9. There is no joint investment or benefit sharing relationship with the company or affiliated companies. 10. Receive fixed remuneration without concurrently holding regular jobs in the company or affiliated companies.	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			11. Does not involve the management functions of the company or affiliated companies to make decisions. 12. Failure to concurrently operate other businesses that may lose its independence 13. No spouse or relative within the second degree of relationship with the company's management personnel. 14. There has been no incident of disciplinary action or damage to the principle of independence. 15. Whether the Audit Quality Indicator (AQI) meets the assessment criteria. Evaluation result: Based on the above evaluation results, the company's certified accountants Chen, Cheng-Hsueh and Chang, Tsu-Hsin have no irregularities in terms of eligibility and independence.	
4. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?		V	4.The company has not yet set up a dedicated corporate governance supervisor, but has been divided into corporate governance-related affairs according to the existing organizational functions; at present, the deliberative affairs unit is the financial office, which is responsible for handling matters related to the meetings of the board of directors and shareholders' meetings, making minutes of the board of directors and shareholders' meetings, and assisting directors in complying with laws and regulations. In the future, a corporate governance supervisor will be appointed according to the company's development needs and legal requirements.	The head of corporate governance is expected to be appointed by June 2023.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		5.The company has set up spokespersons and acting spokespersons as communication channels with stakeholders, and has a contact area on the company's website for consultation.	None
6.Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		6.The company appointed the MEGA Securities Co., Ltd. /Share Affairs Agency Department to handle matters related to the shareholders' meeting.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	V		(1) The company website has set up a special area for investors to disclose financial information, shareholder services, corporate governance and other related areas, fully disclosing financial business and corporate governance information.	None
(2) 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.)?	V		(2) The company discloses relevant information on "TWSE MOPS" in accordance with regulations, implements a spokesperson system, and sets up an investor zone on the company's website to disclose relevant information.	None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the	V		(3) The company's 2022 Parent Company Only Financial Statements and Consolidated Financial Statements have been announced within two months after the end of the fiscal year; and the financial reports for the first, second, and third quarters and the operating	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
specified deadlines?			conditions of each month have been submitted within the prescribed time limit. ◦	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(1) Employee rights and employee care: The company has set up an employee welfare committee to handle various welfare matters, and in accordance with the Labor Standards Ac and Labor Welfare and Retirement, in addition to withdrawing and appropriating pensions, and regularly holds labor-management meetings as a communication between labor and management pipeline. The protection of various rights and interests of employees and the implementation of the welfare system are based on laws and regulations. (2) Investor Relations: In order to protect the rights and interests of shareholders and make it easy for the investing public to understand the company's operating conditions, the company convenes shareholders' meetings every year in accordance with the company law and related laws and regulations, and discloses relevant information on TWSE MOPS in accordance with regulations. (3) Supplier relationship: The company's business strategy is based on the principle of honesty, keeping promises with suppliers and stakeholders, and maintaining good interactive and cooperative relationships with suppliers. (4) Rights of interested parties: The company maintains good communication channels with stakeholders such as employees,	None

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			customers and suppliers, and respects and safeguards their legitimate rights and interests. (5) Directors' advanced training: In order to implement corporate governance, all directors of the company have professional background capabilities and practical experience in operation and management, and the number of training hours for the seven directors (including independent directors) of the company has reached the prescribed standard. (6) Implementation of risk management policies and risk measurement standards: The company has formulated the "internal control system" and related management rules and regulations in accordance with laws and regulations to prevent risks; and the internal audit unit has drafted an audit plan based on risk assessment Check the implementation of the internal control system. (7) Execution of customer policy: The cooperation between the company and customers is handled in accordance with the norms and contracts signed by both parties to protect the rights and interests of both parties, and there are special personnel responsible for communicating with customers and dealing with related issues. (8) Circumstances in which the company purchases liability insurance for directors: Insured objects: Directors and Major employee Insurance amount: USD 1,000 thousand	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			Insurance company: South China Insurance Co., Ltd. Insurance period: September 15, 2022 ~ September 15, 2023	

9. According to the corporate governance evaluation results released by TWSE/Corporate Governance Center in the latest year, it explains the situation that has been improved, and proposes priority strengthening items and measures for those that have not improved:

The company has not been included in the rated companies, so it is not applicable.

3.4.4. Composition, responsibilities and operations of the Remuneration Committee

3.4.4.1. Information on Remuneration Committee Members

Titel	Qualifications / Name	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent director / Convener	Kao, Cheng-Shu	■Ohio State University, USA/ Doctorate degree ■Mr. Kao has many years of university lecturer, professor and business management experience.	The members of the company's remuneration committee have met the qualification requirements stipulated in "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and "Securities and Exchange Act" Article 14-2 during the two years before the election and during their tenure, and are independent All directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and independently perform relevant functions and powers.	0
Independent director	Chuang, Po-Nien	■Nationa Changhua University of Education/Industrial Educationand Technology / Doctorate degree ■Mr. Chuang has many years of working experience in ITRI.		0
Independent director	Tsai, Yu-Ching	■Nationa Taiwan University/Accounting/ Master degree ■Ms. Tsai has professional qualifications as an accountant and has many years of working experience as an accountant.		3

3.4.4.2. Information on the operation of the remuneration committee

(1) The company's remuneration committee has 3 members.

(2) The term of office of the current committee members: from October 6, 2020 to May 21, 2023, the recent annual remuneration committee held 2 meetings, the qualifications and attendance of the committee members are as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended in person	In-person attendance rate (%)	Note
Convener	Kao, Cheng-Shu	2	0	100 %	
Member	Chuang, Po-Nien	2	0	100 %	
Member	Tsai, Yu-Ching	2	0	100 %	

Other information required to be disclosed:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (eg., 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): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.

3.4.4.3. Information on the members of the Nomination Committee and its operation: None

3.4.4.4. Important matters resolved at the remuneration committee meeting are as follows:

Date	Content of Resolution	Results of Resolutions of the Remuneration Committee	The Company's Handling of the Remuneration Committee's Opinions
Mar 25, 2022 The seventh time of the first session	1. The company's 2021 employee remuneration and director remuneration distribution plan. 2. The company's 2021 director and manager performance evaluation report. 3. The company's 2021 salary structure and standards for directors and managers.	Except for the members who have avoided the discussion and voting in accordance with the law, the rest of the attending members passed the proposal without objection and submitted it to the board of directors for discussion.	Proposal to the board of directors shall be approved by all directors present.
Oct 28, 2022 The eighth time of the first session	Discussion proposals on remuneration policies, systems, standards and structures for directors and managers.	Except for the members who have avoided the discussion and voting in accordance with the law, the rest of the attending members passed the proposal without objection and submitted it to the board of directors for discussion.	Proposal to the board of directors shall be approved by all directors present.

3.4.5. Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		V	In order to promote the sustainable development of the part-time unit of the company's management department, the manager of the management department is part-time in charge, and regularly reports the implementation status to the board of directors. The implementation status and results of sustainable development are as follows: 1. Strengthen corporate governance organization and system. 2. Promote the development of a sustainable environment. 3. Ensure that matters related to risk management are supervised. 4. Planning and promoting energy conservation and carbon reduction and carbon neutrality related matters. 5. Regularly report the implementation status to the board of directors every year. 6. Conduct risk assessments on environmental, social and corporate governance issues related to operations. 7. Based on the assessed risks, formulate relevant risk management policies and strategies.	In the future, it will be handled according to the needs of the company or the regulations of the law, and there will be no major differences.
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		(1) The company has established "Sustainable Development Best Practice Principles" and complies with ISO9001, 14001 and 45001 standards, The company will fulfill its corporate social responsibility, implement its code of conduct, and disclose the code on the public information observation station and company website.	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			(2) Establish a major risk identification and analysis process in accordance with relevant ISO standards. Through procedures such as collection and inspection, sorting and identification, and confirmation, identify major themes of sustainable development and related risks, and formulate relevant management strategies, The boundaries of risk assessment and risk management policies or strategies of the company's major issues are based on the company, and the main points are summarized as follows: 1. Major environmental issues: The company identifies the risks of climate change and evaluates the relevant response measures to climate change, such as the risk of water shortage in dry season and power cut in summer caused by climate change, the management procedures for water and electricity consumption have been formulated, including water restriction and water supply interruption management regulations for the whole plant, emergency power supply priority operation standards, etc. 2. Major social issues: Improve occupational safety and health management as a priority, The company obtained OHSAS18001 certification in 2010, In the ISO 45001:2018 management system announcement, the existing occupational safety and health management methods and regulations have been continuously revised, and the ISO 45001:2018 management system certification has been obtained in 2020, and through the	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			essentialization of mechanical safety, education, training and publicity to enhance employees' awareness and ability of safety and hygiene; supervisors at all levels regularly inspect the behavior of employees and third-party factory personnel and monitor the working environment to reduce employee exposure risk factors. 3. Major issues in corporate governance: In order to avoid the risk of illegality caused by internal operations failing to respond immediately when external regulations and norms are updated, the company has established systematic norms for identification and management of regulations.	
3. Environmental issues (1) Has the Company set an environmental management system designed to industry characteristics?	V		(1) The company has passed ISO14001, ISO 45001 certification, implementing environmental protection, waste reduction, weight reduction, pollution prevention and zero disasters. The company's use of main raw materials complies with RoHS, REACH and directives prohibiting the use of toxic chemical substances, and prohibits the hazardous substances regulated in the directives during production to reduce the impact on the environment.	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		(2) The company strives for the utilization efficiency of various energy sources, installs solar power generation devices in the factory area, and strengthens the recycling and reuse of hydropower and other resources,Install water-saving and power-saving equipment and use	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			clean energy; and implement reduction, resource classification, recycling, reuse and proper disposal；irregularly carry out the promotion and publicity of environmental protection concepts to reduce the impact on environmental load and effective energy.	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		(3) The company has an environmental safety and health policy and sets environmental safety and health goals every year, and has full-time environmental management personnel, and the company has passed ISO14001:2015 certification, Through internal auditors, regular control of environmental management, analyze the current and future potential risks and opportunities of climate change, and adopt response assessments for climate-related issues.	None
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		(4) The company has passed the ISO14001:2015 certification, and has established relevant systems and policies for environment, waste, water pollution, air pollution, energy resource management, etc., and records them monthly. 1. Greenhouse gas emission statistics and management policies: Greenhouse gases cause global climate change. The company responds to the government's promotion of renewable energy policies, carefully evaluates the development conditions of various renewable energy sources, actively installs photovoltaic devices, increases renewable energy power generation, and contributes to building a low-carbon city. Energy saving and carbon reduction projects, the	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>company builds pollutant prevention and control equipment to ensure compliance with regulatory emission standards, so as to reduce the impact on climate change and the environment. The company conducts greenhouse gas inventory regularly every year, and relevant information is also reported to the Competent Authority, In the future, we will evaluate whether to take relevant actions on climate change according to the actual situation, and set short-term, medium-term and long-term greenhouse gas reduction goals, with the goal of achieving carbon neutrality.

The greenhouse gas consumption in the past two years is as follows:
<table><tr><th>Year / Item</th><th>2021</th><th>2022</th></tr><tr><td>Category 1 - Direct</td><td>36 mt</td><td>46 mt</td></tr><tr><td>Category 2 - Indirect</td><td>10,924 mt</td><td>11,891 mt</td></tr></table>
2. Water consumption statistics and management policies:
For the strategy of water reduction, the company actively cooperates with the government's reclaimed water recycling and reuse policy, and continues to control water consumption.
The specific measures for water resource management are as follows:
(1) Install the whole plant air conditioning monitoring system.
(2) Low-pollution water recycling and reuse.
(3) Install water-saving toilet fixtures
(4) Set up rainwater recovery water for planting sprinkler irrigation.</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>(5) After the RO wastewater is collected, it is used again for toilet flushing.
(6) The cooling tower is equipped with a splash-proof and anti-evaporation cover.

The consumption of water, electricity and waste in the last two years is as follows:
Unit: thousand degree
<table>
<tr><th>Year / Item</th><th>2021</th><th>2022</th></tr>
<tr><td>Water Used</td><td>78</td><td>82</td></tr>
<tr><td>Electricity Used</td><td>21,462</td><td>23,362</td></tr>
</table>
3. Waste Statistics and Management Policy:
The company's waste management goal is to reduce the amount of waste and recycle and regularly carry out the inventory of greenhouse gas emissions, the statistics of water consumption and the total weight of waste every year; various management plans have also been formulated to effectively improve energy performance, implement resource reuse and reduce waste generation.
<table>
<tr><th>Year / Item</th><th>2021</th><th>2022</th></tr>
<tr><td>General Waste</td><td>232 mt</td><td>209 mt</td></tr>
</table>
</td><td></td></tr>
<tr><td>4. Social issues
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</td><td>V</td><td></td><td>(1) The company abides by the Labor Standards Act, protects the legitimate rights and interests of employees, follows ICCPR, and formulates relevant management policies and procedures. It also allocates pensions and has an employee welfare committee.</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			Employees of any nationality enjoy the same welfare measures.	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		(2) The company has established performance appraisal management and other related measures to fairly and reasonably evaluate the work performance of employees and supervisors, and determine their salary adjustment levels based on their professional knowledge, technology and personal performance. The employee performance appraisal system will be handled in accordance with the company's personnel management regulations and reward and punishment provisions of the work rules. The company also organizes newcomer training. In addition to promoting the company's system and related policies, the newcomer training is used to educate employees to take honesty as the highest principle; In addition, through regular and irregular publicity of corporate ethics, the relevant results are combined with employee performance, The company's employee remuneration policy and its implementation are as follows: 1. Talent Strategy: Towards an excellent enterprise with sustainable operation, the company's talent recruitment policy draws up recruitment plans for key positions based on business strategies, and based on the principle of "equal treatment", differences in gender, race, nationality, religion, age, physical disability, political affiliation, marital status, trade unions and associations will not affect employment, salary, promotion opportunities, etc. Through	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			a fair and just recruitment and selection mechanism, create a friendly workplace environment with gender equality, multicultural integration, and cross-generational composition. With an inclusive atmosphere, employees are encouraged to respect differences, learn together, and enhance team cohesion, which has become the driving force behind the company's continuous progress. 2. Performance appraisal: The company clearly stipulates the performance appraisal system and assessment and other related methods. Through quarterly performance appraisal, employees can fully understand their strengths and weaknesses. And according to the staff's professional knowledge and technology and personal performance to verify their rewards. 3. Talent retention: The company firmly believes that employees are the greatest asset of the company, and provides competitive salary and career development opportunities. The salary is determined according to the employee's academic background, professional knowledge and technology, and seniority experience. In order to ensure market competitiveness, a market salary survey is conducted, and salary adjustments are made according to the market level of each position and individual performance. The average standard salary of grassroots employees is better than the statutory salary.	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			4. Other benefits The company provides employees with complete systems and facilities, including labor insurance, National Health Insurance, quarterly bonuses, employee restaurants, fitness centers, and Employee Welfare Committee. Based on the company's overall operation, team and individual performance, design a reward incentive plan and share profits and surplus with employees to achieve the purpose of attracting, retaining, motivating and cultivating high-quality talents.	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		(3) The company operates in accordance with the Occupational Safety and Health Act, and regularly and irregularly implements safety and health education for employees, and organizes employee health checks every year to understand the health status of employees. 1. Work Safety and Health The factory area has obtained ISO45001 certification, and the current certificate is valid from September 18, 2022 to September 13, 2025. Independently monitor the exposure risk of operations and the monitoring of the operation environment every year, formulate a health classification management mechanism, and strengthen operation safety. The main factors of occupational accidents in 2022 are traffic accidents and pinch injuries. Therefore, improvement and publicity are carried out for relevant risk factors to increase the risk awareness of colleagues. The number and ratio of occupational accidents in the past two years are as follows:	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			(see below)	

Year / Item	2021	2022
Number of Occupational	5 people	2 people
Ratio	0.73%	0.29%

2. Focus on source management:
During the factory construction stage, the company discusses and designs the factory building according to the factory construction risk engineering management norms, and considers the way to prevent all possible hazards when the factory is built; in the operation stage, for on-site operations, all hazards are identified and evaluated, and the best available methods and technologies are adopted to carry out hazard prevention and risk control. After the equipment enters the factory and complies with the safety inspection specifications for equipment installation, it can be operated and used to ensure the safety of employees; for chemicals, in line with the management trend of chemicals in laws and regulations, establish the company's chemical control inventory to screen high-risk substances for source control, so as to truly protect the health of employees and avoid environmental impact.

3. Strengthen the communication and training of hazard prevention:
In order to effectively improve employees' awareness of safety and hygiene, risk assessments are carried out for each operation to improve employee hazard identification, operate in accordance with safe operation standards, and truly protect themselves.

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			4. Promote employee health: There are professional nursing staff to plan a complete health management plan. In addition to health checks, it also provides medical consultation and various health-promoting dynamic activities. In addition, there are employee assistance programs that provide psychological and legal consultation. 5. Establish an emergency response framework: In order to avoid major impacts on operations caused by emergencies, an emergency response team is set up. The company has established an emergency response plan, covering fire, chemical leakage, and earthquake accident response preparations and plans, and regularly conducts relevant drills every six months, so that personnel can be familiar with various procedures, so as to reduce personnel and property in emergencies The impact. 6.Continuous monitoring and auditing: For the environmental safety operation of the factory area, in addition to carrying out various environmental testing and personnel operating environment monitoring in accordance with the law, a complete audit procedure has been established, except for daily inspections, high-risk operation inspections, supervisor inspections, and irregular acceptance of relevant audits from domestic and foreign customers .	
(4) Has the Company established effective career development training programs for employees?	V		(4) The company has established "education and training procedures" as the basis for employee education and training. Education and training are used to enrich employees'	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			knowledge and skills, improve work efficiency and quality, and combine employee growth with corporate development goals. And design different training programs, including training for new recruits, personal function development, and professional knowledge enhancement.	
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies	V		(5)The company mainly sells mechanical transmission components such as Planetary Gearbox, Rack and Pinion, all of which follow the relevant international product specifications and the specifications agreed between the two parties, Product manufacturing, packaging, labeling, and products sold also meet the requirements of international environmental protection regulations such as the European Union, And formulate "Enforcement Rules of the Personal Data Protection Act" and related procedures to protect consumer rights and customer privacy, set up a special complaint window, conduct regular customer satisfaction surveys, and establish strict privacy protection measures.	None
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		(6) The company's trading partners are suppliers at home and abroad, and must be bound by relevant government regulations, as well as the management and inspection of local government labor bureaus and environmental protection bureaus, According to the current regulations of the government, if a supplier has something that affects the environment or society, it will be punished or suspended, In order to implement the environmental, safety and health policies formulated by the	None

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			company, the company has formulated the "Procurement Management Measures" for the procurement, contracting and outsourcing of raw materials and equipment that may cause problems in safety and sanitation, environmental pollution, energy conservation and carbon reduction. manage. The company continues to strengthen the company's sustainable development, and conducts supplier evaluation in accordance with the "Supplier Management Measures" to determine whether the supplier meets the company's relevant regulations and requirements. In the future, according to the actual situation, the upstream and downstream supply chains will be invited to work together to enhance corporate social responsibility.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	The company does not need to prepare a sustainability report yet.	The company has formulated the "Code of Practice for Sustainable Development", which will be implemented in accordance with the company's needs or legal requirements in the future.
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations: None.				

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	

7. Other important information to facilitate better understanding of the company's promotion of sustainable development:

(1) Environmental Protection and Energy Saving:

The company continues to be committed to environmental protection and waste reduction, and strives to contribute to the earth's energy saving and carbon reduction.

The company passed the certification of the environmental management system ISO 14001 in 2010 and recertifies every three years. After the external audit by Taiwan Inspection Company, there are no major deficiencies and passed the verification; the company adheres to the spirit of continuous improvement of the environmental management system ISO 14001, gradually improves the performance of various environmental management, and conducts internal and external audits every year to ensure that all operations are in line with ISO 14001 specification, And through the "Environmental Safety and Health Management Committee", strengthen communication and coordination, improve environmental protection, energy saving and occupational safety work improvement effect.

Continue to develop high-precision automation key components and provide them to various related industries to reduce the use of high-power-consuming automation equipment in various industries; continue to reduce the water used in the production process, and actively recycle and reuse water resources to reduce the use of water resources.

The company's vision is to "continue to develop innovative and energy-saving products, and become a reliable high-precision and low-energy automation key component enterprise."

(2) Create a healthy green life:

1. Encourage colleagues to take the public transportation system and ride electric motorcycles to live a green life.

2. Continue to promote greening and landscaping tree planting and maintenance operations to create an ecologically diverse environment.

3.4.6. Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
1.Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		(1) The company has formulated the "Code of Practice for Corporate Governance", "Code of Integrity Management" and "Code of Ethical Conduct", and formulated the "Operation Procedures and Guidelines for Integrity Management" in accordance with the Code of Integrity Management to ensure integrity management and The implementation of laws and regulations; in addition, for directors and managers, if any decision or transaction involves a conflict of interest, they are not allowed to participate in decision-making or voting based on the principle of avoiding interests.	None
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		(2) In order to prevent the occurrence of dishonesty, the company has formulated the "Internal Material Information Handling Procedures", "Integrity Operation Procedures and Behavior Guidelines", "Procedures for Preventing Insider Transaction Management" and "Management of Related Persons and Group Transactions". "Measures", etc., to standardize the standard operating procedures and guidelines for all stakeholders of the company on honesty.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		(3) The company has formulated the job responsibilities of each department and the company's organization and rights and responsibilities management measures. In order to effectively confirm whether the company's internal operation procedures are handled in accordance with the law, an audit room is set up according to the law, and according to the internal control operation procedures stipulated by the company, internal control audits are conducted from time to time every year, and a mutual supervision and checks and balance mechanism is established.	None
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		(1) The company has a rating system for suppliers and customers. All contracts signed will be reviewed by professionals, and the terms of honesty and behavior will be included as needed.	None
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		(2) The company's management department is part-time the operation of corporate integrity management, and has reported to the board of directors on October 28, 2022 the implementation of corporate integrity management for the year, but the company continues to promote various integrity management plans in accordance with company policies, and promote integrity and integrity.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		(3)For directors and managers, if there is a conflict of interest in any decision-making or transaction, they are not allowed to participate in decision-making or voting. In order to fulfill the supervisory responsibility, the company has established a sound internal system and established various organizational channels, such as the salary and compensation committee, internal control and audit system, and document control system.	None
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		(4) The company has established an effective accounting system and internal control system, and reviews them at any time to ensure that the design and implementation of the system continue to be effective. In addition, the audit office of the company conducts internal audits from time to time, reports the audit results to the management and independent directors for review, and regularly reports the audit status to the audit committee and the board of directors.	None
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		(5) The company regularly or irregularly publicizes the company's concept of upholding the integrity of business in the meeting, and requires colleagues to follow the example, the promotion of publicity training is as follows:	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			1. The company's various codes of conduct or handling procedures and guidelines for preventing honest behavior are published on the company's internal network for colleagues to check and understand at any time. 2. Education and training: The education and training of new recruits will organize education and training related to the principles of honest management and fair treatment for colleagues, and publicize various customer rights protection measures and honest performance behaviors that should be followed in handling business. The actual promotion results have a total of 237 colleagues. 3. The company collects legal information and regularly disseminates relevant legal orders to insiders (including directors and managers) to strengthen insiders' awareness of compliance with laws and regulations, and provides continuing education courses for directors every year to assist directors in complying with laws and regulations.	
3.Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically esponsible for handling complaints received from whistleblowers?		V	(1) The company's factory area has a chairman's suggestion box, and a contact window for interested parties on the company's website, as a channel for complaints or reports, so as to require relevant stakeholders of the company to implement and abide by it. The company has not been complained or reported due to operations, employees'	In the future, whistleblowing and reward systems will be formulated according to the needs of the company

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner? (3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V V		violation of integrity and morality, or any illegal behavior (2) The company has certain standard operating procedures and a confidentiality agreement for the investigation of the reported matters. (3)The company's corporate integrity code and related regulations clearly stipulate that the identity of the whistleblower will be kept confidential, and the whistleblower will not be improperly dealt with due to the whistleblower.	None None
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The company has established a website and disclosed the "Code of Integrity Management", and announced and updated relevant information on MOPS.	None
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: There have been no differences.				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles): (1) The company follows the Company Act, Securities Exchange Act, IPO and OTC related regulations and laws as the foundation of integrity management, and formulated the "Code of Integrity Management" and "Procedures for Ethical Management and Guidelines for Conduct" on July 1, 2021 ". (2) The company defines it as an important and honest position, and its supervisors need to engage in business conduct with high ethical standards in order to protect the company and individuals, and formulate relevant operating standard requirements for their positions. (3) Regularly organize the publicity of the principle of integrity, through electronic bulletin boards and other means, so that employees can familiarize themselves with the company's internal integrity culture, and ensure that all employees implement integrity in their work.				

3.4.7. If the company has formulated corporate governance codes and related regulations, it shall disclose its inquiry methods:

3.4.7.1. Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:

The company has formulated the "Articles of Association", "Procedures for Acquisition and Disposal of Assets", "Methods for Loaning Funds to Others", "Management Measures for Endorsement Guarantees", "Standards for the Board of Directors", "Organizational Regulations for the Salary and Remuneration Committee", " Organizational Regulations of the Audit Committee, Rules of Procedures for Shareholders' Meetings, Procedures for Director Selection and Appointment, Rules for the Scope of Responsibilities of Independent Directors, Measures for Performance Evaluation of the Board of Directors, Risk Management Policies and Procedures, and Operational Procedures for Preventing Insider Trading ", "Code of Practice for Corporate Governance", "Code of Practice for Sustainable Development", "Code of Integrity in Operations" and "Code of Ethical Conduct" and other relevant regulations.

3.4.7.2. The way to query:

It can be downloaded from the TWSE MOPS website and enter"Corporate Governance" under "Corporate Governance" or "Corporate Governance" under the "Investor".

3.4.8. Other important information sufficient to enhance the understanding of the operation of corporate governance shall be disclosed together:

3.4.8.1. The situation of company auditors obtaining relevant certificates:

(1) Certified Internal Auditor: 1 person.

(2) Internal Control and Audit, test passed certificate: 1 person.

3.4.8.2. Managers participate in advanced training and training related to corporate governance: January 2022 to March 2023

(1) Training status of Directors and Independent Directors

Title	Name	Date	Organizer	Course	Training hours
President Director Director Director Independent Director Independent Director Independent Director	Chang, Chung-Hsing Chang, Yao-Tung Huang, Yu-Wen Hsu, Che-Chia Kao, Cheng-Shu Chuang, Po-Nien Tsai, Yu-Ching	August 1, 2022	Taiwan Corporate Governance Association	Obligations and responsibilities of companies, directors and supervisors regulated by the Securities Exchange Act	3H
				Disclosure of major company information and responsibilities of directors and supervisors	3H
		October 28, 2022	Taiwan Corporate Governance Association	The new version of the corporate governance blueprint and key points of compliance with laws	3H
				Legal issues that should be paid attention to in insider shareholding management and	3H
Independent Director	Tsai, Yu-Ching	June 27, 2022	Taiwan Corporate Governance Association	ESG-related legal issues that the board of directors should consider	3H
				Labor Dispute Prevention and Corporate Governance	3H

(2) Training status of Managers

Title	Name	Date	Organizer	Course	Training hours
Accounting Supervisor	Hung, Hsiu-Min	July 25, 2022 ~ July 26, 2022	Accointing Reserch and Development Foundation	Issuer Securities Firm Stock Exchange Accounting Supervisor-Refresher course	12H
Audit Supervisor	Lin, Fang-Jung	March 9, 2022	The Institute of Internal Auditors-Chinese	The focus and cycle of operating system audits, and the integration of operations	6H
		July 8, 2022	Accointing Reserch and Development Foundation	Auditing and control practice of "information security" by internal auditors	6H

3.4.9. The implementation status of the internal control system should disclose matters:

3.4.9.1. Internal Control Statement

APEX DYNAMICS, INC.

Statement of Internal Control System

Date: February 24, 2023

The company's internal control system for 2022, based on the results of self-assessment, hereby declares as follows:

1.The company knows that it is the responsibility of the board of directors and managers of the company to establish, implement and maintain an internal control system, and the company has already established such a system. Its purpose is to achieve the goals of operation effectiveness and efficiency (including profit, performance, and asset security protection, etc.), report reliability, timeliness, transparency, and compliance with relevant norms and compliance with relevant laws and regulations, and provide reasonable ensure.

2.The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may vary change. However, the company's internal control system has a self-monitoring mechanism. Once a defect is identified, the company will take corrective action.

3.The company judges whether the design and implementation of the internal control system are effective based on the items for judging the effectiveness of the internal control system stipulated in "Regulations Governing Establishment of Internal Control Systems by Public Companies". The internal control system judgment item adopted by "Regulations Governing Establishment of Internal Control Systems by Public Companies" is to divide the internal control system into five components according to the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision operations. Each constituent element in turn includes several items. Please refer to the regulations for the aforementioned items.

4.The company has adopted the above-mentioned internal control system to judge projects and evaluate the effectiveness of the design and implementation of the internal control system.

5. Based on the evaluation results in the preceding paragraph, the company believes that the company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, includes understanding the effectiveness of operations and the degree to which efficiency goals are achieved, reports are reliable, Timely, transparent, and compliance with relevant norms and relevant laws and regulations, the design and implementation of relevant internal control systems are effective, which can reasonably ensure the achievement of the above goals.

6. This statement will become the main content of the company's annual report and prospectus, and will be made public. If the above-mentioned disclosed content contains falsehood, concealment and other illegal matters, it will involve the laws of Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act. responsibility.

7. This statement was approved by the company's board of directors on February 24, 2023. Among the 7 directors present, none of them held any objection, and all agreed with the content of this statement, and hereby declare.

APEX DYNAMICS, INC.

President: Chang, Chung-Hsing

General manager: Kuo, Chung-Che

3.4.9.2. Those who entrust an accountant to audit the internal control system shall disclose the accountant's audit report: None.

3.4.10. In the most recent year and as of the publication date of the annual report, if the company and its internal personnel have been punished according to law, or the company has punished its internal personnel for violating the provisions of the internal control system. Its punishment content, main deficiencies and improvement situation: None.

3.4.11. Important resolutions of the shareholders' meeting and the board of directors in the most recent year and up to the date of publication of the annual report:

3.4.11.1. Important Resolutions of the Shareholders' Meeting

Date	Shareholders Meeting	Contents of the Resolution	Execution situation
June 17, 2022	Regular meeting of shareholders	1. 2021 Annual Business Report and Financial Statements.	1. The case was approved through the 2021 annual business report and financial statement.
		2.The 2021 annual report for cash capital increase and changes in fund utilization plans.	2. Approved the change of cash capital increase capital utilization plan, and completed the implementation in the second quarter of 2022.
		3. Revision of the company's "Memorandum And Articles of Association".	3. After passing the amendment, it will be approved for registration by Central Taiwan Science Park Bureau, NSTC on June 30, 2022, and the articles of association will be announced on the company website.
		4.Revision of the company's "Rules of Procedure for Shareholders Meetings".	4. After the amendment has been approved at the general meeting of shareholders, it will be announced on TWSE MOPS and the company's website.
		5. Revise the company's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".	5. After the amendment has been approved at the general meeting of shareholders, it will be announced on TWSE MOPS and the company's website.

3.4.11.2. Major Resolutions of Board Meetings

Date	Major Resolutions	Resolution situation
March 25, 2022	The first meeting of the board in 2022, the 15th meeting of the eighth session. 1. 2021 self-assessment report on internal control system and statement of internal control system. 2. The 2021 annual visa accountant public fee, accountant professional and independent assessment review case. 3. The company's 2021 annual business report and financial statements. 4. The company's 2021 employee remuneration and director remuneration distribution plan. 5. The company's 2021 surplus distribution plan. 6. The company's 2021 salary structure and standards for directors and managers. 7. The company applies to E.SUN Bank for the renewal of the short-term credit line. 8. The company's Mega Bank applied for the renewal of the short-term credit line. 9. Revise the case of "Memorandum And Articles of Association" of the company. 10. Revise the case of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of the company. 11. Revise the company's "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and change its name. 12. Revise the case of "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" of the company. 13. The company's 2022 shareholders' general meeting held related matters.	Except for the directors who were absent from the discussion and voting according to the law, the other directors present passed the proposal without objection. In addition, the 4th, 5th, and 12th cases were submitted to the regular shareholders' meeting for report, the 3rd case was submitted to the shareholders' regular meeting for approval, and the 9th, 10th, and 11th cases were submitted to the shareholders' regular meeting for discussion.

Date	Major Resolutions	Resolution situation
May 6, 2022	The second meeting of the board in 2022, the16th meeting of the eighth session Proposal: 1. 2022 First Quarter Financial Statements.. 2. Revise the proposal of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of the ccompany. 3. The application plan for the use of cash capital increase funds has been changed in 2021. 4. The company's 2022 shareholders' meeting has added a new reason for convening.	After being consulted by the chairman and all directors present, the meeting was passed without objection. In addition, the third proposal was submitted to the regular shareholders meeting for approval and the second proposal was submitted to the regular shareholders meeting for discussion.
August 1, 2022	The third meeting of the board in 2022, the 17th meeting of the eighth session Proposal: 1. 2022 second quarter financial statement proposal. 2. The proposal of the company's capital loan to its subsidiaries. 3. Established the company's "Standard Operating Procedures for Handling Directors' Requests". 4. Revise the company's "accounting system" proposal. 5. Revise the company's "application for suspending and resuming GTSM operating procedures for Emerging stocks" and change the name.	After being consulted by the chairman and all directors present, the meeting was passed without objection.
October 28, 2022	The fourth meeting of the board in 2022, the 18th meeting of the eighth session Proposal: 1. Draft the company's annual audit plan for 2023. 2. Draft the company's 2023 annual operating plan and budget. 3. 2022 third quarter financial statement. 4. Discussion proposals on policies, systems, standards and structures of remuneration for directors and managers. 5. Established the company's "Rules for Performance Evaluation of Board of Directors". 6. Amend the company's "Rules of Procedure for Board of Directors Meetings".	Except for the directors who were absent from the discussion and voting according to the law, the other directors present passed the proposal without objection.

Date	Major Resolutions	Resolution situation
February 24, 2023	The first meeting of the board in 2022, the 19th meeting of the eighth session. Proposal: 1. 2022 self-assessment report on internal control system and statement of internal control system. 2. 2022 annual visa accountant public fee and accountant professional, independent evaluation review. 3. The company's 2022 annual business report and financial statements. 4. The company's 2022 employee remuneration and director remuneration distribution plan. 5. The company's 2022 annual Surplus distribution. 6. Election of the ninth session of directors (including independent directors). 7. Accept the nomination of directors (including independent directors) related to operational matters. 8. The board of directors intends to nominate a list of candidates for directors (including independent directors). 9. Llifting the restrictions on non-compete for the new directors of the company. 10. The company's salary structure and standards for directors and managers in 2022. 11. The company applies to E.SUN Bank for the renewal of the short-term credit line. 12. The company applies to Mega Bank for the renewal of the short-term credit line. 13. Revised the "Procedures for Handling Material Inside Information" of the company. 14. Amended the "Procedures for Ethical Management and Guidelines for Conduct" of the company. 15. Matters related to the convening of the company's 2023 shareholders meeting.	Except for the directors who were absent from the discussion and voting according to the law, the other directors present passed the proposal without objection. In addition, the 4th, 5th, and 14th cases were submitted to the regular shareholders' meeting for report, the 3rd case was submitted to the shareholders' regular meeting for approval, the 6th case was submitted to the shareholders' regular meeting for election, and the 9th case was submitted to the shareholders' regular meeting for discussion.

3.4.12. In the most recent year and as of the date of publication of the annual report, if directors or supervisors have different opinions on important resolutions passed by the board of directors and there are records or written statements, the main contents are: None.

3.4.13. Summary of the resignations and dismissals of the company’s chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, and R&D supervisor in the most recent year and as of the date of publication of the annual report: None.

3.5. Information on the professional fees of the attesting CPAs Information on CPA (External Auditor) Professional Fees

3.5.1. The company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services, and given any of the following conditions, shall disclose information as follows:

Information on CPA (External Auditor) Professional Fees

Unit: NT$1,000

Name of Accounting Firm	Period covered by the CPA audit	Audit period	Audit fees	Non-audit fees	Total	Note
KPMG Taiwan	Chen, Cheng-Hsueh	January 1, 2022 ~ December 31, 2022	2,260	45	2,305	Non-auditing expense: NT$45 thousand for industrial and commercial registration.
	Chang, Tsu-Hsin					

3.5.1.1. If the accounting firm is changed and the audit fee paid in the replacement year is less than the audit expense in the previous year, the amount and reason of the audit expense before and after the change shall be disclosed: None.

3.5.1.2. If the audit expense has decreased by more than 15% compared with the previous year, the amount, proportion and reason of the audit expense reduction shall be disclosed: None.

3.5.2. The professional fees for auditing services referred to in the preceding item means the professional fees paid by the company to certified public accountants for auditing, review, and secondary reviews of financial reports and for financial forecast reviews

3.6. Information on replacement of certified public accountant

If the company has replaced its certified public accountant within the last 2 fiscal years or any subsequent interim period, it shall disclose the following information: None.

3.7. The company's Prisdent, General Manager, Manager in charge of financial or accounting affairs, who has worked in the certified public accountant's firm or its affiliated companies within the last year:

None.

3.8. Recent years and up to the publication date of the annual report , the changes in share collateralization of Shareholding of Directors , Managers, Shareholders holding more than 10% of the shares:

3.8.1. Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders

Unit: share

Job Title (Note.1)	Name	Fiscal year: 2022		Current fiscal year as of March 28	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
President and CEO	Chang, Chung-Hsing	2,628,704	0	37,000	0
Director	Chang, Yao-Tung	0	0	0	0
Director	Huang, Yu-Wen	0	0	0	0
Director	Hsu, Che-Chia	0	0	0	0
Independent Director	Kao, Cheng-Shu	0	0	0	0
Independent Director	Chuang, Po-Nien	0	0	0	0
Independent Director	Tsai, Yu-Ching	0	0	0	0
General Manager	Kuo, Chung-Che	30,000	0	0	0
Production Manager	Huang, Jen-Kuei	3,621	0	0	0
Production Manager (The third factory)	Lin, Wen-Yen	15,000	0	0	0
Sales Manager	Chao, Shu-Fen	15,000	0	0	0
Audit Supervisor	Lin, Fang-Jung	10,000	0	0	0
Accounting Supervisor	Hung, Hsiu-Min	1,200	0	(13,200)	0
Major Shareholder	Hsing-Chang Investment Co., LTD	0	0	0	0

Note.1：Shareholders holding more than 10% of the company's total shares should be marked as major shareholders and listed separately.

3.8.2. Information on Transfers of Shareholding

Name (Note.1)	Reason for change in pledge status	Date of change	Coounterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	No. of shares	Transaction price
Hung, Hsiu-Min	Disposal	February 10, 2022	Liu, OO	Children of the company's Accounting Supervisor	8,800	-
Huang, Jen-Kuei	Disposal	March 28, 2022	Huang, OO	Children of the company's Production Manager	4,500	-
Huang, Jen-Kuei	Disposal	111.03.28	Huang, OO	Children of the company's Production Manager	4,500	-
Hung, Hsiu-Min	Disposal	March 6, 2023	Liu, OO	Children of the company's Accounting Supervisor	13,200	-

Note 1: Fill in the names of the company's directors, supervisors, managers and shareholders holding more than 10% of the shares.

3.8.3. The relative person of the pledge of shares is related person information: None.

3.9. Relationships Among the Top 10 Shareholders

March 28, 2023; unit: share; %

Name (Note.1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Note
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Hsing-Chang Investment Co., LTD.	34,142,162	42.59	—	—	—	—	Chang, Chung-Hsing	Representative	—
Chang, Chung-Hsing	29,024,654	36.20	227,700	0.28	34,142,162	42.59	Hsing-Chang Investment Co., LTD. Chang,Yu-Chi Chang, Yi	Representative Father and Daughter Father and Son	—
Chang,Yu-Chi	1,416,395	1.77	—	—	—	—	Chang, Chung-Hsing Chang, Yi	Father and Daughter Sister and Brother	—
MEGA Securities Co., Ltd. Representative: Cheng, Pei-Chun	1,346,701	1.68	—	—	—	—	None	None	—

Name (Note.1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Note
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Chang, Yi	1,260,101	1.57	—	—	—	—	Chang, Chung-Hsing Chang,Yu-Chi	Father and Son Sister and Brother	—
Chang,Chih-Hao	550,000	0.69	—	—	—	—	Chuang,Hui-Ya	Husband and wife	—
Chang, Yao-Tung	495,017	0.62	100,976	0.13	—	—	None	None	—
Taiwan Life Insurance Co., Ltd. Representative: Cheng,Tai-Ke	457,000	0.57	—	—	—	—	None	None	—
Chuang,Hui-Ya	450,000	0.56	—	—	—	—	Chang, Chih-Hao	Husband and wife	—
Tsai,Yun-Cheng	309,785	0.39	—	—	—	—	None	None	—

Note.1：All the top ten shareholders should be listed, and the names of legal person shareholders and representatives should be listed separately for those who are legal person shareholders.

3.10. The number of shares held by the company, its directors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise shall be combined to calculate the comprehensive shareholding ratio:

Total Ownership of Shares in Investee Enterprises

Unit: share; %

Investee enterprise (Note)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
MILLENNIUM VEE HOTEL TAICHUNG	70,000,000	100%	-	-	70,000,000	100%

Note: It is the company Investments accounted for using equity method

4. Information on capital raising activities

4.1. Capital and Shares

4.1.1. Capital

4.1.1.1. Type of Stock

March 28, 2023

Type of stock	Authorized Capital			Note
	Outstanding shares (Note)	Unissued shares	Totel	
Common Stock	80,171,351 shares	19,828,649 shares	100,000,000 shares	

Note：All issued shares of the Company are listed stocks.

4.1.1.2. Sources of Capital

Unit: 1000 shares; NT$1000

Date Month/Year	Issued Price (NT$)	Authorized capital		Paid-in capital		Note		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital	Capital paid in by assets other than cash	Other
10/1999	10	100	1,000	100	1,000	Set up share capital	None	Note.1
05/2000	10	10,000	100,000	10,000	100,000	Debt equity swap 99,000 thousand	Creditor's rights serving as payment	Note.2
11/2001	10	21,000	210,000	21,000	210,000	Debt equity swap 110,000 thousand	Creditor's rights serving as payment	Note.3
03/2003	10	35,100	351,000	35,100	351,000	Cash capital increase 141,000 thousand	None	Note.4
04/2003	20	36,687	366,870	36,687	366,870	Cash capital increase 15,870 thousand	None	Note.5
07/2006	10	60,000	600,000	47,693	476,931	Turn profits into capital increase 110,061 thousand	None	Note.6
04/2007	40	60,000	600,000	54,853	548,531	Cash capital increase 71,600 thousand	None	Note.7
06/2008	45	60,000	600,000	60,000	600,000	Cash capital increase 51,469 thousand	None	Note.8
01/2009	10	60,000	600,000	52,641	526,414	Consolidated capital reduction 73,586 thousand	None	Note.9
05/2009	30	80,000	800,000	61,641	616,414	Debt equity swap 90,000 thousand	Creditor's rights serving as payment	Note.10
07/2009	40	80,000	800,000	72,928	729,284	Cash capital increase 38,900 thousand	None	Note.11
	10					Turn profits into capital increase 73,970 thousand	None	

Date Month/Year	Issued Price (NT$)	Authorized capital		Paid-in capital		Note		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital	Capital paid in by assets other than cash	Other
05/2012	—	100,000	1,000,000	72,928	729,284	Increase authorized share capital	None	Note.12
05/2022	200	100,000	1,000,000	80,171	801,714	Cash capital increase 72,430 thousand	None	Note.13

Note.1：2009.10.26 Ministry of Economic Affairs (088) Business, letter No.088972958
Note.2：2000.05.11 Ministry of Economic Affairs (089) Business, letter No.089114084
Note.3：2001.11.28 Ministry of Economic Affairs (90) Business, letter No.09001466480
Note.4：2003.03.05Authorized by the Ministry of Economic Affairs Business, letter No.09201061520
Note.5：2003.04.18 Authorized by the Ministry of Economic Affairs Business, letter No.09201114980
Note.6：2006.07.20 Authorized by the Ministry of Economic Affairs Business, letter No.09532539390
Note.7：2007.04.25 Authorized by the Ministry of Economic Affairs Business, letter No.09601088830
Note.8：2008.06.02 Authorized by the Ministry of Economic Affairs Business, letter No.09701126540
Note.9：2009.01.19 Authorized by the Ministry of Economic Affairs Business, letter No.09801012090
Note.10：2009.05.07 General Chamber of Commerce of the Republic of China No.0980008838
Note.11：2009.07.22 General Chamber of Commerce of the Republic of China No.0980014388
Note.12：2012.05.31 General Chamber of Commerce of the Republic of China No.1010012473
Note.13：2022.05.19 General Chamber of Commerce of the Republic of China No.1110011751

4.1.1.3. Information about the comprehensive reporting system：Not applicable.

4.1.2. Shareholder Composition

March 28, 2023; unit: person; share; %

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	-	3	23	2,033	9	2,068
No. of shareholders	-	1,826,701	35,239,662	42,784,988	320,000	80,171,351
Shareholding ratio	-	2.28	43.96	53.36	0.40	100.00

Note：The company is not a foreign issuer, so there is no need to disclose the shareholding ratio of mainland investors.

4.1.3. Situation of shareholding dispersion

4.1.3.1. Distribution of Shareholding: (Par value per share - NT$10)

March 28, 2023; unit: person; share; %

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	607	61,706	0.08
1,000 to 5,000	1,215	1,880,075	2.35
5,001 to 10,000	89	709,052	0.88
10,001 to 15,000	33	417,026	0.52
15,001 to 20,000	23	428,032	0.53
20,001 to 30,000	30	776,041	0.97
30,001 to 40,000	12	412,128	0.51
40,001 to 50,000	10	483,814	0.60
50,001 to 100,000	13	887,692	1.11
100,001 to 200,000	18	2,636,390	3.29
200,001 to 400,000	9	2,337,365	2.92
400,001 to 600,000	4	1,952,017	2.43
600,001 to 800,000	-	-	-
800,001 to 1,000,000	-	-	-
1,000,001 or more	5	67,190,013	83.81
Total	2,068	80,171,351	100.00

4.1.3.2. Preferred stock: None

4.1.4. List of major shareholders

March 28, 2023; unit: share; %

Ranking	Shareholder name	Number of Shares Held	Shareholding Ratio
1	Hsing-Chang Investment Co., Ltd.	34,142,162	42.59
2	Chang, Chung-Hsing	29,024,654	36.20
3	Chang, Yu-Chi	1,416,395	1.77
4	MEGA Securities Co., Ltd.	1,346,701	1.68
5	Chang, Yi	1,260,101	1.57
6	Chang, Chih-Hao	550,000	0.69
7	Chang, Yao-Tung	495,017	0.62
8	Taiwan Life Insurance Co., Ltd.	457,000	0.57
9	CHUANG, Hui-Ya	450,000	0.56
10	Tsai,Yun-Cheng	309,785	0.39

4.1.5. Market Price, Net Worth, Earnings, and Dividends per Share in the last two years

Unit: NT$; Thousand shares

Item \ Year			2021	2022	Current year to 2023 March 31
Market Price Per Share	Highest		Unlisted	248.00	233.00
	Lowest		Unlisted	165.00	202.00
	Average		Unlisted	201.23	218.74
Net worth per share per Share	Before Distribute (Note 1)		106.00	122.06	Not Applicable
	After Distribute (Note 2)		98.00	112.06	
Earnings Per Share	Weighted Average Number of Shares		72,928	77,711	
	Earnings Per share		11.83	14.47	
Dividend Per Share	Cash Dividend (NT$)		8.00	10.00	
	Issuance of Bonus Shares	Stock Dividend from Retained Earnings	0	0	
		Stock Dividend from Additional paid-in capital	0	0	
	Dividends in Arrears		0	0	
Return On Investment Analysis	Price to Earning Ratio (Note 3)		Unlisted	13.91	
	Ratio of Dividends (Note 4)		Unlisted	20.12	
	Dividend Yield (Note 5)		Unlisted	0.05	

4.1.6. Dividend Policy and Implementation Status

4.1.6.1. Dividend Policy

If there is a surplus in the company's annual final accounts, it depends on factors such as the company's current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets, taking into account shareholders' interests, Xuheng dividends, and the company's long-term financial planning, In accordance with Article 240 of the Company Act, the Company authorizes the Board of Directors to distribute dividends and bonuses or to distribute dividends and bonuses or Company Act 240 with the attendance of more than two-thirds of the directors and the resolution of more than half of the directors present. All or part of the Legal reserve and Additional paid-in capital stipulated in Paragraph 1 of the Article shall be paid in cash, and report to the shareholders meeting. The total amount of dividends for shareholders is the total amount of distributable surplus that is added to the undistributed surplus at the beginning of the period after paying income tax according to law, making up for losses in previous years, withdrawing 10% as a legal reserve, and withdrawing or reversing the special surplus reserve, and choose a ratio within the range of 2.5% to 15% to prepare a profit distribution shareholder dividend and bonus proposal, in which the proportion of shareholder cash dividend distribution is not less than 50% of the total shareholder dividend.

4.1.6.2. Implementation status:

The company's 2022 annual profit distribution was approved by the resolution of the board of directors on February 24, 2023. The distribution of cash dividends is 10 yuan per share. NT$801,714,000, expected to be issued on May 25, 2023.

4.1.7. The impact of the gratuitous allotment of shares proposed at this shareholders' meeting on the company's operating performance and earnings per share: Not applicable.

4.1.8. Compensation of Employees, Directors and Supervisors

4.1.8.1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation:

If the company makes annual profits, no less than 0.5% (inclusive) shall be appropriated as employee remuneration; and no more than 1% (inclusive) shall be allocated as director remuneration. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance.

The recipients of the employee remuneration in the preceding paragraph may include the employees of the controlling or subordinate companies who meet certain conditions. Employee remuneration can be distributed in the form of stock (treasury stock, new stock issuance) or cash, which should be specially resolved by the board of directors and submitted to the shareholders' meeting report.

4.1.8.2. The basis for the estimation of the amount of employee and director remuneration estimated in the current period, the basis for calculating the number of shares of employee remuneration based on stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated amount:

The employee's remuneration and director's remuneration are estimated based on the current year's profit and within the percentage range stipulated in the articles of association. If there is still a change in the amount after the annual financial report is released, it will be treated as a change in accounting estimate and will be adjusted and recorded in the next year.

4.1.8.3. The board of directors approved the situation of excessive distribution of remuneration:

(1) The amount of employee remuneration and director remuneration distributed in cash or stock. If there is any discrepancy from the estimated amount of recognized expenses in the year, the discrepancy, reason and treatment shall be disclosed:

The resolution of the board of directors of the company on February 24, 2023 approved the allocation of NT$7,009 thousand for employees and NT$4,522 thousand for directors in 2022, a total of NT$11,531 thousand which was distributed in cash and had no relationship with the estimated amount. significant difference.

(2) The amount of employee remuneration distributed by stock and its proportion to the total after-tax net profit and total employee remuneration of Parent Company Only or individual financial reports in the current period: None.

4.1.8.4. The actual distribution of employee and director remuneration in the previous year (including the number of shares distributed, amount, and stock price), and any discrepancy between the actual distribution of employee and director remuneration and the recognized employee and director remuneration, the difference, reason, and handling situation shall be stated:

On March 25, 2022, the company's board of directors resolved to distribute NT$6,292 thousand in employee remuneration and NT$4,522 thousand in directors' compensation for 2021, totaling NT$10,814 thousand which was distributed in cash and was not significantly different from the estimated amount. difference.

4.1.9. The company buys back the company's shares:

4.1.9.1. Completed execution: None.

4.1.9.2. In progress: None.

4.2. Corporate bond handling status: None.

4.3. Handling status of special shares: None.

4.4. Handling of Overseas Depositary Receipts: None.

4.5. Handling of employee stock option certificates:

4.5.1. The company's employee stock option certificates that have not yet expired shall disclose the handling status as of the publication date of the annual report and the impact on shareholders' rights and interests: None.

4.5.2. Accumulated until the date of publication of the annual report, the managers who obtained the employee stock option certificate and the names of the top ten employees who obtained the certificate and the number of shares that can be subscribed, and the status of acquisition and subscription: None.

4.6. Handling of new shares with restricted employee rights:

4.6.1. For new shares that restrict employee rights that have not fully met the vested conditions, the status of the handling as of the date of publication of the annual report and the impact on shareholders' rights and interests should be disclosed: None.

4.6.2. Accumulated until the date of publication of the annual report, managers who acquired new shares with restricted employee rights and the names and acquisition status of the top ten employees who acquired new shares: None.

4.7. Handling of mergers and acquisitions or transfer of shares from other companies to issue new shares:

None.

4.8. Implementation of the fund utilization plan:

4.8.1. Program content:

The resolution of the company's general meeting of shareholders on July 1, 2021 was passed. In order to meet the needs of public underwriting of the company's stocks before the initial listing of the company's stocks, according to TWSE's listing approval letter No. 1101806152 on November 19, 2021, Handle cash capital increase and issue new shares. This time, cash capital increase issued NT$7,243 thousand for new shares, with a book value of NT$10 per share, all of which are ordinary shares.

The minimum underwriting price of the bidding auction is NT$175.44 per share. The bidder with the highest bidding price will win the bid first. Each successful bidder shall subscribe according to the winning bid price. The total amount of winning bids is NT$1,102,354 thousand; The price is NT$211.38, which is the weighted average price of each bid and its quantity. However, the average price is 1.14 times higher than the lowest underwriting price. Therefore, the public subscription underwriting price is NT$200 per share. In addition, the public subscription and employee subscription raised funds of NT$405,600 thousand, and the total amount raised was NT$1,507,954 thousand.

4.8.2. Implementation situation:

As of the second quarter of 2022, the accumulated funds used by the company to enrich working capital amounted to NT$1,507,954 thousand, and the cumulative implementation progress was 100%, and all of them have been implemented.

5. Overview of operations

5.1. Business content

5.1.1. Business Scope：

5.1.1.1. The main business content of the company:

It is mainly engaged in the manufacture, research and development and sales of mechanical transmission components such as Gearbox and Rack and Pinion. Among them, the reducer mainly produces planetary reducer. In addition, it invested and operated the MILLENNIUM VEE HOTEL TAICHUNG, which belongs to the hotel industry and mainly provides room and catering services.

5.1.1.2. Main products and operating ratio:

Unit: NT$1,000;%

Year / Main products (Service)	2022	
	Sales Amount	Operating ratio
Gearbox	2,690,447	78.44
Rack and Pinion	207,221	6.04
Room and Catering Services.	435,168	12.69
Other	96,948	2.83
Total	3,429,784	100.00

5.1.1.3. The company's current product (service) items:

(1) APEX DYNAMICS, INC.

Item	Illustrate
Gearbox	A mechanical transmission mechanism used to reduce motor speed, increase torque and increase output torque.
Rack and Pinion	Used to cooperate with gears, gearbox and motors, it is a mechanical transmission part.

(2) MILLENNIUM VEE HOTEL TAICHUNG

Item	Illustrate
Room and Catering Services	MILLENNIUM VEE HOTEL TAICHUNG and its restaurants.

5.1.1.4. New products (services) planned to be developed:

(1) Shaft type input reducer
(2) More flexible reducer
(3) Reducer with high radial force
(4) High precision gears
(5) high precision rack and pinion

5.1.2. Industry Overview:

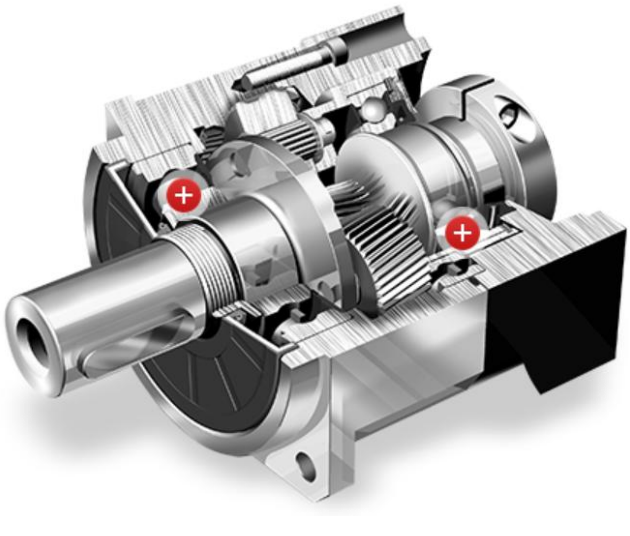
5.1.2.1. Current status and development of the industry

(1) Gearbox and mechanical transmission components industry

Gearbox is a precision mechanical structure composed of mechanical components such as gears, gearboxes, shafts and bearings. It is a transmission device connecting power motors and working machines. It is used to reduce speed, increase torque and increase output torque. Through the function of the reducer, the low-wattage motor can achieve high torque performance. Compared with the general high-torque motor, which is bulky and inconvenient, the automatic equipment and machine tool equipped with a reducer can have the advantage of smaller size.

There are many types of geaerbox, which can be divided into precision type and standard type according to their precision, and can be divided into planetary gearbox (Figure 1), right angle reducer, parallel shaft reducer, worm gear according to transmission mode, installation method and composition structure, etc. Reducer, RV cycloid reducer and harmonic reducer, etc., have different uses. Among them, the planetary reducer mainly takes advantage of its compact structure, small return clearance, high output torque, etc. It is suitable for mechanical operation of XYZ axis Cartesian coordinates, and is widely used in semiconductors, panels, biotechnology, medical, aerospace, electronics, etc. Industrial and traditional industries and other automation equipment and machine tools.

Figure 1: Structural diagram of planetary gearbox



Source of information: provided by the company

The changes in the company's operations are closely related to the automation equipment and machine tool industries. The industry operation risks of the automation equipment industry and the machine tool industry to which the company belongs are explained as follows:

A.Overview of Automation Equipment Industry

Industrial automation refers to the combination of various types of computers, application software, and communication technologies to control multiple equipment devices, coordinate the actions of each equipment or each process, correct errors and inspect quality, so that the production process can be automatically realized according to the requirements of the operator. , and minimize human operations, with the aim of replacing or saving labor, increasing productivity, improving quality and efficiency.

After Industry 4.0 was proposed by Germany, it has become the development focus of the global manufacturing industry. The key to its development lies in the system integration of digital information, including the use of automation equipment, communication between systems and machines, and the construction of smart factories to improve production capacity and flexibility to accelerate Product innovation meets the needs of customization, and therefore drives global automation to accelerate. For example, major industrial countries such as Germany, the United States, Japan, and China have successively proposed relevant policies for smart manufacturing in order to continuously promote industrial and economic development. With smart production With the formation of the trend, the demand for transmission components is also increasing day by day. It is expected that under the global trend of industrial 4.0 smart manufacturing, it will drive the demand for industrial robots and other automation equipment and its transmission components related supply chain to increase.

China is the main production base of the global manufacturing industry. In recent years, China is facing an increasingly serious shortage of workers, and labor costs such as labor wages and social welfare insurance have increased, resulting in rising manufacturing costs. Therefore, the global manufacturing industry is actively transforming and introducing various automation equipment. Introduce production line operation to improve production efficiency to replace the need for a large number of manpower.

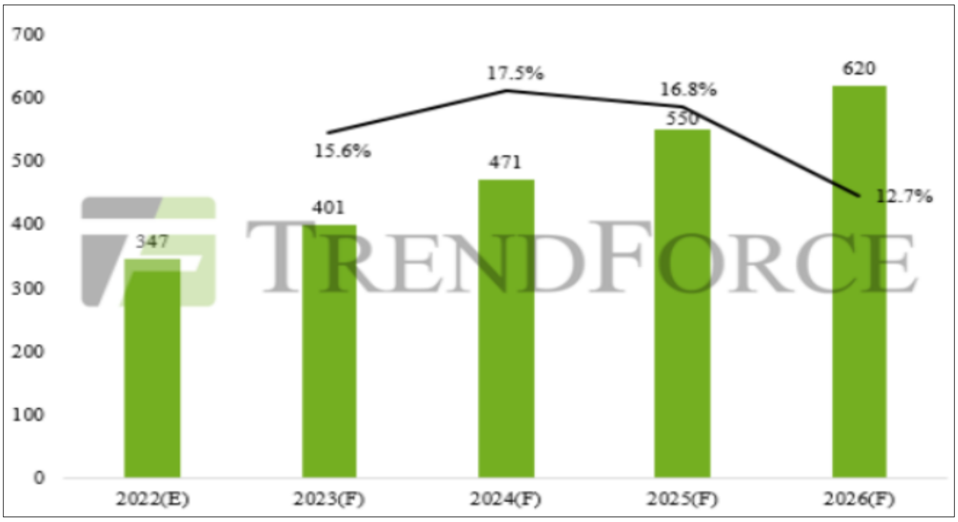
Under the impact of the Covid-19 epidemic, in order to avoid the spread of diseases and reduce the chance of contact between personnel, enterprises around the world have made global enterprises aware of the importance of remote control of automation equipment, thereby improving enterprises to accelerate the upgrading and transformation of production automation and promote digitalization , Internet of Things, big data and industrial robots and other technologies, accelerate the systemization and informatization of factories, further develop towards the development of industrial 4.0 smart manufacturing, and promote relevant industrial policies to assist the upgrading of the manufacturing industry, so that enterprises can continue to grow and develop competition force.

According to the statistics of Trend Force's Topology Industry Research Institute (Figure 2), after the impact of the COVID-19 pandemic, the wisdom of replacing traditional manpower with automated equipment and robots has gradually fermented in the industry. In order to survive continuously, global enterprises will increase the proportion of production automation. By deploying more autonomous unmanned vehicles, autonomous mobile robots and industrial robots, etc., to reduce manpower requirements and maintain social distance.

Smart manufacturing will also drive the development of related tools and technologies such as AR, VR, remote operation, and visual recognition. It is estimated that the global smart manufacturing market will reach USD 620 billion in 2026. According to TrendForce statistics, the market size of smart manufacturing is expected to reach US$347 billion this year, and the annual growth rates in 2023-2025 will reach 15.6%, 17.5%, and 16.8%, respectively.

Figure 2: Global smart manufacturing market size from 2022 to 2026

(Unit: US$ billion)



Source: TrendForce (August, 2022)

B. Machine Tool Industry Overview

A machine tool is a power-driven stationary mechanical device used in manufacturing to process metal or other materials into parts. The manufacturing process of machine tools mainly includes metal cutting and metal forming. Metal cutting includes lathes, drilling machines, and milling machines. Metal forming is to shape metal into a certain shape, including presses and hydraulic presses. The future development of machine tools will move towards the trend of automation and intelligence, combined with the direction of network, Internet of Things and big data integration. Future machine tools can handle finer and detailed processing and perform various flexible and diverse processing methods. In the machinery industry play a key role in.

In recent years, the global machine tool industry has gradually shifted its production base from Europe to Asia, especially China has become the main production base of many manufacturing industries because of its huge domestic market for machine tools, which has grown by leaps and bounds in recent years, driving the vigorous development of machine tool related industries. Taiwan's machine tool industry has formed a complete industrial cluster in the central region, consisting of a number of companies responsible for different manufacturing processes. In the early days, most of them focused on developing countries such as Southeast Asia with low-end and low-end machine tools and low-priced markets. In recent years, they have carried out independent research and development through industry-university cooperation and strategic alliances, continuously accumulating technical levels, and moving towards mid-to-high-end machine tools. In order to enhance international competitiveness, Taiwan's machine tool industry meets the needs of global manufacturing transformation and upgrading, develops advanced automated production lines, improves production quality and efficiency, and helps drive the development of the machine tool industry with the growth of major market economies.

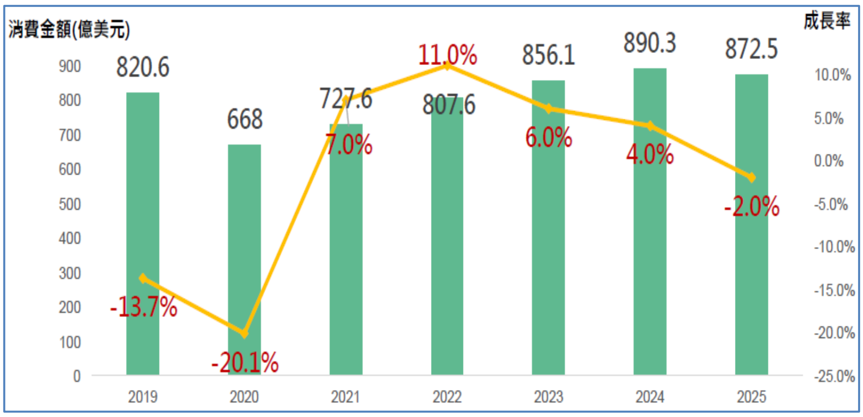
According to the Gardner Intelligence research report (Figure 3), it is estimated that the global consumption of machine tools in 2022 will be 80.76 billion US dollars. Taiwan Industrial Technology Research Institute predicts that the global machine tool output value will be US$93.764 billion in 2022. However, the Covid-19 epidemic is still spreading to varying degrees in various countries around the world, and countries have implemented different levels of blockade control measures. Coupled with the impact of the Ukrainian-Russian War and high inflation, many industries are facing impacts, and economic activities have been greatly reduced, which will also lead to a shrinking demand for the machine tool industry in 2022.

The Taiwan Machine Tool and Components Association analyzed that the ups and downs of the business climate in various countries will affect the prospects for export orders. It is speculated that the market recession will bottom out in the second quarter of 2023, and manufacturing demand may also recover. While Taiwan is benefiting from the scattered effect of the supply chain after the epidemic in the neighboring Southeast Asian market, the consumption demand for machine tools can still be expected. Looking forward to 2023, the output value of Taiwan's machine tools is estimated to be US$4 billion, an increase of 5.5% from US$3.8 billion last year, and the export value is divided into US$3.2 billion, an annual increase of 6.6%.

The Industrial Technology Research Institute believes that both the industrialization of smart machinery and the intelligence of industrial machinery are the future trends of the machine tool industry; intelligence is the development trend of machine tool factories and components industry technology, and greening is in response to net zero carbon emissions future trends.

Figure 3:
Estimated amount of global machine tool consumption from 2019 to 2025 Consumption Amount , Unit: US$ billion)

Growth Rate



Source: IEK; Gardner Intelligence (2020)

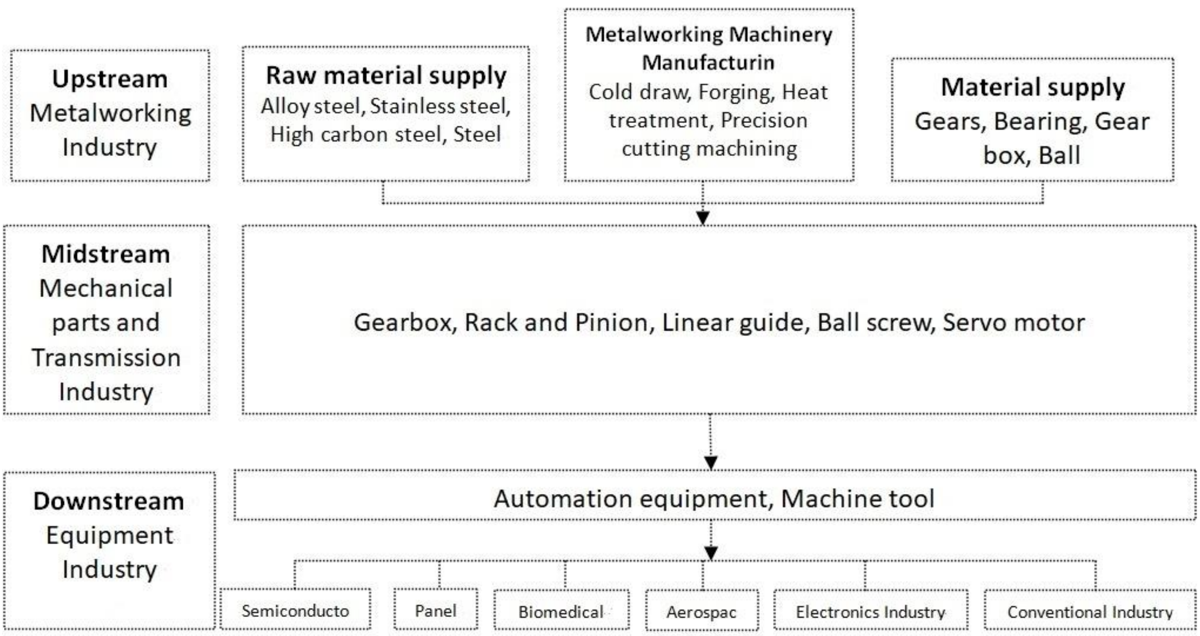
(2) Hotel and Tourism industry

Since the outbreak of the Covid-19 epidemic, all domestic and foreign tourism and business activities have been suspended. The government is actively promoting the domestic tourism market, and at the same time promoting the subsidy program for international travel to open up new consumer markets. As Chinese people's willingness to travel increases, stimulating retaliatory consumption drives a wave of growth demand for the tourism industry during the epidemic. Countries around the world have gradually relaxed their epidemic prevention policies since the beginning of 2022. At the same time, my country announced the loosening of epidemic prevention restrictions on November 7, 2022, and gradually opened up foreign tourists and business people to come to Taiwan. Resume tourism recovery and growth.

With the opening of the border, since the Chinese market has not yet recovered, the relative lifting of the ban has not yet been fully opened. At present, the tourists to Taiwan are still from Europe, America, Japan, Singapore, Malaysia and other places. According to the proportion of nationality, 90% are Chinese and 10% are foreigners. . Before the epidemic, March of each year was the peak period for commercial activities. It is currently estimated that starting from March, the distribution of business trip purposes will be 60% for international/local business activities, 40% for Chinese/group tourism, and the proportion of nationality will gradually be adjusted to 50% foreigners, 50% Chinese. At the same time, it will focus on the opening of the Chinese market and the development of the Korean market industry, which will help us enter a new wave of housing growth.

5.1.2.2. The relationship between the upper, middle and lower reaches of the industry

The company is mainly engaged in the R&D, manufacturing and sales of planetary gearbox, rack and pinion and other mechanical transmission components, which are mainly used in automation equipment and machine tools. The industrial relevance of the upper, middle and lower reaches of the industry is as follows:



5.1.2.3. Product Development Trend

The company's main products are planetary gearbox, rack and pinion. In recent years, in response to Industry 4.0, the global manufacturing industry has invested in the transformation and upgrading of smart manufacturing, extensively using the Internet of Things, big data analysis and AI artificial intelligence, and actively adopting various automation equipment. , industrial robots and machine tools, upgrade the production line to a smart factory to replace a large number of manpower needs, improve production efficiency and product quality, and move towards a non-manualized production model to maintain the competitiveness of the manufacturing industry. The reducer is one of the indispensable components of mechanical transmission. It is widely used in automation equipment and machine tools such as semiconductors, panels, biotechnology and medical treatment, aerospace, electronics and traditional industries. It is important for positioning, accuracy, quality and speed The requirements are more stringent, so the reducer has become a key role. It must cooperate with automation equipment and machine tools to develop towards high precision, low wear, low backlash, low noise, small size and high output torque.

5.1.2.4. The situation of market competition

Under the long-term development of automation equipment, machine tools and related components industries, world-class industrial countries such as Germany and Japan occupy a leading position in technology. Among them, the main manufacturers of planetary reducers are WITTENSTEIN（Germany), NEUGARTN（Germany), SEWN（Germany) and SHIMPO (Japan), SUMITOMO(Japan) etc.

The company is committed to the manufacture, R&D and sales of planetary gearbox, rack and pinion and other mechanical transmission components. It has a complete product line and manufacturing capabilities, and has a number of patents. It is also the only one in Taiwan that can design and produce planetary gearbox and rack by itself. The leading brand of and pinion, and provides well-coordinated high-quality mechanical transmission components to meet different industrial needs.

In line with the business philosophy of specialization and globalization, the company will continue to improve product quality to provide cost-effective products, and focus on fast delivery and professional after-sales maintenance services to create maximum value for customers and gain customer satisfaction. The trust of the company's production quality to maintain the company's market competitiveness.

5.1.3. Technology and R&D Overview

5.1.3.1. The technical level and research and development situation of the business operated by the company

The company's main R&D technical team has more than 20 years of experience in the machine tool and its mechanical transmission components industry. It has rich R&D capabilities and manufacturing technology, and has applied for a number of patented technologies in Europe, America, China and Taiwan. It can modify the product according to the needs of customers to achieve stable production quality. At present, it can produce a series of high-precision reducer products. The company's reducer products are self-developed and designed throughout the process, with low backlash, high efficiency, high input speed, high output torque, smooth operation, low noise and other characteristics. In addition, the appearance and structural design are developed towards light weight, so that the reducer can reduce the load inertia of its feedback and increase the output torque when the servo motor is running at high speed.

5.1.3.2. Research and development expenses invested in the most recent year and up to the publication date of the annual report

Unit: NT$1,000; %

Year / Item	2021	2022
Research and Development Expenses (A)	32,570	43,063
Net operating income (B)	3,291,062	3,429,784
Percentage of Net Revenue (A)/(B)	0.99	1.26

5.1.3.3. Technologies or products successfully developed in the last two years

Year	Successfully developed technology or product	Main purpose and function
2021	ADHStainless steel Gearbox	The appearance of stainless steel and aluminum alloy materials can be widely used in medical and food industries. The interface is compatible with the ISO 9409 standard for industrial robots, and can be used for any robotic arm, drone or other equipment with the same flange.
	Automatic design system for motor connecting plate	Instantly meet customer drawing needs and reduce waiting time.
	SS Series High Performance Teach-In Programmer wing Type Robot	Using a palm-type hand controller, this Human Machine Interface can switch between languages of various countries, and the operation method is very simple and clear. Equipped with a variety of injection machine interfaces, it can be connected with conveyor belts, air injection devices, and electric eye detection to form a fully automatic unmanned production after the robot picks up the objects.
2022	SS Series High Performance Teach-In Programmer wing Type Robot	Added EURMAP 12 interface. Integrated circuit board design reduces manufacturing costs and reduces assembly time.
	AExxS / AERxxS for IP69(K)	Comply with the protection level requirements of ISO 20653-2013, the grade can reach IP 69(K), the highest level of protection requirements at present, which can meet the needs of harsh environments with high temperature and high pressure.
	PF Series Gearbox	The hollow output shaft can be fully matched with the automation system to protect the transmission components.

5.1.4. Long-term and short-term business development plans

5.1.4.1. short-term business development plans:

(1) Fully grasp the market information to meet the diversified and timely product needs of customers, continue to develop new customers and increase market share.

(2) Continuously review and improve the company's quality management, continuously improve product accuracy and quality, and increase the company's product competitive advantage.

(3) Strengthen the cooperative relationship with upstream suppliers to reduce the cost and risk of material acquisition.

5.1.4.2. Long-term business development plans

(1) Integrate relevant technologies, continue to focus on the research and development of automation equipment, actively develop new product applications, and expand the breadth of product lines to win more industrial customers.

(2) Improve the production process, increase production efficiency, and truly grasp the customer's delivery time to enhance the company's competitiveness.

(3) Strengthen global channel strategy cooperation, actively expand agent service bases, provide customers with timely technical consultation, and rely on high quality and short delivery time to strengthen APEX brand value and enhance international market competitiveness.

5.2. Market and production and sales overview

5.2.1. Market analysis

5.2.1.1. Sales area of the company's main market (consolidated)

Unit: NT$1,000; %

Year / Area	2021		2022	
	Sales Amount	Ratio	Sales Amount	Ratio
Asia	2,314,686	70.33	2,341,384	68.27
America	369,075	11.21	467,647	13.63
Europe	591,044	17.96	606,152	17.67
Other	16,257	0.50	14,601	0.43
Total	3,291,062	100.00	3,429,784	100.00

5.2.1.2. Market share

The company is mainly engaged in the manufacture, research and development and sales of mechanical transmission components such as planetary gearbox, rack and pinion, among which precision planetary gearbox is the main source of revenue for the company. According to the research report of Grand View Research, the global precision gearbox market size will grow at an average compound annual growth rate of 8.9% from 2020 to 2028. The global precision gearbox market size is estimated to be about 2.84 billion US dollars in 2022, of which planetary gear box Accounting for about US$1.99 billion, the company's 2022 planetary gearbox operating income will be NT$2.69 billion, accounting for about 5% of the global planetary gearbox market share.

5.2.1.3. The future supply and demand situation and growth of the market

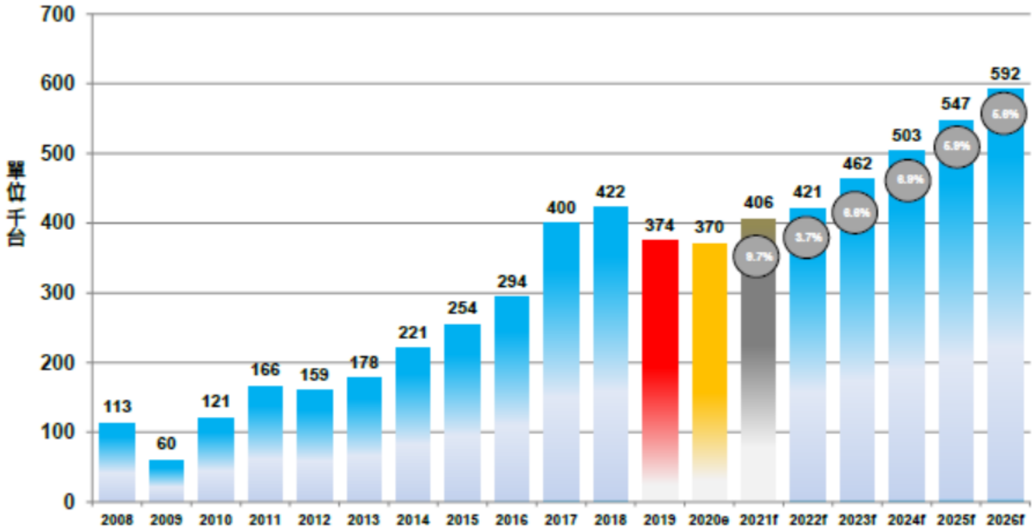
(1) Gearbox and mechanical transmission components industry

As industrial countries around the world have launched Industry 4.0 plans and actively launched industrial upgrading policies, they will use the Internet of Things, smart robots, and innovative technologies such as big data to develop smart factories. It is expected that through smart automated production and human-machine collaboration, It has become the future development trend of the manufacturing industry to reduce manpower demand, improve production efficiency and increase output value. In order to cope with the progress of related software and Internet of Things technology, in terms of hardware, there is an increasing demand for smart automation equipment such as high efficiency, high precision, and high customization, industrial robots, and machine tools.

According to the statistics of the International Institute of Obstetrics (Figure 5) of the Industrial Technology Research Institute, the number of global industrial robot installations should grow considerably in 2022. However, the new Covid-19 epidemic, wars in Ukraine and Russia, and high inflation continue to have an impact on the global economy. Global manufacturing activities remain relatively sluggish, and related capital expenditures continue to be conservative. Therefore, the number of industrial robot installations is not as expected.

It is hoped that with the coming of the post pandemic era, the global economy will show a more obvious growth trend. After the global manufacturing industry is affected by manpower constraints and production line shutdowns, it can more strongly understand the importance of upgrading smart manufacturing and automated production. It is expected to accelerate industrial automation and digital transformation, and introduce industrial robots and other automation equipment to help Maintain productivity and enhance competitiveness. Therefore, it is estimated that the global industrial robot installations will grow steadily from the second half of 2023, which will obviously become the future development trend of the manufacturing industry.

Figure 5: 2008-2026, statistics and estimates of global industrial robot installations, Unit: thousand machines



Source: International Institute of Obstetrics, ITRI (2020/11)

Under the expected trend of global manufacturing transformation towards automation, the demand for automation equipment and machine tools will grow significantly, and the demand for planetary reducers required for the production of automation equipment and machine tools is expected to continue to increase. , so it can be expected that the reducer market will grow in the future.

Among them, the Asia-Pacific region is the production center of the world's major manufacturing industries, with strong demand for automation equipment and machine tools, and driven by the overall trend of smart factories, it is expected to become the fastest-growing regional market for precision reducers.

(2) Hotel and tourism industry

The COVID-19 epidemic in 2020 has severely impacted the industrial chains of various countries. The tourism industry is facing the stagnation of international business and tourism, and the willingness to travel domestically is sluggish. Since the Central Epidemic Command Center announced on November 7, 2022 to relax the epidemic prevention policy, as the policy is gradually loosened, It has obviously stimulated the demand for business from all over the world, and while the government is actively promoting domestic tourism, it has ushered in temporary retaliatory consumption, which indirectly highlights the imbalance of industrial manpower. The Tourism Bureau released statistics on the operation of tourist hotels in 2022. The average occupancy rate of tourist hotels in Taiwan is 48.06%, but the average room price per night has increased, hitting a record high, Mainly due to the easing of the epidemic, the number of individual tourists has increased significantly, and the cost of goods and labor has risen.

In response to the recovery and growth of tourism driven by the recovery of the epidemic in 2023, international business is gradually active. In the future, the market orientation will be to open up overseas global business customers and strive to develop the demand for new domestic industrial chains.

5.2.1.4. Competitive niche

(1) A management team with rich experience and professional ability, and provide fast delivery service

The company has advanced manufacturing machinery and equipment and a research and development team. Cooperate with production in response to customer needs, and can provide faster delivery services that are superior to those of the industry, to meet customer needs for products, services and delivery requirements, and will continue to improve production technology, optimize manufacturing processes, improve production efficiency, and provide customers with more comprehensive , More immediate service, so as to effectively increase the dependence with customers and achieve long-term cooperative and stable relationship with customers.

(2) High-precision processing technology and equipment

In order to meet product design requirements, the company uses advanced precision processing equipment in the processing and manufacturing stage, such as: turning and milling compound processing machines, precision grinding machines, gear shaping machines, gear hobbing machines, gear grinding machines, etc., to manufacture product design quality to meet The customer's functional requirements for high-precision reducers.

(3) Diversified product items

At the beginning of the company's establishment, the company mainly produced robotic arms, and then successively developed and launched high-precision planetary gearbox, rack and pinion.

And other mechanical transmission components, and have developed many models, sizes, torques, etc. can be used with servo motors, which have low backlash, high efficiency, high input speed, high output torque, smooth operation, low noise and other characteristics, and can be widely used It is widely used in automation equipment and machine tools in semiconductor, panel, biomedical, aerospace, electronics and traditional industries.

(4) Capable of vertical integration

The company has a high degree of vertical integration capabilities in the manufacturing process of R&D design, metal forming, gear grinding and assembly testing, from raw material special steel to planetary gearbox, rack and pinion

The product, its self-made rate has exceeded 90%, has the advantages of high production efficiency, cost reduction and stable quality, and can effectively respond to customers in different industries, expand the breadth of its market, and meet the needs of downstream customers for one-time purchase .

(5) Marketing channels all over the world

The company has a complete layout of global marketing channels, with bases all over Asia, America, Europe, Australia and other regions. Through the distribution channels, it can enter the local market more effectively, so that global customers can quickly obtain the company's products and provide comprehensive after-sales service.

5.2.1.5. Favorable and Unfavorable Factors and Countermeasures of Development Prospect

The company is mainly engaged in planetary gearbox, rack and pinion.The advantages and disadvantages of the future development of R&D, manufacturing and sales of mechanical transmission components are as follows:

(1) Favorable factors

A.Trends in Industry 4.0

Global wage costs continue to rise, prompting the development of manufacturing policies towards Industry 4.0, and building smart factories is the future trend, changing the production mode that required a lot of manpower in the past to automated production equipment, reducing manpower and improving product quality stability. The company's reducers and gear racks (strips) and other products are mainly targeted at automation equipment and key mechanical transmission components of machine tools. In the future, the industry will gradually upgrade to high-level automation and intelligent equipment will drive reducers and other mechanical transmission components The demand will help drive the company's product sales and become the driving force for performance growth.

B. High technical requirements

The gearbox is a technology-intensive industry. In addition to strong capital, it needs to rely on long-term investment in product research and development and maintenance of production technology thresholds. Without solid technology and patents as the backing, only non-precision products can be produced, so it is difficult for new manufacturers to enter .

C. The product has a wide range of applications

The company has a series of complete product lines and self-made capabilities. Its product models are diverse, and its application fields involve automation equipment and machine tools such as semiconductors, panels, biotechnology, aerospace, electronics and traditional industries. Due to scattered industrial applications, except Systemic risk In addition to the contraction of the business climate, there will be less risk of multiple industries falling to the bottom at the same time or the risk of large fluctuations in sales caused by only supplying a single industry.

(2) Unfavorable factors

A. Rising staff costs and insufficient manpower

With the rise of domestic labor wages and the shortage of manpower, the machinery industry is facing a gradual increase in production costs.

Countermeasures:

Strengthen employee welfare measures, advanced training, retirement system and reward system, and pay attention to the agreement between labor and management and various employee rights and interests, and use and improve the employee promotion system to reduce employee turnover. In addition, by providing a diversified employee incentive system in the future, in addition to retaining existing talents, it can also attract more outstanding talents to join the company, thereby strengthening the company's competitiveness.

B. Fluctuations in Foreign Exchange

The company's products are mainly exported, so foreign currency exchange rate fluctuations have a certain degree of impact on the company.

Countermeasures:

The company keeps abreast of the trend of major currencies in the international foreign exchange market at any time, maintains an appropriate net foreign exchange position, and at the same time maintains close contact with the bank's foreign exchange to grasp changes in foreign currency exchange rates to reduce the risk of exchange rate changes.

5.2.2. Important uses and production processes of main products

5.2.2.1. Important uses of major products:

The company's main products are planetary gearbox, rack and pinion Such mechanical transmission components can be widely used in automation equipment and machine tools, covering industries such as semiconductors, panels, biotechnology and medical care, aerospace, electronics and traditional industries.

5.2.2.2. Production process of main products:

Saw material → Turning → Heat treatment → Milling → Gear cut → Grinding→ Gear lapping → Assemble and Instal → Test → Inspection → Packing

5.2.3. Supply status of main raw materials

The main raw materials are special steel, gears, gearboxes, bearings, oil seals, planetary arms, etc. The main sources of these parts come from TAIWAN and and China. The company maintains a good cooperative relationship with major suppliers to maintain a good and stable supply situation.

5.2.4. In any of the last two years, the name of the customer who accounted for more than 10% of the total purchase (sales) and its purchase (sales) amount and proportion, and the reason for the increase or decrease.

5.2.4.1. Information on major suppliers in the last two years

Reason for increase or decrease:

The changes in the purchase object and amount are mainly due to the purchase according to the production specifications required by the customer's order. Due to the increasing demand for automation equipment in the post-epidemic era, compared with 2021, the purchase purchase in 2022 has grown.

Consolidated Information

Unit: NT$1,000; %

Item	2021				2022			
	Name (Note)	Amount	Ratio of net purchases in the whole year %	Relationship with Issuer	Name (Note)	Amount	Ratio of net purchases in the whole year %	Relationship with Issuer
1	Company A	38,373	6.55	None	Company A	131,110	18.02	None
2	Company B	65,428	11.17	None	Company B	86,178	11.85	None
3	Company C	59,460	10.15	None	Company C	76,534	10.52	None
4	Other	422,297	72.13	—	Other	433,666	59.61	—
	Net Purchases	585,558	100.00		Net Purchases	727,488	100.00	

Note: List the name of the supplier whose total purchase amount exceeds 10% in the last two years, as well as the purchase amount and proportion. However, if the supplier’s name cannot be disclosed due to contractual agreement or the transaction partner is an individual and not a related party, it shall be represented by a code.

5.2.4.2. Information on major sales customers in the last two years

Reason for increase, decrease or change:

The company mainly sells planetary Gearbox. Due to the increasing demand for automation equipment in the post-epidemic era, the revenue in 2022 will grow compared with the previous year.

Consolidated Information

Unit: NT$1,000; %

Item	2021				2022			
	Name (Note)	Amount	Ratio%-Accounted for the whole year net sales	Relationship with Issuer	Name (Note)	Amount	Ratio%-Accounted for the whole year net sales	Relationship with Issuer
1	APEX DYNAMICS, INC. - Shanghai	537,405	16.33	Party in interest	APEX DYNAMICS, INC. - Shanghai	473,210	13.80	Party in interest
2	Company B	341,080	10.36	None	Company B	441,429	12.87	None
3	Company C	369,364	11.22	None	Company C	406,130	11.84	None
4	Other	2,043,213	62.09	—	Other	2,109,015	61.49	—
	Net sales	3,291,062	100.00		Net sales	3,429,784	100.00	

Note: List the name of the customer whose total sales amount exceeds 10% in the last two years, as well as the sales amount and proportion. However, if the customer name cannot be disclosed due to contractual agreement or the transaction partner is an individual and not a related party, a code name can be used to represent it.

5.2.5. Annual production volume values for the last two years

Consolidated Information

Unit: 1000 PCS; NT$1000

Year Production Value / Major Products	2021			2022		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Gearbox	320	259	1,314,371	350	265	1,395,227
Rack and Pinion	120	104	91,347	120	71	87,286
Other (Note.1)	—	—	72,205	—	—	49,343
Total	440	363	1,477,923	470	336	1,531,856

Note.1: Other products are related components of gearbox.

Note.2: MILLENNIUM VEE HOTEL TAICHUNG belongs to the hotel industry and has no production activities, not applicable.

5.2.6. Sales value in the last two years

Consolidated Information

Unit: 1000 PCS; NT$1000

Year / Sales Value / Major Products	2021				2022			
	Domestic Sales		Export		Domestic Sales		Export	
	Guantity	Value	Guantity	Value	Guantity	Value	Guantity	Value
Gearbox	21	230,981	247	2,327,603	17	193,810	260	2,496,637
Rack and Pinion	4	7,483	156	251,060	3	6,932	97	200,289
Room and Catering Services (Note1)	-	345,235	-	-	—	435,168	—	—
Other	39	68,504	72	60,196	18	55,522	54	41,426
Total	64	652,203	475	2,638,859	38	691,432	411	2,738,352

Note1: Customer and Catering as Subsidiary-MILLENNIUM VEE HOTEL TAICHUNG.

5.3. Number of employed employees, average seniority, average age and educational distribution ratio for the most recent two years and as of the publication date of the annual report

Consolidated Information

Unit: Person; %

Item / Year		2021	2022	As of 2023 March 31
Number of employees	Supervisor	75	77	76
	Direct Labor	196	157	163
	Indirect Labor	634	737	721
	Total	905	971	960
Average Age		35	36	36
Average Seniority		5	5	5
Educational Distribution Ratio (%)	Doctor's Degree	0.11	0.10	0.10
	Master's Degree	2.10	2.16	2.50
	Bachelor's Degree	53.70	51.09	51.15
	High school diploma (including below)	44.09	46.65	46.25

5.4. Expenditure of Environmental Protection

5.4.1. In the most recent year and up to the publication date of the annual report, the losses suffered due to environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the date of punishment, the name of the punishment, the violation of laws and regulations, the content of violations of laws and regulations, and the content of punishment should be listed), And disclose the estimated amount and response measures that may occur at present and in the future:

In recent years and as of the publication date of the annual report, the company has not suffered losses due to environmental pollution. It is expected that there will be no major environmental protection expenditures in the next two years.

5.4.2. In accordance with relevant laws and regulations on environmental protection, it is necessary to apply for and set up special environmental protection personnel and instructions for setting up permits for various pollution facilities or pollution source prevention and control equipment:

5.4.2.1. The company has obtained ISO14001 (environmental management system) and ISO45001 (occupational safety and health management system) certification.

5.4.2.2. The company conducts ISO14064 greenhouse gas inventory every year and provides it to the Central Science Park Administration of the National Science and Technology Commission.

5.4.2.3. The company has set up special environmental protection unit personnel in accordance with the laws and regulations, and has also set up fixed pollution source prevention and control facilities and obtained a fixed pollution discharge permit. The operation and discharge of fixed pollution sources are in compliance with the requirements of the fixed pollution source operation permit.

5.4.2.4. According to the laws and regulations, the company regularly declares the fixed pollution source air pollution fee and discharge amount every quarter, and pays the air pollution prevention and control fee.

5.4.2.5. All factories of the company have obtained waste disposal plans in accordance with the provisions of the Waste Disposal Act, and entrusted manufacturers who legally remove and dispose of industrial waste to dispose of waste in accordance with regulations, and regularly report and pay for soil and groundwater pollution on a quarterly basis. remediation fee.

5.4.2.6. All factories of the company have applied to the Central Science Park Administration of the National Science and Technology Commission for the connection and drainage of waste water in accordance with laws and regulations, and have obtained water pollution prevention and control permits; Emission standards stipulated by the Pollution Control Act.

5.4.2.7. All factories of the company are required by laws and regulations to conduct waste water sampling and testing every six months, and pay water pollution fees and sewage treatment fees on a regular basis every quarter.

5.4.3. In the past two years and up to the date of publication of the annual report, the company has improved its environmental pollution process, and if it has pollution disputes, it shall explain its handling process: None.

5.5. Labor relations

5.5.1. List the company's various employee welfare measures, advanced education, training, retirement systems and their implementation status, as well as the agreement between labor and management and the protection measures for employees' rights and interests:

Since the establishment of the company, we have been adhering to the concept of sharing business results with employees and caring for employees, planning relevant norms, and embodying them in the management and welfare system, and the specific practices are presented in the aspects of rapid and rational operation of the management system, further employee welfare measures, staff training and training, and retirement system, etc., which are explained in order as follows:

5.5.1.1. Rationalization of management system

(1) Talent recruitment and reward system planning: recruit proactive and diverse talents, distribute rewards and rewards fairly, and share business results.

(2) Talent retention and organizational structure planning: In line with the long-term development of the company, we aim to make employees suitable for their positions; in addition, we will continue to strengthen organizational integration, promote rationalization of manpower allocation, continue to cultivate talents, and improve productivity.

5.5.1.2. Employee benefits

(1) Protection of basic rights and interests of employees:

A. All employees participate in labor insurance and National health insurance from the day they arrive at work, and all their benefits are handled in accordance with the law.
B. All employee leave (annual leave, maternity leave, sick leave) and holidays are in accordance with the Labor Standards Act
C. Establish the company's welfare committee in accordance with the law to effectively operate the company's welfare matters.

(2) Improve employee benefits

A. Each vacancy has a standard salary benchmark, and the overall assessment of work ability and experience is the focus of salary assessment.
B. The various remuneration bonuses in the year are distributed accurately and fairly, and the operating results are shared.
C. In order to promote the friendship and communication among colleagues in the department, we subsidize the staff dinner expenses of each department.
D. The company provides healthy and nutritious lunch and dinner for free.
E. The company offers cash gifts for weddings or funerals; holiday gifts or gift certificates; employee birthday cash gifts.
F. Employee travel (domestic and domestic itineraries) is held every year. Employees can form tour groups and choose travel locations by themselves.

Employees' families are encouraged to participate and high travel subsidies are provided.

G. Promote the physical and mental health of employees, encourage colleagues to use the free gym, and promote friendship among colleagues and benefit the body and mind.
H. Free parking for cars and motorcycles.
I. Conduct annual employee health checks that are superior to those stipulated in the Labor Standards Act, and regularly care about the health of employees.
J. Discounts of MILLENNIUM VEE HOTEL TAICHUNG are regularly offered.
K. Employee discounts on store purchases.

5.5.1.3. Employee training

The company believes that "employees are the most important assets of the company." In order to cultivate mechanical professionals and improve the quality of personnel, the company's training system is planned according to various core functions. It is divided into three systems: newcomer training, professional training, and management training. Through continuous Learning allows employees and the company to grow together.

(1)New employee orientation: The new employee will be guided by a special person from the management department to conduct new employee education and training, which includes introduction to corporate governance, culture and values, organizational system, job duties and practical operation instructions, etc., and provides complete new employee training. Under the leadership of the staff, help adapt to the working environment, learn work-related skills, and quickly integrate into the team.

"Integrity" is the most important core value of the APEX DYNAMICS, INC., it is also the core operating principle of the company. In order to let colleagues understand clearly, in addition to expressly formulating relevant codes, such as: code of integrity management, ethical code of conduct, etc., and announced on the internal website; at the same time, in order to let colleagues understand the concept of corporate social responsibility, honest management and ethical code of conduct and related issues .

(2) On-the-job Trainin: In addition to developing professional courses and training according to the professional functions of each department, in order to systematically cultivate professional talents, according to the needs of each department, the supervisors, management personnel, and technical personnel of each major and department serve as lecturers, and the courses are held according to the type of demand. In addition to internal training courses, the company can also apply for external training courses, and has a variety of options for further study.

(3) Management training system: According to the level of managers and the management functions they need, it is divided into training for senior managers and senior managers, including self-exploration and interpersonal communication, problem analysis and solution skills, performance management, leadership and other courses, and management practical experience sharing.

5.5.1.4. Employee retirement plan and its implementation

The company's retirement application and payment standards have been processed in accordance with the Labor Standards Act and Labor Pension Act, and the retirement pension has been declared and contributed to the employee's individual pension account of the Bureau of Labor Insurance in accordance with the relevant regulations.

5.5.1.5. The agreement between employees and the company and various employee rights and interests protection measures

The company's regulations are in accordance with the Labor Standards Act to follow the guidelines, So far, the relationship between employees and the company is harmonious, and there is no major case of coordination due to labor disputes. In order to protect the rights and interests of employees and the company, and coordinate the relationship between employees and the company, the company is committed to strengthening the harmony between the two parties and doing two-way communication to solve problems. Except for disputes or agreements between general employees and the company, there has been no occurrence that will affect the company’s financial affairs. Major disputes arising from normal business operations. The company attaches great importance to the relationship between employees and the company. In addition to making various policies in accordance with the Labor Standards Act and related laws and regulations, employees' rights and interests are also given priority. In addition, in order to enable employees to express their opinions, in addition to responding to opinions in accordance with the administrative management system, the following communication channels are also established:

(1) Implementing Labor-Management Meeting regularly.

(2) Employee suggestion box (received by the president) to understand the real thoughts of employees and start to improve.

(3) Establish an innovative reward system: employees can put forward improvement suggestions and feasible solutions at any time.

5.5.2. List the losses suffered due to disputes between employees and the company in the most recent year and as of the date of publication of the annual report, and disclose the estimated amount and countermeasures that may occur at present and in the future:

In recent years and as of the publication date of the annual report, the company has not suffered losses due to disputes between employees and the company.

5.6. Cyber Security Management

5.6.1. Explain the cyber security and risk management, plan of information security policy, specific management plan for information security, specific and resources Invested in cyber security management, resources invested in information security management, etc.:

5.6.1.1. Cyber security and risk management

The company's Information Technology department is responsible for information security affairs. According to the division of labor, the supervisor of the Information Technology department leads the department to perform information security-related operations, and regularly reports information security management operations and results to the President and general manager. Standardize the implementation of internal control management methods, and the approval level is the President, which is inspected regularly every year.

5.6.1.2. Plan of information security policy

(1) Professionals are responsible for the prevention and crisis management of information system security to maintain information system security.

(2) Establish a security control mechanism for the computer network system to ensure the security of network transmission data, protect network operations, and prevent unauthorized system access from leaking confidential information.

(3) Cross-company computer network systems should especially strengthen network security management, install anti-virus software internally, and set up external network firewalls to prevent computer viruses and aggressive malicious software from invading and causing paralysis of the company's network system.

(4) According to actual needs, implement information security education and training to encourage employees to understand the importance of information security, improve employees' information security awareness, and urge them to abide by information security regulations.

5.6.1.3. Specific management plan for information security

(1) Formulate internal control management systems such as information security inspection control operations, system use authority management methods, software and hardware use management methods, email management methods, FTP use management methods, and information security regulations.

(2) Establish security measures such as network firewall and computer anti-virus, and conduct information security education and training for all employees according to actual needs from time to time to reduce information security risks.

(3) Establish a management mechanism for host and network usage, grant different access rights according to functions, and prevent unauthorized access.

(4) Establish information computer room and environmental safety protection measures, and implement relevant maintenance on a regular basis.

(5) Establish an internal audit plan for the information security management system, and regularly review the use of all personnel and equipment within the scope of the information security management system.

(6) Formulate drills for managing backup and restoration to ensure the continuous operation of the company's business.

5.6.1.4. Resources invested in information security management

(1) Establish an information computer room with independent air conditioning, temperature and humidity monitoring system and active notification of abnormal temperature and humidity, uninterruptible power supply system and connection to an outdoor backup generator, access control and camera system monitorin

(2) Update the latest firewall software and maintenance, establish connection communication control rules, and external connection management mechanism.

(3) Update and maintain anti-virus software virus codes, and send the latest virus codes to all computers regularly.

(4) Establish an email service host, and establish a SPAM spam and information security threat filtering gateway system.

(5) Computer account, Internet access authority, external access authority management mechanism.

(6) The whole company and the whole factory are equipped with personnel access control system and camera monitoring system.

5.6.2. List the losses suffered due to major information security incidents in the most recent year and as of the date of publication of the annual report, possible impacts and countermeasures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained:

None.

5.7. Important Contract

Nature of Contract	Party	Period	Major Contents	Restrictions
Land lease	Central Taiwan Science Park Bureau, NSTC	November 23, 2005 ~ December 31, 2024	Leased land to build the first factory	Restriction to build factories and warehouses required for business only
Land lease	Central Taiwan Science Park Bureau, NSTC	From June 1, 2012 ~ May 31, 2032	Lease the land to build the second factory	Restriction to build factories and warehouses required for business only
Land lease	Central Taiwan Science Park Bureau, NSTC	April 1, 2018 ~ December 31, 2037	Lease the land to build the third factory	Restriction to build factories and warehouses required for business only
Land lease	Ministry of Education	January 25, 2007 ~ January 24, 2028	Leased the land to build hotel	Businesses for special purposes, such as special industry, are not allowed
Operation and Management Agreement	Millennium & Copthorne Hotel Holdings (Hong Kong) Limited	November 1, 2012 ~ December 31, 2027	Brand use	Cessation of use of the ''Millennium'' trademark upon termination of the agreement
Credit contract	E.SUN Bank	June 8, 2022 ~ June 8, 2023	Comprehensive Credit Facilities Master Agreement	None
Credit contract	E.SUN Bank	June 8, 2022 ~ June 8, 2023	Short-term secured loans	None
Credit contract	E.SUN Bank	May 23, 2022 ~ May 2, 20233	Short-term secured loans	None
Credit contract	Mega Bank	May 31, 2022 ~ May 30, 2023	Comprehensive Credit Facilities Master Agreement	None
Credit contract	Mega Bank	December 6, 2022 ~ December 5, 2023	Comprehensive Credit Facilities Master Agreement	None

6. Overview of the company's financial status

6.1. Five-year financial summary of Condensed Balance Sheet and Statement of Comprehensive Income

6.1.1. Consolidated Condensed Balance Sheet – Based on IFRS

Consolidated Condensed Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note.1)				
		2018	2019	2020	2021	2022
Current Assets		3,101,887	3,716,770	4,662,406	6,681,794	6,414,613
Investments Accounted for Using Equity Method		—	—	—	—	—
Property, Plant and Equipment		3,518,854	3,523,148	3,789,923	3,810,290	3,706,923
Intangible Assets		225,128	224,488	224,158	223,723	224,184
Other Assets		64,600	764,022	762,326	754,923	638,571
Total Assets		6,910,469	8,228,428	9,438,813	11,470,730	10,984,291
Current Liabilities	Before Distribution	499,913	434,572	799,596	2,123,727	613,427
	After Distribution	645,770	897,923	1,237,166	2,707,154	1,415,141
Non-Current Liabilities		2,539	796,828	1,333,354	1,616,260	585,398
Total Liabilities	Before Distribution	502,452	1,231,400	2,132,950	3,739,987	1,198,825
	After Distribution	648,309	1,694,751	2,570,520	4,323,414	2,000,539
Equity Attributable to Shareholders of the Parent		6,408,017	6,997,028	7,305,863	7,730,743	9,785,466
Capital Stock		729,284	729,284	729,284	729,284	801,714
Capital Surplus		609,208	463,351	83,002	83,002	1,524,628
Retained Earnings	Before Distribution	5,069,525	5,804,393	6,493,577	6,918,457	7,459,124
	After Distribution	4,923,668	5,341,042	6,056,007	6,335,030	6,657,410
Other Equity		—	—	—	—	—
Treasury Stock		—	—	—	—	—
Non-Controlling Interest		—	—	—	—	—
Total Equity	Before Distribution	6,408,017	6,997,028	7,305,863	7,730,743	9,785,466
	After Distribution	6,262,160	6,533,677	6,868,293	7,147,316	8,983,752

Note.1: The above financial information has been audited by an certified public accountant.
Note.2: The above-mentioned figures after distribution shall be filled in according to the resolution of the board of directors on February 24, 2023.

Consolidated Condensed Statement of Comprehensive Income

Unit: NT$1,000

Item \ Year	Financial Summary for The Last Five Years (Note.1)				
	2018	2019	2020	2021	2022
Operating Revenue	3,480,511	2,930,932	2,842,043	3,291,062	3,429,784
Gross Profit	1,666,569	1,478,561	1,337,078	1,635,607	1,740,582
Income from Operations	1,125,066	969,457	854,059	1,091,623	1,154,187
Non-Operating Income	89,734	1,093	18,612	(35,381)	236,012
Income Before Tax	1,214,800	970,550	872,671	1,056,242	1,390,199
Net Income from Continuing Operations	908,099	734,868	689,184	862,450	1,124,094
Loss of Closed Unit	—	—	—	—	—
Net Income (Loss)	908,099	734,868	689,184	862,450	1,124,094
Other Comprehensive Income (After Tax, Net)	—	—	—	—	—
Total Comprehensive Income	908,099	734,868	689,184	862,450	1,124,094
Net Income Attributable to Shareholders of the Parent	908,099	734,868	689,184	862,450	1,124,094
Net Income Attributable to Non-Controlling Interest	—	—	—	—	—
Comprehensive Income Attributable to Shareholders of the Parent	908,099	734,868	689,184	862,450	1,124,094
Comprehensive Income Attributable to Non-Controlling Interest	—	—	—	—	—
Earnings per Share	12.45	10.08	9.60	11.83	14.47

Note.1: The above financial information has been audited by an certified public accountant.

Parent Company Only Condensed Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note.1)				
		2018	2019	2020	2021	2022
Current Assets		3,885,036	4,396,290	5,239,173	7,247,596	6,908,711
Investments Accounted for Using Equity Method		907,421	894,727	843,237	784,288	779,562
Property, Plant and Equipment		1,947,103	2,063,293	2,430,626	2,545,735	2,528,062
Intangible Assets		3,780	3,140	2,810	2,375	2,836
Other Assets		62,643	244,962	263,970	276,363	170,044
Total Assets		6,805,983	7,602,412	8,779,816	10,856,357	10,389,215
Current Liabilities	Before Distribution	395,760	318,641	637,301	1,991,639	485,998
	After Distribution	541,617	781,992	1,074,871	2,575,066	1,287,712
Non-Current Liabilities		2,206	286,743	836,652	1,133,975	117,751
Total Liabilities	Before Distribution	397,966	605,384	1,473,953	3,125,614	603,749
	After Distribution	543,823	1,068,735	1,911,523	3,709,041	1,405,463
Capital Stock		729,284	729,284	729,284	729,284	801,714
Capital Surplus		609,208	463,351	83,002	83,002	1,524,628
Retained Earnings	Before Distribution	5,069,525	5,804,393	6,493,577	6,918,457	7,459,124
	After Distribution	4,923,668	5,341,042	6,056,007	6,335,030	6,657,410
Other Equity		—	—	—	—	—
Treasury Stock		—	—	—	—	—
Total Equity	Before Distribution	6,408,017	6,997,028	7,305,863	7,730,743	9,785,466
	After Distribution	6,262,160	6,533,677	6,868,293	7,147,316	8,983,752

Note.1: The above financial information has been audited by an certified public accountant.

Note.2: The above-mentioned figures after distribution shall be filled in according to the resolution of the board of directors on February 24, 2023.

Parent Company Only Condensed Statement of Comprehensive Income

Unit: NT$1,000

Item \ Year	Financial Summary for The Last Five Years (Note.1)				
	2018	2019	2020	2021	2022
Operating Revenue	3,003,359	2,456,368	2,463,457	2,920,885	2,966,054
Gross Profit	1,376,270	1,187,450	1,113,294	1,415,996	1,435,921
Income from Operations	1,131,848	969,194	909,237	1,152,895	1,153,118
Non-Operating Income	82,944	1,365	(36,571)	(96,652)	237,080
Income Before Tax	1,214,792	970,559	872,666	1,056,243	1,390,198
Net Income from Continuing Operations	908,099	734,868	689,184	862,450	1,124,094
Loss of Closed Unit	—	—	—	—	—
Net Income (Loss)	908,099	734,868	689,184	862,450	1,124,094
Other Comprehensive Income (After Tax, Net)	—	—	—	—	—
Total Comprehensive Income	908,099	734,868	689,184	862,450	1,124,094
Earnings per Share	12.45	10.08	9.60	11.83	14.47

Note.1: The above financial information has been audited by an certified public accountant.

6.1.2. Condensed Balance Sheet and Statement of Comprehensive Income-The "Enterprise Accounting Standard" in our country: Not applicable.

6.1.3. Names of the certified public accountant and their audit opinions for the last five years.

6.1.3.1. The certified public accountant and their audit opinions for the last five years

Year	Name of Accounting Firm	Name of Accountant		Audit Opinion
2018	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2019	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2020	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2021	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion
2022	KPMG Taiwan	Chen, Cheng-Hsueh	Chang, Tsu-Hsin	Unqualified Opinion

6.1.3.2. Reasons for changing accountants in the past five years: Not Applicable.

6.2. Financial Analysis for the last five years

6.2.1. Consolidated Financial Analysis – Based on IFRS

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt Ratio	7.27	14.97	22.60	32.60	10.91
	Ratio of Long-term Capital to Property,Plant and Equipmen	182.18	221.22	227.95	245.31	279.77
Solvency (%)	Current Ratio	620.49	855.27	583.10	314.63	1,045.70
	Quick Ratio	289.39	446.19	382.63	246.68	805.57
	Interest Earned Ratio (times)	70.94	119.57	60.54	49.72	126.13
Operating Performance	Accounts Receivable Turnover (times)	9.64	7.94	8.97	9.36	9.32
	Average Collection Period	37.86	45.96	40.69	38.99	39.16
	Inventory Turnover (times)	0.98	0.75	0.79	0.96	1.03
	Accounts Payable Turnover (times)	17.78	15.05	18.54	21.55	17.69
	Average Days in Sales	372.44	486.66	462.02	380.20	354.36
	Property, Plant and Equipment Turnover (times)	0.95	0.83	0.78	0.87	0.91
	Total Assets Turnover (times)	0.47	0.39	0.32	0.31	0.31
Profitability	Return on Total Assets (%)	12.38	9.79	7.93	8.41	10.09
	Return on Stockholders' Equity (%)	15.07	10.96	9.64	11.47	12.83
	Pre-tax Income to Paid-in Capital (%)	166.57	133.08	119.66	144.83	173.40
	Profit Ratio (%)	26.09	25.07	24.25	26.21	32.77
	Earnings per Share (NT$)	12.45	10.08	9.60	11.83	14.47
Cash Flow	Cash Flow Ratio (%)	256.10	251.43	141.22	72.45	257.58
	Cash flow adequacy ratio (%)	203.85	199.02	161.01	165.14	176.37
	Cash Reinvestment Ratio (%)	11.51	8.66	5.48	8.33	6.82
Leverage	Operating Leverage	1.44	1.47	1.43	1.36	1.32
	Financial Leverage	1.02	1.01	1.02	1.02	1.01

Please explain the reasons for the changes in the financial ratios in the last two years.
(Not required if the difference does not exceed 20%)
The financial ratios of various items have changed by more than 20%. The analysis is as follows:

1. The ratio of liabilities to assets decreased: mainly due to the repayment of short-term and long-term borrowings.
2. Increase in current ratio: mainly due to the repayment of short-term borrowings.
3. Increase in quick ratio: mainly due to the repayment of short-term borrowings.
4. Increase in interest coverage ratio: mainly due to decrease in interest expense and increase in pre-tax net profit.
5. Increase in return on assets: mainly due to the increase in net profit for the current period.
6. The increase in the ratio of pre-tax net profit to paid-in capital: mainly due to the increase in pre-tax profit and loss.
7. Increase in net profit ratio: mainly due to the increase in net profit in the current period.
8. The increase in earnings per share: mainly due to the increase in net profit for the current period.
9. Increase in cash flow ratio: mainly due to the repayment of short-term borrowings.

Note.1: The above financial information has been audited by an certified public accountant.

Note1: The year that has not been verified and certified by an accountant shall be indicated.

Note2: As of the date of publication of the annual report, if a company that is listed or whose shares have been traded in a securities firm's business place has the most recent financial information that has been verified, certified or reviewed by an accountant, it shall also be analyzed.

Note3: At the end of this form of the annual report, the following calculation formula should be listed:

1. Financial Structure
   (1) Liabilities to Assets Ratio＝total liabilities／total assets.
   (2) Ratio of long-term funds to property, plant and equipment＝（total equity＋nNon-current liabilities）／property, plant and equipment net

2. Solvency
   (1) Current ratio＝current assets／current liabilities
   (2) Quick ratio＝（current assets－inventory－prepaid expenses）／current liabilities.
   (3) Debt Service Coverage Ratio＝net income before income tax and interest expense／interest expense

3. Operating Performan
   (1) Accounts receivable (Including accounts receivable and notes receivable arising from business operations) Turnover＝net sales／average balance of accounts receivable (including accounts receivable and notes receivable arising from business operations) in each period
   (2) Average cash collection days＝365／receivables turnover ratio
   (3) Inventory turnover＝operating costs／average inventory。
   (4) Turnover ratio of payables (including accounts payable and bills payable arising from business operations)＝operating costs／the average balance of accounts payable (including accounts payable and bills payable due to business operations) in each period Average sales days = 365/inventory turnover.
   (6) Property, plant and equipment turnover＝net sales／average property, net plant and equipment
   (7) total asset turnover＝net sales／average total assets。

4. Profitability
   (1) Return on assets＝〔profit and loss after tax＋interest expense×（1－tax rate）〕／average total assets
   (2) Return on equity＝profit and loss after tax／average total equity
   (3) Net profit margin＝profit and loss after tax／net sales
   (4) Earnings per share＝（profit or loss attributable to owners of the parent company - dividends on special shares）／weighted average number of Issued shares（Note.4）

5. Cash Flow
   (1) Cash flow ratio＝net cash flow from operating activities／current liabilities
   (2) Cash adequacy ratio＝net cash flow from operating activities in the last five years／the last five years (capital expenditure + inventory increase + cash dividends)
   (3) Cash re-investment Ratio＝(Net cash flow from operating activities－cash dividend)／(gross property, plant and equipment＋long-term investment＋other non-current assets＋working capital) (Note.5)

6. Leverage
   (1) Operating leverage＝(net operating income－variable operating costs and expenses)／operating income (Note.6)。
   (2) Financial leverage＝operating income／(operating income－interest expense)

Note.4：The calculation formula of the above-mentioned earnings per share should pay special attention to the following items when measuring:

1. Based on weighted average common shares, not year-end outstanding shares.
2. Those who have cash capital increase or treasury stock transactions should consider their circulation period and calculate the weighted average number of shares.
3. If there is a capital increase from surplus or a capital increase from capital reserves, when calculating earnings per share for previous years and semi-annual years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preference shares are non-convertible cumulative preference shares, the current annual dividends (whether paid or not) shall be deducted from the after-tax net profit or added to the after-tax net loss. If the special stock is non-cumulative, if there is a net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note.5: Cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross property, plant and equipment is the total amount of property, plant and equipment before accumulated depreciation.

Note.6: Issuers should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, attention should be paid to their rationality and consistency.

Note.7: If the company's stock has no par value or the par value of each share is not NT$10, the calculation of the ratio of the previously stated paid-in capital shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

6.2.2. Parent Company Only Financial Analysis – Based on IFRS

Item		Year: Financial Summary for The Last Five Years (Note1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt Ratio	5.85	7.96	16.79	28.79	5.81
	Ratio of Long-term Capital to Property, Plant and Equipment	329.22	353.02	335.00	348.22	391.73
Solvency (%)	Current Ratio	981.66	1,379.70	822.09	363.90	1,421.55
	Quick Ratio	565.29	824.08	572.22	291.89	1,120.47
	Interest Earned Ratio (times)	72.73	465.15	104.65	68.58	238.97
Operating Performance	Accounts Receivable Turnover (times)	8.63	6.85	7.96	8.47	8.210
	Average collection period	42.29	53.28	45.85	43.09	44.45
	Inventory Turnover (times)	0.88	0.66	0.71	0.87	0.940
	Accounts Payable Turnover (times)	19.13	16.23	20.69	24.00	18.65
	Average Days in Sales	414.77	553.03	514.08	419.54	388.29
	Property, plant and equipment Turnover (times)	1.48	1.23	1.10	1.17	1.17
	Total Assets Turnover (times)	0.41	0.34	0.30	0.30	0.28
Profitability	Return on Total Assets (%)	12.56	10.22	8.50	8.91	10.63
	Return on Stockholders' Equity (%)	15.07	10.96	9.64	11.47	12.83
	Pre-tax Income to Paid-in Capital (%)	166.57	133.08	119.66	144.83	173.40
	Profit Ratio (%)	30.24	29.92	27.98	29.53	37.90
	Earnings per Share (NT$)	12.45	10.08	9.60	11.83	14.47
Cash Flow	Cash Flow Ratio (%)	296.39	299.75	165.56	73.39	300.20
	Cash Flow Adequacy Ratio (%)	185.43	180.70	147.18	152.29	164.25
	Cash Reinvestment Ratio (%)	10.97	7.84	5.18	8.27	6.40
Leverag	Operating Leverage	1.32	1.33	1.27	1.23	1.22
	Financial Leverage	1.02	1.00	1.01	1.01	1.01

Please explain the reasons for the changes in the financial ratios in the last two years.
(Not required if the difference does not exceed 20%)
The financial ratios of various items have changed by more than 20%. The analysis is as follows:
1. The ratio of liabilities to assets decreased: mainly due to the repayment of short-term and long-term borrowings.
2. The ratio of liabilities to assets decreased: mainly due to the repayment of short-term and long-term borrowings.
3. Increase in quick ratio: mainly due to the repayment of short-term borrowings.
4. Increase in interest coverage ratio: mainly due to decrease in interest expense and increase in pre-tax net profit.
5. Decrease in payable turnover rate: mainly due to increase in cost of goods sold and accounts payable.
6. The increase in the ratio of pre-tax net profit to paid-in capital: mainly due to the increase in pre-tax profit and loss.
7. Increase in net profit ratio: mainly due to the increase in net profit in the current period.
8. The increase in earnings per share: mainly due to the increase in net profit for the current period.
9. Increase in cash flow ratio: mainly due to the repayment of short-term borrowings.
10. Decrease in cash reinvestment ratio: mainly due to increase in cash dividends.

Note.1: The above financial information has been audited by an certified public accountant.

Note1: The year that has not been verified and certified by an accountant shall be indicated.

Note.2: As of the date of publication of the annual report, if a company that is listed or whose shares have been traded in a securities firm's business place has the most recent financial information that has been verified, certified or reviewed by an accountant, it shall also be analyzed.

Note.3: At the end of this form of the annual report, the following calculation formula should be listed:

1. Financial structure
   (1) Liabilities to Assets Ratio＝total liabilities／total assets
   (2) Ratio of long-term funds to real estate, plant and equipment＝（total equity＋non-current liabilities）／property, plant and equipment, net

2. Solvency
   (1) Current ratio＝current assets／current liabilities
   (2) Quick ratio＝（current assets－inventory－prepaid expense）／current liabilities
   (3) Debt Service coverage ratio＝net income before income tax and interest expense／interest expense

3. The ability to operate
   (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover ratio＝net sales／the average balance of accounts receivable (including accounts receivable and notes receivable due to business operations) in each period
   (2) Average cash receipt days = 365／accounts receivable turnover ratio
   (3) Inventory turnover＝operating costs／average inventory
   (4) Payables (including accounts payable and bills payable arising from business operations) turnover ratio＝operating costs／the average balance of accounts payable (including accounts payable and bills payable due to business operations) in each period
   (5) verage sales days = 365／inventory turnover
   (6) Property, plant and equipment turnover＝net sales／average property, plant and equipment, net.
   (7) Total asset turnover＝net sales／aotal average assets

4. Profitability
   (1) Return on assets＝〔profit and loss after tax＋interest expense×（1－tax rate）〕／average total assets
   (2) Return on equity＝profit and loss after tax／average total equity
   (3) Net profit margin＝profit and loss after tax／net sales
   (4) Earnings per share＝（profit or loss attributable to owners of the parent company - dividends on special shares）／weighted average number of Issued shares（Note.4）

5. Cash Flow
   (1) Cash flow ratio＝net cash flow from operating activities／current liabilities
   (2) Cash adequacy ratio＝net cash flow from operating activities in the last five years／the last five years (capital expenditure + inventory increase + cash dividends)
   (3) Cash re-investment Ratio＝(net cash flow from operating activities－cash dividend)／(gross property, plant and equipment＋Long-term investment＋other non-current assets＋working capital) (Note.5)

6. Leverage
   (1) Operating leverage＝(net operating income－variable operating costs and expenses)／operating income (Note.6)。
   (2) Financial leverage＝operating income／(operating income－interest expense)

Note.4: The calculation formula of the above-mentioned earnings per share should pay special attention to the following items when measuring:
1. Based on the weighted average number of common shares, not the number of shares outstanding at the end of the year
2. If there is a cash capital increase or a treasury stock trader, the weighted average number of shares should be calculated considering its circulation period
3. For capital increase from surplus or capital reserve conversion, when calculating earnings per share for previous years and semi-annual years, retroactive adjustments shall be made according to the proportion of capital increase, regardless of the issuance period of the capital increase.
4. If the preference shares are non-convertible accumulated preference shares, the dividends for the current year (whether paid or not) shall be deducted from the after-tax net profit, or the after-tax net loss shall be added. If the special stock is non-cumulative, if there is a net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note.5: Cash flow analysis should pay special attention to the following matters when measuring:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory at the end of the year decreases, it will be calculated as zero
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross property, plant and equipment is the total amount of property, plant and equipment before accumulated depreciation.

Note.6: Issuers should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, attention should be paid to their rationality and consistency.

Note.7: If the company's stock has no par value or the par value of each share is not NT$10, the calculation of the ratio of paid-in capital stated above shall be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.

6.3. Audit Committee's Report for the last few years

APEX DYNAMICS, INC.

Audit Committee Report

The board of directors has prepared and submitted to the undersigned, audit committee of APEX DYNAMICS, INC., 2022 business report consolidated financial statements and dividend distribution proposal.

The consolidated financial statements have been duly audited by certified public accountants Chen, Cheng-Hsueh and Chang, Tsu-Hsin of KPMG. The above business reports, consolidated financial statements and dividend distribution proposal have been examined and determined to be correct and accurate by the undersigned. This report is duly submitted in accordance with Securities Exchange Act and Company Act.

The Audit Committee, Chairman:

Mr. Kao, Cheng-Shu

February 24, 2023

6.4. The financial report of the most recent year, including the audit report of accountants, the balance sheet of the two-year comparison, statement of profit or loss, statement of changes in equity, cash flow statement and notes or appendix.

Please refer to the Appendix 1 of this annual report〈P.125~179〉

6.5. The company's parent company only financial statements that has been audited and certified by an accountant for the most recent year, but does not contain a detailed statement of important accounting items.

Please refer to the Appendix 2 of this annual report〈P.180~229〉

6.6. If the company and its affiliated companies have financial turnover difficulties in the most recent year and as of the date of publication of the annual report, and their impact on the company's financial status:

The company and its affiliated companies have not experienced financial turnover difficulties in the most recent year and up to the date of publication of the annual report.

7. Review and analysis of the company's financial position and financial performance, and a listing of risks

7.1. Analysis of Financial

Analysis of Financial Status

Unit: NT$1,000; %

Item \ Year	2021	2022	Increase (Decrease) change	
			Amount	%
Current Assets	6,681,794	6,414,613	(267,181)	(4.00)
Property, Plant and Equipment	3,810,290	3,706,923	(103,367)	(2.71)
Intangible Assets	223,723	224,184	461	0.21
Other Assets	754,923	638,571	(116,352)	(15.41)
Total Assets	11,470,730	10,984,291	(486,439)	(4.24)
Current Liabilities	2,123,727	613,427	(1,510,300)	(71.12)
Non-Current Liabilities	1,616,260	585,398	(1,030,862)	(63.78)
Total Liabilities	3,739,987	1,198,825	(2,541,162)	(67.95)
share capital	729,284	801,714	72,430	9.93
Additional Paid-in Capital	83,002	1,524,628	1,441,626	1736.86
Retained Earnings	6,918,457	7,459,124	540,667	7.81
Total Equity	7,730,743	9,785,466	2,054,723	26.58

1. Description of major changes (The change rate is more than 20%, and the change amount reaches NT$10 million)
   (1) Decrease in Current Liabilities: Because the short-term loan has been repaid.
   (2) Decrease in Non-Current Liabilities: Because the long-term loan has been repaid.
   (3) Decrease in Total Liabilities: Because the short-term and long-term loan have been repaid.
   (4) Increase in Additional Paid-in Capital: Because of the listing cash capital increase
   (5) Increase in Total Equity: Because of the increase in listed cash capital and net profit for current period.
2. The above major changes have no material impact on the company's financial status and operating results.

7.2. Analysis of Financial Performance

7.2.1. Comparative Analysis of Consolidated Operating Results

Unit: NT$1,000; %

Year / Item	2021	2022	Increase (Decrease) change	
			Amount	%
Operating Revenue	3,291,062	3,429,784	138,722	4.22
Operating Costs	1,655,455	1,689,202	33,747	2.04
Gross Profit	1,635,607	1,740,582	104,975	6.42
Operating Expenses	543,984	586,395	42,411	7.80
Operating Income	1,091,623	1,154,187	62,564	5.73
Non-Operating Income and Expenses	(35,381)	236,012	271,393	(767.06)
Pre-Tax Income	1,056,242	1,390,199	333,957	31.62
Income Tax Expense	193,792	266,105	72,313	37.31
Net Income for Current Period	862,450	1,124,094	261,644	30.34

1. Explanation of major changes (if the change ratio is more than 20%, and the change amount reaches NT$10 million)
   (1) Increase in non-operating income and expenses: The main reason is the foreign currency exchange gains in 2022.
   (2) Income Tax Expense: The main reason is the decrease of real investment deduction and the increase of Pre-Tax Income in 2022.
2. Possible impact on future financial business: No significant impact.

3.Future Contingency Plan: Not applicable.

7.2.2. The effect of the company's future financial business and response actions

The company mainly sets annual shipment targets based on the estimated needs of customers, considering production capacity planning and past operating performance. The company's products have a wide range of applications, and continue to develop markets, pay attention to market trends, in order to expand market share, increase profits, and maintain good financial quality.

7.3. Cash Flow

7.3.1. Analysis of changes in consolidated cash flow

Unit: NT$1,000; %

Item \ Year	2021	2022	Increase (Decrease) Change	
			Amount	%
Net Cash Flow from Operating Activities	1,538,679	1,580,073	41,394	2.69
Net Cash Flow (outflow) from Investing Activities	(2,066,349)	691,184	2,757,533	(133.45)
Net cash inflow (outflow) from Financing Activities	1,018,506	(1,729,425)	(2,747,931)	(269.80)

Change Analysis Instructions:

(1) Increase in cash inflow from operating activities: The main reason is the increase in net profit before tax.

(2) Increase in cash inflow from investing activities: The main reason is th decrease in other financial assets.

(3) Increase in cash outflow from financing activities: The main reason is the repayment of short-term and long-term loans and distribution of cash dividends.

7.3.2. Improvement plan for insufficient liquidity

The company has no shortage of cash, so there is no risk of insufficient liquidity.

7.3.3. Consolidated cash flow analysis for the next year

Unit: NT$1,000; %

Opening Cash Balance	Estimated Annual Net Cash Flow from Operating Activities	Annual Cash Inflows (Outflows) From Investment Activities	Annual Cash Inflows (Outflows) from Financing Activities	Projected Cash Remaining Amount (e)=(a)+(b) +(c)+(d)	Estimated Cash Shortfall Remedial Measures	
(a)	(b)	(c)	(d)	(e)	Ivestment Plan	Financial Planning
2,454,539	1,098,141	(689,039)	(822,522)	2,041,119	—	—

1. Analysis of cash flow changes
   (1) Business activities: The market demand is expected to be stable, and the net cash inflow generated under the normal operating plan.
   (2) Investment activities: mainly capital expenditures and other financial assets for new equipment needed for operation.
   (3) Funding activities: The main reason is distribution of cash dividends and the repayment of lease principal.
2. Estimated cash shortfall remedial measures: None

7.4. Major Capital Expenditure Items on financial business in recent year:

None

7.5. Investment policy in the last year, main causes for profits or losses, improvement plans and investment plans for the Next year

7.5.1. Reinvestment policy

The company follows the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the Competent Authority and has "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" as the basis for the company's reinvestment business to grasp the relevant business and financial statu. The company's current reinvested business is a 100% invested subsidiary company. The supervision and management of the subsidiary company has been stipulated in the internal management system to regularly monitor the operation status of the subsidiary company.

7.5.2. Reinvestment profit or loss and improvement plan

Unit: NT$1,000

Reinvested Business	Business Items	2022 Recognized	Main reason of Profit or Loss	Improvement Plan
MILLENNIUM VEE HOTEL TAICHUNG	Hotel	(4,726)	Affected by the COVID-19 epidemic, the number of tourists has decreased	In response to international tourism and consumer demand, adjust the marketing strategy, effectively control the cost of raw materials, and improve the loss situation.

7.5.3. Investment plan for the next year: There is currently no investment plan for the next year.

7.6. Risk Matters and Assessment

7.6.1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

7.6.1.1. Interest rate

(1) Impact on profit and loss

Unit: NT$1,000; %

Year / Item	2021		2022	
	Amount	Ratio of Operating Income Net Ratio	Amount	Ratio of Operating Income Net Ratio
Interest income	44,797	1.36	46,471	1.35
Interest expense	19,775	0.60	11,110	0.32

The interest income of the company and its subsidiaries in 2021 and 2022 years were NT$44,797 thousand and NT$46,471 thousand, accounting for 1.36% and 1.35% of the net operating income of each year, respectively, in addition, the interest expenses of the company and its subsidiaries in 2021 and 2022 were NT$19,775 thousand and NT$11,110 thousand, accounting for 0.60% and 0.32% of the net operating income of each year, respectively. The interest income and interest expenses of the company and its subsidiaries account for a small percentage of net operating income, so the impact of interest rate changes on the company and its subsidiaries is still limited.

(2) Future Response Measures

With the change of financial interest rate, the company adjusts the use of funds in a timely manner, in response to the financial risks that may arise from changes in interest rates, the company's future capital planning will still be based on the principle of prudence, and capital allocation will be under safe control and consider the company's future operating scale and profitability improvement, In addition to maintaining a good relationship with financial institutions, and timely striving for the best interest rate to reduce interest expenses.

7.6.1.2. Foreign exchange rates

(1) Impact on profit and loss

Unit: NT$1,000; %

Year / Item	2021		2022	
	Amount	Ratio of Operating Income Net Ratio	Amount	Ratio of Operating Income Net Ratio
Net Foreign Exchange Gain (Loss)	(87,220)	(2.65)	175,723	5.12

The net foreign exchange gains (losses) of the company and its subsidiaries in 2021 and 2022 are NT$(87,220) thousand and NT$175,723 thousand respectively, the ratios to the net operating income of each year are (2.65) % and 5.12%. Overall, the impact of foreign exchange rate fluctuations on the profit and loss of the company and its subsidiaries is still limited.

(2) Future Response Measures

The company and its subsidiaries keep abreast of the trends and changes of major currencies in the international foreign exchange marke, maintain an appropriate net foreign exchange position and provide it to the business as a reference for quotation, Timely control foreign currency positions, and timely use exchange rate hedging tools to reduce the impact of exchange rate fluctuations.

7.6.1.3. Inflation

The profit and loss of the company and its subsidiaries have not been significantly affected by inflation as of the publication date of the annual report, the impact of forecasted inflation on the profit and loss of the company and its subsidiaries is still limited. In the future, the company and its subsidiaries will continue to keep abreast of the impact of inflation on the cost of purchases, and keep abreast of changes in upstream supply chain costs, when necessary, take appropriate cost stabilization measures to reduce the impact on the company's operations.

7.6.2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

Based on prudent principles and pragmatic business philosophy, the company and its subsidiaries focus on business operations, the company does not engage in high risk, high-leveraged Investments and transactions, Except for the capital loan between the parent company and the subsidiary company, there is no capital loan, endorsement guarantee, or derivative commodity transaction to individuals other than the company and its subsidiaries. The above-mentioned capital loans between the parent company and the subsidiary company have been implemented in accordance with the established "Guidelines for Lending of Capital by Listed Companies", if the company and its subsidiaries engage in related transactions in the future, they will follow the established "Guidelines for Lending of Capital by Listed Companies", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and carry out the announcement and declaration operation in accordance with the relevant laws and regulations, when implementing derivative financial commodity trading strategies, it will also adhere to the conservative and prudent principle to avoid the risk of price fluctuations in foreign exchange transactions.

7.6.2.1. Lend funds to others

Until December 31, 2022 Unit: NT$1,000

Company that Lent Funds	Object of Loan	For a Related Person	Accounting Subjects	Cumulative up to This month only maximum balance	Closing Balance	Actual Spending Amount	Interest Rate Range	Category	Business Transaction Amount	Reason for Financing	Allowance for Uncollectible Accounts	Collateral		Fund loan and Limit for Individual Objects	Total Loan Limit
												Name	Value		
APEX DYNAMICS, INC.	MILLENNIUM VEE HOTEL TAICHUNG	Yes	Other receivables-Related parties.	1,300,000	650,000	596,000	0.75%	Short-term Financing	0	Operational Needs	0		0	3,914,186	3,914,186

7.6.2.2. Endorsement Guarantee: None

7.6.2.3. Derivatives Trading Situation: None

7.6.2.4. Main reasons for losses and future countermeasures: Not applicable

7.6.3. Future Research & Development Projects and Corresponding Budget

7.6.3.1. Future Research & Development plans of future

In recent years, the global manufacturing industry has responded to Industry 4.0, they have invested in the transformation and upgrading of smart manufacturing, and actively introduced various industrial robots, automation equipment and machine tools to upgrade the production line to a smart factory to replace a large number of manpower needs and improve production efficiency and product quality, the Gearbox is one of the indispensable components of mechanical transmission. It is widely used in automation equipment and machine tools such as semiconductors, panels, biotechnology and medical care, aerospace, electronics and traditional industries, it has strict requirements on precision, quality and speed, so the reducer must also be developed towards high precision, low wear, low backlash, low noise, small size and high output torque. The company has made unremitting efforts to become a leader in the Gearbox market. In addition to continuously improving its independent research and development capabilities over the years, it has accelerated product research and development, patent accumulation and market promotion in recent years.

7.6.3.2. Estimated investment in research and development

The company's research and development expenses for 2021 and 2022 are NT$32,570 thousand and NT$43,063 thousand, accounting for 0.99% and 1.26% of the consolidated net operating income, respectively. The company's research and development funds are compiled item by item according to the development progress of new products and new technologies, and continue to invest in research and development resources to meet the needs of the market and customers to ensure the company's competitive advantage.

7.6.4. The impact of major policy and legal changes at home and abroad on the company's financial business and countermeasures

The daily operations of the company and its subsidiaries comply with relevant laws and regulations at home and abroad, and the management of the company and its subsidiaries also keep an eye on the development trend of relevant important policies at home and abroad and collect changes in laws and regulations to adjust the basis for the company's relevant operating strategies, Irregularly assign professionals to receive training in relevant courses, which is conducive to responding to market changes in real time and taking appropriate response measures to enhance international competitiveness Therefore, as of the publication date of the annual report, the company and its subsidiaries have not been subject to important domestic and foreign policy and legal changes that have a major impact on the company's finances and business.

7.6.5. The impact of technological changes (including information security risks) and industrial changes on the company's financial business and countermeasures

The company and its subsidiaries always pay attention to the technological changes and technological developments related to the industry in which they are located, and quickly grasp the changes in the industry, and continue to strengthen and improve its own research and development capabilities, apply for patents for various innovative concepts and design developments, And actively expand the future market application fields to cope with the impact of technological changes and industrial changes on the company.

7.6.6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its establishment, the company and its subsidiaries have taken the realization of sustainable business operations as their mission, complied with relevant laws and regulations, actively strengthened internal management, and maintained harmonious labor relations to maintain a good corporate image. In the most recent year and up to the publication date of the annual report, the company and its subsidiaries have not had any incidents that have affected the corporate image or suffered any crisis.

7.6.7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The company and its subsidiaries have no plans to acquire other companies in the most recent year and as of the publication date of the annual report. If there is any event or plan involving mergers and acquisitions in the future, we will carry out various benefit assessments and risk control in a prudent manner in accordance with various operating regulations, so as to truly protect the interests of the company and shareholders.

7.6.8. Expected benefits from, risks relating to and response to factory expansion plans

1. Expected benefits:

   The company and its subsidiaries have no plans for plant expansion in the most recent year and as of the date of publication of the year.

2. Possible risks and countermeasures: Not applicable.

7.6.9. Risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration

7.6.9.1. The company's purchase:

Purchasers mainly provide steel, gearboxes and oil seals. There are many types of manufacturers of this type. The company's main raw material procurement maintains at least two or more suppliers, and maintain a good relationship with each other, if there is a shortage of supply or shortage of materials, there are other qualified suppliers that can be substituted, so the source of supply is stable, and there is no shortage or interruption of supply.

7.6.9.2. The company's sales:

The products are used in automation equipment and machine tools such as semiconductors, panels, biotechnology and medical care, aerospace, electronics and traditional industries, Considering the market characteristics such as the vast territory of each region and transaction risks, the company's sales are mainly through dealers, although the sales targets are relatively concentrated to a few dealers, the company has not sold more than 30% of its sales to a single customer in the most recent year and up to the date of publication of the annual report, so there is no risk of sales concentration.

7.6.9.3. Purchase and sale of subsidiaries

Since the subsidiary mainly operates international sightseeing hotels and restaurant services, the supply of major customer supplies and fresh food is stable, and the purchase and sale objects are scattered, and there is no excessive concentration.

7.6.10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

In the most recent year of the company and as of the publication date of theannual report, there has been no significant change in the shareholding ratio of the company's directors and major shareholders holding more than 10% of the shares. cause significant impacts and risks.

7.6.11. The impact, risks and countermeasures of the change of management rights on the company

In recent years and as of the publication date of the annual report, there has been no change in the management rights of the company.

7.6.12. Litigation or non-litigation matters

It shall list the major litigation, non-litigation or administrative disputes of the company and the company's directors, supervisors, general manager, principals in charge, major shareholders holding more than 10% of the shares, and affiliated companies that have been adjudicated or are still pending. Lawsuit, if the result may have a significant impact on shareholders' rights or securities prices, the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the main parties involved in the litigation, and the status of the settlement as of the publication date of the annual report shall be disclosed.

Ms. Zheng, Shu-Fen embezzled a total of NT$42,694 thousand in accounts receivable from customers during her tenure as the Accounting Supervisor of APEX DYNAMICS, INC., the original APEX DYNAMICS, INC. was merged with Taiwan Guangyong Technology Co., Ltd., and the original APEX DYNAMICS, INC. was eliminated. Later, Taiwan Guangyong changed its name to APEX DYNAMICS, INC.. The company bears the rights and obligations of the original APEX DYNAMICS, INC. that was eliminated, the company has won the civil judgment of Taichung District Court in Taiwan on December 23, 2019, Ms. Zheng, Shu-Fen's heir should pay the obligation jointly and severally, but the heir refused to accept it, and the two parties are still in litigation. This case has no significant impact on the company's shareholders' equity or securities prices.

7.6.13. Other important risks and countermeasures:

None

7.7. Other important matters:

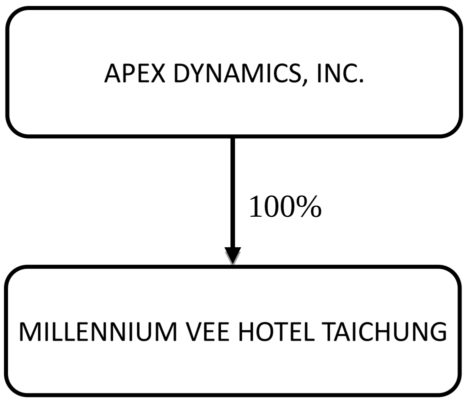
None

8. Other items deserving special mention

8.1. Relevant information of related companies

8.1.1. Affiliated business merger business report

8.1.1.1. Relationship Enterprise Organization Chart



8.1.1.2. Basic information of related companies

December 31, 2022 Unit: NT$1,000

Company Name	Date of Establishment	Address	Paid-up capital	Main business items
MILLENNIUM VEE HOTEL TAICHUNG	September 23, 2004	No,77, Shizhing Rd, Taichung City	700,000	Room and Catering Services

8.1.1.3. Operational overview of affiliated companies

December 31, 2022 Unit: NT$1,000

Company Name	Total Assets	Total Indebtedness	Total Equity	Operating Revenue	Net income or loss for current period (AfterTax)
MILLENNIUM VEE HOTEL TAICHUNG	1,749,754	1,191,540	558,214	464,137	(4,726)

8.1.2. Consolidated Financial Statements of Affiliated Enterprises

The relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the consolidated financial reports of appendix 1, and the consolidated financial statements of affiliated enterprises will not be prepared separately.

8.1.3. Relationship Report:

Not applicable

8.2. Handling of privately placed securities in the most recent year and as of the date of publication of the annual report:

None

8.3. In the most recent year and as of the publication date of the annual report, the holding or disposal of the company's stocks by subsidiaries:

None

8.4. Other necessary supplementary explanations:

None

8.5. In the most recent year and as of the date of publication of the annual report, if any event that has a significant impact on shareholders' equity or securities prices as stipulated in Subparagraph 2, Article 36, Paragraph 3 of Securities and Exchange Act:

None

Stock Code: 4583

【Appendix 1】

APEX DYNAMICS, INC.
and Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021
and Independent Auditors'Report

Address： Central Taiwan Science Park
No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan
Telephone：886-4-2465-0219

Declaration

The company's 2022 fiscal year (January 1 to December 31, 2022) in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", companies that should be included in the preparation of the consolidated financial statements of affiliated companies, it is the same as Article 10 of the International Financial Reporting Standards recognized by the Financial Supervision Commission: "Should be included in the preparation of the parent company's consolidated financial report", and the relevant information that should be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the consolidated financial reports of the parent company and subsidiaries, so the consolidated financial statements of related companies will not be prepared.

Hereby declare.

Company Name: APEX DYNAMICS, INC.

President: Chang, Chung-Hsing

Date: February 24, 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of APEX Company :

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(13) “Revenue” and Note 6(21) “Revenue from contracts with customers” to the consolidated financial statements.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified and because the timing and amount of revenue recognition have a significant impact on the financial statement. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Group.

How the matter was addressed in our audit:

Our principal audit procedures included: the principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year, sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the accounting treatment of related contracts is applied appropriately, performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

2. Assessment of Inventory

The accounting principle of inventory, refer to consolidated financial statements Note 4 (8)“inventory”, the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note 5; the explanation of inventory assessment refers to consolidated financial statements Note 6 (5).

Description of key audit matter:

The Group’s inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included conducting sampling to examine accuracy of inventory aging; assessing the Group’ s inventory decline or rationality of debt ratio; examining accuracy of allowance amount of inventory of past years, and comparing with this period; assessing whether estimation method this period presents fairly; examining whether the valuation of inventories is in compliance with the accounting policies of the Group; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

Other Matter

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

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

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

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

Those charged with governance (including the Audit Committee or supervisors) 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 professional skepticism throughout the audit. We also:

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng Hsueh, Chen and Tsu-Hsin, Chang.

KPMG

Taipei, Taiwan (Republic of China)

February 24, 2023

Notes to Readers

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

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

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 2,454,539	22	1,912,707	17
1110	Current financial assets at fair value through profit or loss (Note 6(2))	127	-	62,697	1
1150	Notes receivable, net (Note 6(3)))	1,985	-	7,679	-
1170	Accounts receivable, net (Note 6(3))	313,578	3	267,990	2
1180	Accounts receivable due from related parties, net (Notes 6(3) and 7)	65,813	1	78,716	1
1200	Other receivables, net (Note 6(4))	18,006	-	13,923	-
1220	Current tax assets	4,819	-	21,910	-
130X	Inventory(Note 6(5))	1,461,473	13	1,432,528	12
1410	Prepayments (Note 6(6))	11,578	-	10,408	-
1476	Other current financial assets (Note 6(10) and 8)	2,082,414	19	2,872,987	25
1479	Other current assets, others (Note 6(10))	281	-	249	-
	Total current assets	6,414,613	58	6,681,794	58
	Non-current assets:				
1600	Property, plant and equipment (Note 6(7) 8 and 9)	3,706,923	34	3,810,290	33
1755	Right-of-use asset (Note 6(8))	582,888	6	617,842	6
1780	Intangible assets (Note 6(9))	224,184	2	223,723	2
1840	Deferred tax assets (Note 6(17))	15,064	-	27,217	-
1920	Refundable deposits (Note 6(10))	2,019	-	1,960	-
1990	Other Non-Current Assets－Other (Note 6 (10))	38,600	-	107,904	1
	Total Non-current assets	4,569,678	42	4,788,936	42
	Total assets	**$ 10,984,291**	**100**	**11,470,730**	**100**

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(11) and 8)	$ -	-	1,611,000	14
2130	Current contract liabilities (Note 6 (21))	31,149	-	25,257	-
2170	Accounts payable	111,751	1	79,233	1
2200	Other payables	159,014	2	121,646	1
2230	Current tax liabilities	254,064	2	222,411	2
2280	Current lease liabilities (Note 6(14))	51,293	1	40,212	1
2300	Other Current Liabilities (Note 6 (12)(13)(15) and 8)	6,156	-	23,968	-
	Total Current Liabilities	613,427	6	2,123,727	19
	Non-Current Liabilities:				
2540	Long-term borrowings (Note 6(13) and 8)	-	-	990,131	9
2570	Deferred tax liabilities (Note 6(17))	365	-	-	-
2580	Non-current lease liabilities (Note 6(14))	579,056	5	609,032	5
2630	Long-term deferred revenue (Note 6(15))	5,749	-	16,869	-
2645	Guarantee deposits (Note 6(12))	228	-	228	-
	Total Non-Current Liabilities	585,398	5	1,616,260	14
	Total Liabilities	1,198,825	11	3,739,987	33
	Equity-Parent company (Note 6(18))				
3100	Capital stock	801,714	7	729,284	6
3200	Capital surplus	1,524,628	14	83,002	1
3300	Retained earnings	7,459,124	68	6,918,457	60
	Total equity	9,785,466	89	7,730,743	67
	Total Liabilities and Equity	**$ 10,984,291**	**100**	**11,470,730**	**100**

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

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6(21) and 7)**	3,429,784	10	3,291,062	10
5000	**Operating costs (Note 6(5) (7) (8) (14) (16) (19) (22)and 7**	1,689,202	49	1,655,455	50
	Gross Profit	1,740,582	51	1,635,607	50
	Operating Expense (Note 6(7) (8) (9) (14) (16) (19) (22) and7)**:**				
6100	Selling expenses	37,908	1	36,533	1
6200	Administrative expenses	505,424	15	474,881	15
6300	Research and development expenses	43,063	1	32,570	1
		586,395	17	543,984	17
	Net operating income	1,154,187	34	1,091,623	33
	Non-operating revenue and expenses (Note 6(23)):				
7100	Interest income	46,471	1	44,797	1
7010	Other income	1,777	-	12,661	-
7020	Other gains and losses, net	198,874	6	(73,064)	(2)
7050	Finance costs, net (Note 6(14))	(11,110)	-	(19,775)	(1)
		236,012	7	(35,381)	(2)
7900	**Profit before tax**	1,390,199	41	1,056,242	31
7950	Total tax expense **(Note 6(17))**	266,105	8	193,792	6
	Profit	1,124,094	33	862,450	25
8300	**Other comprehensive income**, net	-	-	-	-
8500	**Total comprehensive income**	**$ 1,124,094**	**33**	**862,450**	**25**
	Total comprehensive income belongs to:				
	Parent company, owner	$ 1,124,094	33	862,450	25
	Non-controlling interests	-	-	-	-
		$ 1,124,094	**33**	**862,450**	**25**
	Total comprehensive profit and loss belongs to:				
	Parent company, owner	$ 1,124,094	33	862,450	25
	Non-controlling interests	-	-	-	-
		$ 1,124,094	33	862,450	25
	Earnings per share (Note 6(20))				
9750	Basic earnings per share (NT$)	**$ 14.47**		**11.83**	
9850	Diluted earnings per share (NT$)	**$ 14.46**		**11.82**	

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

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	Ownership interest - Attributable to the parent company					
			Retained earnings			
	Share capital	Additional paid-in capital	Legal reserve	Undistributed earnings	Total	Total Equity
Balance on January 1, 2021	$ 729,284	83,002	715,436	5,778,141	6,493,577	7,305,863
Profit	-	-	-	862,450	862,450	862,450
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	862,450	862,450	862,450
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	68,162	(68,162)	-	-
Cash dividends of ordinary share	-	-	-	(437,570)	(437,570)	(437,570)
	-	-	68,162	(505,732)	(437,570)	(437,570)
Balance on December 31, 2021	**$ 729,284**	**83,002**	**783,598**	**6,134,859**	**6,918,457**	**7,730,743**
Balance on January 1, 2022	$ 729,284	83,002	783,598	6,134,859	6,918,457	7,730,743
Profit	-	-	-	1,124,094	1,124,094	1,124,094
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,124,094	1,124,094	1,124,094
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	86,245	(86,245)	-	-
Cash dividends of ordinary share	-	-	-	(583,427)	(583,427)	(583,427)
	-	-	86,245	(669,672)	(583,427)	(583,427)
Cash Capital Increase	72,430	1,432,524	-	-	-	1,504,954
Cost of employee stock options payable	-	9,102	-	-	-	9,102
Balance on December 31, 2022	**$ 801,714**	**1,524,628**	**869,843**	**6,589,281**	**7,459,124**	**9,785,466**

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

APEX DYNAMICS, INC. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Profit before tax	$ 1,390,199	1,056,242
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	365,144	388,107
Amortization expense	735	666
Net gains on financial assets or liabilities at fair value through profit or loss	1,277	2,668
Interest expense	11,110	19,775
Interest income	(46,471)	(44,797)
Dividend income	(11)	(9)
Cost of share-based payment payable	9,102	-
Gains on disposal of property, plan and equipment	(11)	(135)
Total adjustments to reconcile profit (loss)	340,875	366,275
Changes in operating assets and liabilities:		
Changes in operating assets		
Decrease in notes receivable	5,694	3,932
Increase in accounts receivable	(45,588)	(34,573)
Decrease in accounts receivable due from related parties	12,903	24,649
Decrease (increase) in other accounts receivable	(1,071)	3,929
Decrease (increase) in inventory	(28,945)	158,336
Decrease (increase) in prepaid accounts	(1,648)	1,657
Decrease (increase) in other current assets	(32)	147
Increase in other finance assets	(6)	(4)
Total change in operating assets	(58,693)	158,073
Total changes in operating liabilities		
Increase in contract liabilities	5,892	5,177
Increase in accounts payable	32,518	17,155
Decrease in accounts payable due from related parties	-	(12,297)
Increase in Other payables	42,254	8,734
Decrease (increase) in other current liabilities	82	(379)
Total changes in operating liabilities	80,746	18,390
Total changes in operating assets and liabilities	22,053	176,463
Total adjustments	362,928	542,738
Cash flows from operating activities	1,753,127	1,598,980
Interest received	43,459	40,279
Dividends received	11	9
Interest paid	(11,681)	(19,385)
Income tax paid	(204,843)	(81,204)
Net cash flows from operating activities	1,580,073	1,538,679
Cash Flows from Investing Activities		
Fair Value Through Other Comprehensive Income Financial Assets	61,293	-
Acquisition of disposal of property, plant and equipment	(125,790)	(376,852)
Proceeds from disposal of property, plant and equipment	11	150
Decrease (increase) in refundable deposits	(59)	360
Acquisition of intangible asset	(801)	(231)
Increase (Decrease) in other financial assets	790,579	(1,662,865)
Increase in other non-current assets	(34,049)	(26,911)
Net cash flows from (used in) investing activities	691,184	(2,066,349)
Cash flows from (used in) financing activities:		
Increase in short-term loans	328,000	3,484,000
Decrease in short-term loans	(1,939,000)	(2,341,000)
Long-term borrowing	44,955	333,693
Repayment of long-term loans	(1,064,100)	-
Repayment of lease principal	(20,807)	(20,617)
Cash dividend	(583,427)	(437,570)
Cash capital increase	1,504,954	-
Net cash flows from (used in) investing activities	(1,729,425)	1,018,506
Net increase in cash and cash equivalents	541,832	490,836
Cash and cash equivalents at beginning of period	1,912,707	1,421,871
Cash and cash equivalents at end of period	**$ 2,454,539**	**1,912,707**

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

APEX DYNAMICS, INC. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

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

1. Company history

The APEX DYNAMICS, INC. (Hereinafter referred to as the "Company", named Taiwan Guangyong Power Technology Co., Ltd.), established on October 26, 1999 with the approval of the Ministry of Economic Affairs, The Taiwan Guangyong Power Technology Co., Ltd. merged with APEX DYNAMICS, INC. on December 26, 2008, and took the company as the surviving company after the merger, It was renamed as APEX DYNAMICS, INC. on February 26, 2009, registered at No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan. The main business items of the consolidated company are the manufacture of mechanical transmission components such as Gearbox, Rack and Pinion, and the star rated hotel.

The main business of the company is the manufacturing of mechanical transmission components such as Gearbox, Rack and Pinion. The company's stock has been approved for listing and trading by the Taiwan Stock Exchange, it has been officially listed on the Taiwan Stock Exchange since May 9, 2022.

2. Approval date and procedures of the financial statements:

The company only financial statements were authorized for issuance by the Board of Directors on February 24, 2023.

3. New standards, amendments and interpretations adopted:

(1) The impact of the newly released and revised standards and interpretations recognized by the "Financial Supervisory Commission Taiwan".

The company began to apply the following newly revised "International Financial Reporting Standards" from January 1, 2022, and it did not have a significant impact on individual financial reports.

- Amendments to "International Accounting Standards" No. 16: "Real estate, plant and equipment - the price before reaching the intended state of use".
- Amendments to "International Accounting Standards" No. 37: "Onerous Contracts—Costs of Performing Contracts".
- Annual Improvements to "International Financial Reporting Standards", cycle of 2018-2020.
- Amendments to "International Financial Reporting Standards" No.3: "References to Conceptual Frameworks".

(2) The impact of not yet adopting the International Financial Reporting Standards recognized by the "Financial Supervisory Commission Taiwan".

The company assesses that the application of the following newly revised International Financial Reporting Standards, which will take effect from January 1 2023, will not have a significant impact on individual financial reports.

- Amendment to "International Accounting Standards", No. 1: "Disclosure of Accounting Policies".
- Amendments to "International Accounting Standards", No. 8: "Definition of Accounting Estimates".
- Amendment to "International Accounting Standards", No.12: "Deferred income tax related to asset and liabilities arising from a single transaction".

(3) Newly released and revised standards and interpretations not yet approved by the "Financial Supervisory Commission Taiwan":

The International Accounting Standards Board has issued and revised the standards and interpretations that have not yet been approved by the Financial Supervisory Commission. The content that may be relevant to the company is as follows:

Newly Issued or Revised Guidelines	Modified Content	Newly Issued or Revised Guidelines
Amendments to "International Accounting Standards" No.1: "Classification of Liabilities as Current or Non-Current".	The current IAS 1 stipulates that liabilities for which the enterprise does not have an unconditional right to defer settlement for at least twelve months after the reporting period shall be classified as current. The amendment deletes the requirement that the right should be unconditional and instead requires that the right must exist and be substantive at the end of the reporting period. The amendment clarifies how an enterprise should classify liabilities that are paid off by issuing its own equity instruments (such as convertible corporate bonds).	January 1, 2024
Amendments to "International Accounting Standards" No. 1": "Non-current liabilities with contractual terms".	After reconsidering certain aspects of the 2020 IAS1 amendments, the new amendment clarifies that only contractual terms in compliance on or before the reporting date affect the classification of a liability as current or non-current. The contractual terms to which a business is bound after the reporting date (i.e. future terms) do not affect the classification of liabilities at that date, however, when non-current liabilities are subject to future contractual terms, companies need to disclose information to help users of financial statements understand the risk that such liabilities may be repaid within twelve months of the reporting date.	January 1, 2024

The company and subsidiaries are continuously assessing the impact of the above-mentioned standards and interpretations on the company's financial position and operating results, and the relevant impact will be disclosed when the assessment is completed.

The company and subsidiaries expects that the following other unrecognized newly issued and revised standards will not have a significant impact on individual financial reports.

- Amendments to "International Financial Reporting Standards" No. 10 and "International Accounting Standards" No. 28 "Asset sale or investment between investors and their affiliates or joint ventures"
- "International Financial Reporting Standards" No. 17: "Contract of Insurance", and amendments to "International Financial Reporting Standards" No. 17.
- Amendments to "International Financial Reporting Standards" No. 176 "Requirements for Sale and Leaseback Transactions".

4. Summary of significant accounting policies:

A summary of the significant accounting policies adopted in this individual financial report is as follows. The following accounting policies have been consistently applied to all periods presented in this individual financial report.

(1) Statement of compliance

This consolidated financial report is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, Financial Supervision Commission, International Accounting Standards; compiled according to the above specification.

(2) Basis of preparation

A. Measurement basis

Except for financial assets measured at fair value through profit or loss, which are measured at fair value, the consolidated financial statements are prepared on the basis of historical cost.

B. Functional currency and Presentation currency

Each entity of the consolidated company uses the currency of the primary economic environment in which it operates as its functional currency. This consolidated financial report is expressed in New Taiwan dollars, which is the functional currency of the Company. All financial information expressed in New Taiwan dollars is in thousands of New Taiwan dollars.

(3) Consolidated basis

A. Consolidated Financial Reporting Principles

The entities for the preparation of consolidated financial reports include the Company and entities controlled by the Company (subsidiaries). The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity, from the date when control is obtained over the subsidiary, its financial report shall be included in the consolidated financial report until the date when control is lost. Transactions, balances and any unrealized gains and losses between the consolidated companies have been fully eliminated when preparing the consolidated financial report. The total comprehensive profit and loss of the subsidiary is attributable to the owners and non-controlling interests of the company respectively, then, this is the case even if the non-controlling interest thus becomes a loss balance.

Appropriate adjustments have been made to the subsidiary's financial statements so that its accounting policies are consistent with those used by the combined company.

Changes in the ownership interests of subsidiaries by the Consolidated Company that do not lead to the loss of control over the subsidiaries shall be treated as equity transactions with the owners. The difference between the non-controlling interest adjustment and the fair value of the consideration paid or received is recognized directly in equity and attributable to the owners of the Company.

B. Subsidiaries included in Consolidated Financial Reports
Subsidiaries included in this consolidated financial report include:

Investor company name	Subsidiary name	Industry	Shareholding ratio	
			December 31, 2022	December 31, 2021
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichuag	Hotel	100%	100%

C. Subsidiaries not included in the consolidated financial report: None.

(4) Foreign currency

Foreign currency transactions are converted into the functional currency at the exchange rate on the transaction date. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items in foreign currencies are converted into functional currency at the exchange rate on that day. Non-monetary items in foreign currencies measured at fair value are converted into functional currency at the exchange rate on the day when the fair value is measured. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate on the transaction date.

Foreign currency exchange differences arising from translation are normally recognized in profit or loss.

(5) Classification criteria for distinguishing current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

A. Expect to realize the asset during its normal business cycle, or intends to sell or consume it
B. The asset is held primarily for trading purposes
C. The asset is expected to be realized within twelve months of the reporting period, or
D. The asset is cash or a cash equivalent, unless there are other restrictions on exchanging the asset or using it to settle liabilities at least twelve months after the reporting period

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities:

A. The liability is expected to be settled during the normal business cycle
B. The liability is held primarily for trading purposes
C. The liability is expected to be due within twelve months after the reporting period, or
D. Liabilities for which there is no unconditional right to defer settlement for at least twelve months after the reporting period. The terms of the liability, which may, at the option of the counterparty, result in its liquidation through the issuance of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term, highly liquid investments that can be converted into fixed amounts of cash at any time and have an insignificant risk of value change. Time deposits that meet the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are listed in the cash equivalent.

(7) Financial tool

Accounts receivable and debt securities issued are initially recognized as they arise. All other financial assets and financial liabilities are recognized initially when the combined company becomes a party to the contractual terms of the financial instrument. Financial assets not measured at fair value through profit or loss (other than trade receivables that do not contain significant financial components), or financial liabilities are originally measured at fair value plus transaction costs directly attributable to the acquisition or issue. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

A. Financial assets

If the purchase or sale of financial assets conforms to customary transactions, the Consolidated Company shall adopt the accounting treatment on the transaction date for all purchases and sales of financial assets classified in the same way.

During initial recognition, financial assets are classified into: financial assets measured at cost after amortization and financial assets measured at fair value through profit or loss. Only when a Consolidated Company changes its business model for managing financial assets, it will reclassify all affected financial assets from the first day of the next reporting period.

(a) Financial assets measured at amortized cost

When a financial asset meets the following conditions at the same time and is not designated as measured at fair value through profit or loss, it is measured at cost after amortization:

- The financial asset is held under the business model for the purpose of collecting contractual cash flow.
- The contractual terms of the financial asset generate cash flows on specified dates that are exclusively payments of principal and interest on the principal amount outstanding.

The accumulative amortization calculated by the effective interest method is subsequently calculated by adding or subtracting the original recognized amount of these assets, and adjust the amortized cost measure for any allowance for losses. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in profit or loss. When delisting, the gain or loss is recognized in profit or loss.

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

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss, including derivative financial assets.

When the Consolidated Company was originally recognized, in order to eliminate or significantly reduce the improper accounting ratio, financial assets that meet the criteria for measurement at amortized cost or at fair value through other comprehensive income may be irrevocably designated as financial assets at fair value through profit or loss.

These assets are subsequently measured at fair value and the net gain or loss (including any dividend and interest income) is recognized in profit or loss.

(c) Impairment of financial assets

Consolidated Company's expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, deposits and other financial assets, etc.) and contract assets An allowance for loss is recognized.

The following financial assets are measured according to the expected credit loss amount of 12 months, and the rest are measured according to the expected credit loss amount during the duration:

- Debt securities are judged to have low credit risk at the reporting date, and
- The credit risk of other debt securities and bank deposits (ie the risk of default during the expected life of the financial instrument) has not increased significantly since original recognition.

The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the duration.

In determining whether credit risk has increased significantly since original recognition, the Consolidated Company considers reasonable and supportable information (obtainable without undue cost or effort); include qualitative and quantitative information, and analysis based on the combined company's historical experience, credit evaluation and forward-looking information.

If contractual payments are more than 90 days past due, the merged company assumes that the credit risk of the financial asset has increased significantly.

The Consolidated Company considers a financial asset in default if the contractual payment is more than 120 days past due, or when the borrower is unlikely to fulfill its credit obligations to pay the full amount. The expected credit loss during the duration refers to the expected credit loss arising from all possible default events during the expected duration of the financial instrument.

Twelve-month expected credit loss refers to the expected credit loss arising from possible default events of financial instruments within twelve months after the reporting date (or a shorter period, if the expected life of the financial instrument is less than twelve months).

The longest period for measuring expected credit losses is the longest contractual period over which the combined company is exposed to credit risk.

Expected credit loss is a probability-weighted estimate of credit loss during the expected life of a financial instrument. Credit losses are measured at the present value of all cash shortfalls; it is the difference between the cash flow that the merging company can receive according to the contract and the cash flow that the merging company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The Consolidated Company assesses whether financial assets measured at amortized cost are credit-impaired at each reporting date. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred. An allowance for a financial asset carried at amortized cost is deducted from the asset's carrying amount. The amount of the provision or reversal of the provision for loss is recognized in profit or loss. When the Consolidated Company cannot reasonably expect to recover all or part of the financial assets, it will directly reduce the total book value of its financial assets. The Consolidated Company analyzes the timing and amount of write-offs individually on the basis of whether it is reasonably expected to be recoverable. The Consolidated Company does not expect a material reversal of the amount written off. However, written-off financial assets are still enforceable to comply with the Consolidated

Company's procedures for recovering past due amounts.

(d) Delisting of financial assets

The Consolidated Company only terminates its contractual rights to the cash flows from the asset, or the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to another enterprise, financial assets are declassified when they have neither transferred nor retained substantially all the risks and rewards of ownership nor retained control over the financial asset. If the merged company enters into a transaction to transfer financial assets, if it retains all or almost all the risks and rewards of ownership of the transferred assets, it will continue to be recognized on the Balance Sheet

B. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

(b) Equity transaction

An equity instrument is any contract that honors a Consolidated Company's residual interest in assets less all of its liabilities. Equity instruments issued by the Consolidated Company are recognized at the amount obtained after deducting direct issuance costs.

(c) Treasury stock

When repurchasing the recognized equity instruments of the Company, the consideration paid (including directly attributable costs) shall be recognized as a decrease in equity. Shares repurchased are classified as treasury stocks. Subsequent sales or reissue of treasury stocks, the amount received is recognized as an increase in equity, And recognize the surplus or loss arising from the transaction as additional paid-in capital or retained earnings (if the additional paid-in capital is insufficient to offset).

(d) Financial liabilities

Financial liabilities are classified as either amortized cost or fair value through profit or loss. Financial liabilities are classified as fair value through profit or loss if they are held for trading, derivatives or designated at original recognition. Financial liabilities at fair value through profit or loss are measured at fair value and the associated net gain and loss, including any interest expense, which is recognized in profit or loss.

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

(e) Delisting of financial liabilities

A Consolidated Company delists financial liabilities when contractual obligations are fulfilled, canceled or expired. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the modified liabilities, the original financial liabilities shall be excluded, and based on the revised terms, new financial liabilities are recognized at fair value.

When a financial liability is delisted, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off only if the merging company currently has a legally enforceable right to offset, When there is an intention to deliver on a net basis or to realize assets and pay off liabilities at the same time, they shall be offset and expressed on the balance sheet as a net amount.

(8) Inventory

Inventories are measured at the lower of cost and net realizable value. Costs include acquisition, production or processing costs and other costs incurred to bring them to a usable location and state, and adopt the weighted average method to calculate. The cost of finished goods and work-in-progress inventories includes manufacturing overhead apportioned in appropriate proportions based on normal production capacity.

Net realizable value refers to the estimated selling price under normal business conditions less the estimated cost to complete the project and the estimated cost to complete the sale.

(9) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment are recognized and measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

When the useful life of major components of real estate, plant and equipment is different, they are treated as separate items (main components) of real estate, plant and equipment.

Gains or losses on the disposal of property, plant and equipment are recognized in profit or loss.

B. Subsequent costs

Subsequent expenditures are capitalized only to the extent that it is probable that future economic benefits will flow to the combined company.

C. Depreciation

Depreciation is calculated as the cost of the asset less its salvage value, and adopt the straight-line method to recognize it as profit or loss within the estimated service life of each component. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

(a) Housing and buildings: 3~50 years

(b) Machinery and equipment: 2~15 years

(c) Other equipment: 2~10 years

The Consolidated Company reviews the depreciation method, useful life and salvage value on each reporting date, and makes appropriate adjustments when necessary.

(10) Lease

The Consolidated Company assesses whether a contract is or contains a lease at the date the contract is formed. A contract is or contains a lease if the contract transfers control over the use of an identified asset for a period of time in exchange for consideration.

A. Lessee

The Consolidated Company recognizes right-of-use assets and lease liabilities on the lease commencement date, and the right-of-use assets are originally measured at cost, this cost includes the original measure of the lease liability, adjust any lease payments made on or before the lease commencement date, plus the original direct costs incurred and the estimated costs of dismantling, removing and restoring the location or the subject asset, less any rental incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the expiry of the useful life of the right-of-use asset or the expiry of the lease term, whichever is earlier, in addition, the Consolidated Company regularly assesses whether the right-of-use assets have been impaired and deals with any impairment losses that have occurred, and adjust the right-of-use asset in conjunction with the re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the lease inception date. If the interest rate implied by the lease is easy to determine, the discount rate is that rate, if it is not easy to determine, use the company's incremental borrowing rate. Generally speaking, the Consolidated Company adopts its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

(a) Fixed payments, including in-substance fixed payments.
(b) Variable lease payments that depend on an index or rate, using the index or rate at lease commencement as the original measure
(c) The residual value guarantee amount expected to be paid, and
(d) The exercise price or penalty payable when it is reasonably certain that the purchase option or lease termination option will be exercised.

Subsequent accrual of interest on lease liabilities using the effective interest method, and measure its amount again when:

(a) Changes in the index or rate used to determine lease payments lead to changes in future lease payments.
(b) There is a change in the residual value guarantee amount expected to be paid.
(c) There is a change in the valuation of the underlying asset purchase option.
(d) A change in the estimate of whether to exercise the option to extend or terminate, resulting in a change in the assessment of the lease term.
(e) Modification of the subject matter, scope or other terms of the lease.

Lease liabilities due to changes in the aforementioned index or rate used to determine lease payments, when there is a change in the residual value guarantee amount and a change in the evaluation of the purchase, extension or termination option and is re-measured, the book value of the right-of-use asset should be adjusted accordingly, when the carrying amount of the right-of-use asset is reduced to zero, the remaining re-measured amount is recognized in profit or loss.

For a lease modification that reduces the scope of the lease, it reduces the carrying amount of the right-of-use asset to reflect partial or full termination of the lease, the difference between this and the re-measured amount of the lease liability is recognized on profit or loss.

The Consolidated Company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

If the agreement contains lease and non-lease components, the Company allocates the consideration in the contract to the individual lease components on a relative stand-alone price basis. Unless, when leasing land and buildings, the company chooses not to distinguish "non-lease components", but treats "lease components" and "non-lease components" as "single lease components" for processing. For short-term leases of office equipment and leases of low-value underlying assets, The Company elects not to recognize a right-of-use asset and a lease liability, relevant lease payments are recognized as expenses during the lease period on a straight-line basis.

Beginning January 1, 2021, when the basis for determining future lease payments is changed due to changes in interest rate indicators, the company uses a revised discount rate that reflects changes in another index interest rate, the lease liability is measured by discounting the revised lease payments. The company is for all rental concessions that meet all of the following conditions, choose to apply the practical expedient and not assess whether it is a lease modification:

(a) Rent Concessions as a Direct Result of the COVID-19 Pandemic
(b) Changes in lease payments that result in the modified lease consideration being almost the same or less than the lease consideration before the change
(c) Any reduction in lease payments will only affect payments originally due before June 30, 2022, and
(d) There are no material changes to the other terms and conditions of the lease

Under the practical expedient method, when rental concessions lead to changes in lease payments, the changes are recognized in profit or loss when the event or situation that initiates rental concessions occurs.

B. Lessor

The transaction in which the Consolidated Company is the lessor is to classify the lease contract according to whether it transfers almost all the risks and rewards attached to the ownership of the underlying asset on the date of establishment of the lease, if so, it is classified as a finance lease, otherwise it is classified as an operating lease. When evaluating, the Consolidated Company considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying asset. If the agreement includes lease and non-lease components, the company's International Financial Reporting Standards No. 15 allocates the consideration in the contract.

(11) Intangible assets

A. Recognition and Measurement

Goodwill arising on the acquisition of a subsidiary is measured at cost less accumulated impairment losses. Expenses related to research activities are recognized in profit or loss when incurred.

Development expenditures are made only when they can be reliably measured, the technical or commercial feasibility of the product or process has been achieved, and future economic benefits are likely to flow into the company, and capitalization begins when the company intends and has sufficient resources to complete the development and use or sell the asset. Other development expenditures are recognized in profit or loss as incurred. After original recognition, capitalized development expenditures are measured at their cost less accumulated amortization and accumulated impairment.

The Consolidated Company acquires other intangible assets with limited useful life, Including patent rights and trademark rights, etc., it is measured by the amount after deducting accumulated amortization and accumulated impairment losses from cost.

B. Subsequent Expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset concerned. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and brands.

C. Amortization

Amortization, other than goodwill, is calculated as the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method from the time the intangible asset is ready for use over its estimated useful life.

The estimated useful lives for the current and comparative periods are as follows:

(a) Computer software: 2~5 years
(b) Patent right: 4~25 years
(c) Trademark rights: 10 years

The Consolidated Company reviews the amortization method, useful life and residual value of intangible assets on each reporting date and makes appropriate adjustments when necessary.

(12) Impairment of non-financial assets

The Consolidated Company assesses at each reporting date whether there is any indication that the carrying amount of the non-financial asset may have been impaired（except for inventories and deferred tax assets）. If any indication exists, estimate the asset's recoverable amount. Goodwill is regularly tested for impairment every year.

For the purposes of impairment testing, a group of assets whose cash inflows are largely independent of those of other individual assets or groups of assets is the smallest identifiable group of assets. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit less disposal costs and its value in us. When assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate, the discount rate should reflect current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Impairment losses are recognized if the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount. Impairment losses are recognized immediately in profit or loss for the current period, and first reduce the book amount of the apportioned goodwill of the cash-generating unit, and then reduce the book amount of each asset in proportion to the book amount of other assets in the unit.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are only reversed within the range not exceeding the carrying amount determined when the asset has not recognized the impairment loss in the previous year（depreciation or amortization）.

(13) Recognition of Income

Revenue from customer contracts

Revenue is measured by the consideration to which goods or services are transferred and to which they are expected to be entitled. Revenue is recognized when the company's control of the goods or services is transferred to the customer and the performance obligations are met. The company's main income items are explained as follows:

A. Sales of Goods

The Consolidated Company mainly manufactures precision gearbox, gears, automatic control equipment and other related products. The Consolidated Company recognizes revenue when control of the product is transferred. The transfer of control of the product means that the product has been delivered to the customer, customers can completely determine the sales channels and prices of products, and has no unfulfilled obligations that would affect the customer's acceptance of the product. Delivery occurs, when the product is shipped and the risk of obsolescence and loss has passed to the customer, and when the customer has accepted the product according to the sales contract, the acceptance clause has become invalid, or the company has objective evidence that all acceptance conditions have been met.

The Consolidated Company recognizes accounts receivable when the control of the goods is transferred, because the merging company has the unconditional right to receive the consideration at that point in time.

B. Providing services

The Consolidated Company provides corporate room and food service, when the labor service is performed by the enterprise, the customer benefits at the same time, and others do not need to re-perform the completed work, and the relevant income is recognized during the financial reporting period of the labor service. Estimates of revenue, cost and degree of completion will be revised if circumstances change, the resulting increase or decrease in the period in which management becomes aware of changed circumstances and the revision is reflected in profit or loss.

Under the fixed price contract, the customer pays a fixed amount according to the agreed schedule. When the service provided exceeds the payment, it is recognized as a contract asset; if the payment exceeds the service provided, it is recognized as a contract liability.

C. Financial Composition

The Consolidated Company expects that the time interval between the time when all customer contracts transfer goods or services to the customer and the time when the customer pays for the goods or services does not exceed one year. Therefore, the consolidated company does not adjust the time value of money of the transaction price.

(14) Government Subsidy

When the Consolidated Company can receive government subsidies, the unconditional subsidies are recognized as other income. For other subsidies related to assets, when the company can reasonably believe that the conditions attached to the government subsidy will be followed and the subsidy will be received, it will be recognized in deferred income at fair value, and recognize the deferred income as other income on a systematic basis within the useful life of the asset. Government grants to compensate for the expenses or losses incurred by the company shall be recognized in profit or loss on a systematic basis and related expenses at the same time

(15) Employee Benefits

A. Confirm allocation plan

The contribution obligation of the defined contribution pension plan is recognized as an expense during the service period of the employee. Prepaid appropriations are recognized as an asset to the extent that they will result in a return of cash or a reduction in future payments.

B. Short-term Employee Benefits

Short-term employee benefit obligations are recognized as an expense when services are rendered. If the company has a current legal or constructive payment obligation due to the past service provided by the employee, and the obligation can be reliably estimated, the amount is recognized as a liability.

(16) Share-Based Benefit Transactions

The amount of the fair value of the cash-delivered share appreciation rights that should be paid to employees is to recognize expenses and increase relative liabilities during the period when employees can obtain remuneration unconditionally. The liability is re-measured against the fair value of the share appreciation rights at each reporting date and delivery date, and any changes are recognized in profit or loss.

(17) Income Tax

Income tax includes current and deferred income tax. Current income tax and deferred income tax shall be recognized in profit or loss, except for those related to business combination, directly recognized in equity or other items related to the comprehensive income.

Current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to prior year tax payable or tax refund receivable. The amount is the best estimate of the amount expected to be paid or received based on the statutory tax rate or substantive legislative tax rate on the reporting date.

Deferred income tax is recognized by measuring temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Temporary differences arising from the following situations are not recognized as deferred income tax:

A. Assets or liabilities originally recognized in a transaction that is not a business combination and does not affect accounting profits and taxable income (losses) at the time of the transaction
B. Temporary differences arising from investment in subsidiaries, affiliated enterprises and joint venture interests, the Consolidated Company can control the timing of the reversal of the temporary difference and it is very likely that the reversal will not occur in the foreseeable future, and
C. Taxable temporary differences arising from the original recognition of goodwill.

For unused tax losses and unused income tax credits in the post-transition period, and deductible temporary differences, to the extent that future taxable income is likely to be available for use, they are recognized as deferred income tax assets. And it will be reassessed on each reporting date, and the relevant income tax benefits will be adjusted to the extent that it is not likely to be realized, or reverse the original reduced amount within the scope that it is likely to have sufficient taxable income. Deferred income tax is measured at the tax rate when the temporary difference is expected to reverse, and is based on the statutory tax rate or substantive legislative tax rate at the reporting date.

The Consolidated Company will offset the deferred income tax assets and deferred income tax liabilities only when the following conditions are met at the same time:

A. Has the legally enforceable right to offset current income tax assets against current income tax liabilities, and
B. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers whose income tax is levied by the same tax authority:
   (a) The same taxpayer, or
   (b) Different taxpayers, but each subject intends to settle current income tax liabilities and assets on a net basis, or realize assets and settlement simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled debt.

(18) Earnings per Share

The Company presents basic and diluted earnings per share attributable to equity holders of the Company's common stock. The company's basic earnings per share is calculated by dividing the profit or loss attributable to the company's common stock holders by the weighted average number of common shares outstanding in the current period. Earnings per share is calculated by adjusting the profit and loss attributable to ordinary equity holders of the company and the weighted average number of ordinary shares outstanding, respectively, after adjusting the impact of all potential dilutive ordinary shares. The Company's potentially dilutive common stock includes employee compensation estimates.

(19) Department Information

An operating segment is that part of a Consolidated Company that is engaged in activities that may earn revenue and incur expenses, including those associated with transactions between other parts of the Consolidated Company.

The operating results of all operating divisions are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about allocating resources to the division and evaluating its performance. Separate financial information is available for each operating segment.

5. Major sources of uncertainty in major accounting judgments, estimates and assumptions

When preparing this individual financial report, management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis, and changes in accounting estimates are recognized in the period in which the change is made and in the affected future periods.

Uncertainty in the following assumptions and estimates has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and has reflected the impact of the COVID-19 epidemic, The relevant information is as follows：

Inventory Evaluation

Since inventories are measured at the lower of cost and net realizable value, The Consolidated Company evaluates the amount of inventory on the reporting date due to normal wear and tear, obsolescence or no market value, and reduce the cost of inventories to net realizable value. This inventory evaluation is mainly based on the estimated demand for products in a specific period in the future. Therefore, there may be major changes due to rapid changes in the industry. Please refer to Note 6 (5) for the details of inventory evaluation and valuation.

6. Explanation of Important Accounting Items

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 1,027	1,743
Demand deposit	763,812	567,755
Time deposit	1,689,700	1,343,209
Cash and cash equivalents listed in the cash flow statement	**$ 2,454,539**	**1,912,707**

Please refer to Note 6 (24) for the disclosure of the Consolidated Company's disclosure of interest rate risk and sensitivity analysis on financial assets and liabilities.

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

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
NON-effective hedging instrument		
Beneficiary certificate-Fund	$ 127	168
Foreign bonds	-	62,529
Total	**$ 127**	**62,697**

For market risk information, please refer to Note 6 (25).

(3) Notes receivable and Accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable-Due to business	$ 2,187	7,881
Less: Allowance for losses	(202)	(202)
	$ 1,985	**7,679**
Accounts receivable-Measured at amortized cos	$ 313,593	268,005
Accounts receivable-Related parties-Amortized cost measure	65,813	78,716
Less: Allowance for losses	(15)	(15)
	$ 379,391	**346,706**

The Consolidated Company uses a simplified approach to estimate expected credit losses for all notes receivable and accounts receivable (including related parties), that is, it is measured by the expected credit loss during the duration, for this measurement purpose, Notes receivable and accounts receivable (including related parties) are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, And has incorporated forward-looking information, including general economic and related industry information.

The expected credit loss analysis of the Consolidated Company's Notes receivable and Accounts receivable (including related parties) is as follows:

	December 31, 2022		
	Notes receivable and Accounts receivable Amount	**Weighted average expected credit loss rate**	**Duration of allowance expected credit losses**
Not overdue	**$ 381,593**	**0.057%**	**217**

	December 31, 2021		
	Notes receivable and Accounts receivable Amount	**Weighted average expected credit loss rate**	**Duration of allowance expected credit losses**
Not overdue	**$ 354,602**	**0.061%**	**217**

The Consolidated Company's Notes receivable and Accounts receivable (including related parties) allowance loss changes table is as follows:

	2022	2021
Closing balance (opening balance)	$ 217	217

December 31, 2022 and 2021, the company's Notes receivable and Accounts receivable (including related parties) are not discounted or provided as collateral.

Please refer to Note 6 (24) for the credit and exchange rate risks of the Company's Notes receivable and Accounts receivable (including related parties).

(4) Other receivables

	December 31, 2022	December 31, 2021
Income tax refund receivable	$ 5,923	4,500
Interest receivable	11,961	8,949
Other	122	474
Less: Allowance for losses	-	-
	$ 18,006	13,923

For the remaining credit risk information, please refer to Note 6 (24)

(5) Inventory

	December 31, 2022	December 31, 2021
Commodity	$ 198	250
Raw material	220,434	170,532
Semi-finished product	709,571	720,858
Work in Process	469,664	456,746
Manufactures	61,606	84,142
	$ 1,461,473	1,432,528

The cost of goods sold is detailed as follows:

	2022	2021
Inventory sale transfer	$ 1,570,704	1,538,155
Room, food and beverage costs	159,069	150,566
Inventory price recovery benefit	(31,067)	(22,805)
Scrap loss	2,998	787
Scrap income	(12,974)	(11,250)
Inventory loss	472	2
	$ 1,689,202	1,655,455

On December 31, 2022 and 2021, the Consolidated Company's inventory has not been pledged as a guarantee.

(6) Prepayments

The details of the Consolidated Company's prepayment are as follows:

	December 31, 2022	December 31, 2021
Advance payment	$ 993	134
Office supplies.	2,080	1,327
Prepaid expenses	8,505	8,947
	$ 11,578	**10,408**

(7) Property, plant and equipment

The details of the cost, depreciation and impairment losses of the Consolidated Company's real estate, plant and equipment in 2022 and 2021 are as follows:

	Land	Buildings	Mechanical equipment	Other facilities	Construction in progress	Total
Cost or deemed cost						
Balance on January 1, 2022	$ 201,218	4,868,061	2,981,250	501,838	-	8,552,367
Additions	-	16,946	86,571	17,958	-	121,475
Disposals	-	-	(1,186)	(219)	-	(1,405)
Reclassifications	-	7,921	10,736	84,779	-	103,436
Balance on December 31, 2022	**$ 201,218**	**4,892,928**	**3,077,371**	**604,356**	**-**	**8,775,873**
Balance on January 1, 2021	$ 201,218	3,846,777	2,840,585	475,096	830,000	8,193,676
Additions	-	193,113	145,885	24,612	-	363,610
Disposals	-	-	(12,841)	-	-	(12,841)
Reclassifications	-	828,171	7,621	2,130	(830,000)	7,922
Balance on December 31, 2021	**$ 201,218**	**4,868,061**	**2,981,250**	**501,838**	**-**	**8,552,367**
Depreciation						
Balance on January 1, 2022	$ -	1,674,343	2,641,866	425,868	-	4,742,077
Depreciation	-	181,450	124,611	22,217	-	328,278
Disposals	-	-	(1,186)	(219)	-	(1,405)
Balance on December 31, 2022	**$ -**	**1,855,793**	**2,765,291**	**447,866**	**-**	**5,068,950**
Balance on January 1, 2021	$ -	1,475,423	2,524,399	403,931	-	4,403,753
Depreciation	-	198,920	130,293	21,937	-	351,150
Disposals	-	-	(12,826)	-	-	(12,826)
Balance on December 31, 2021	**$ -**	**1,674,343**	**2,641,866**	**425,868**	**-**	**4,742,077**
Carrying amounts						
Balance on December 31, 2022	**$ 201,218**	**3,037,135**	**312,080**	**156,490**	**-**	**3,706,923**
Balance on January 1, 2021	**$ 201,218**	**2,371,354**	**316,186**	**71,165**	**830,000**	**3,789,923**
Balance on December 31, 2021	**$ 201,218**	**3,193,718**	**339,384**	**75,970**	**-**	**3,810,290**

Please refer to Note 8 for the details of bank loans and financing line guarantees on December 31, 2022 and 2021.

(8) Right of use asset

The cost and depreciation of the Consolidated Company's leased land, buildings and other equipment, etc., the details of the changes are as follows:

	Land	Buildings	Transportation equipment	Total
Cost				
Balance on January 1, 2022	$ 727,792	-	-	727,792
Addition	954	958	-	1,912
Balance on December 31, 2022	**$ 728,746**	**958**	**-**	**729,704**
Balance on January 1, 2021	$ 727,792	2,137	-	729,929
Disposal	-	(2,137)	-	(2,137)
Balance on December 31, 2021	**$ 727,792**	**-**	**-**	**727,792**
Depreciation				
Balance on January 1, 2022	$ 109,950	-	-	109,950
Depreciation	36,793	73	-	36,866
Balance on December 31, 2022	**$ 146,743**	**73**	**-**	**146,816**
Balance on January 1, 2021	$ 73,350	1,780	-	75,130
Depreciation	36,600	357	-	36,957
Disposal	-	(2,137)	-	(2,137)
Balance on December 31, 2021	**$ 109,950**	**-**	**-**	**109,950**
Book Value				
December 31, 2022	**$ 582,003**	**885**	**-**	**582,888**
January 1, 2021	**$ 654,442**	**357**	**-**	**654,799**
December 31, 2021	**$ 617,842**	**-**	**-**	**617,842**

(9) Intangible Assets

The details of the cost, amortization and impairment loss of the Consolidated Company's intangible assets in 2022 and 2021 are as follows:

		Patent Right	Computer Software	Trademark Rights	Goodwill	Total
Cost:						
Balance on January 1, 2022	$	2,735	25,008	162	221,348	249,253
Obtained separately		16	785	-	-	801
Reclassification		78	317	-	-	395
Balance on December 31, 2022	**$**	**2,829**	**26,110**	**162**	**221,348**	**250,449**
Balance on January 1, 2021	$	2,735	24,777	162	221,348	249,022
Obtained separately		-	231	-	-	231
Balance on December 31, 2021	**$**	**2,735**	**25,008**	**162**	**221,348**	**249,253**
Amortization:						
Balance on January 1, 2022	$	1,129	24,271	130	-	25,530
Amortization		177	542	16	-	735
Balance on December 31, 2022	**$**	**1,306**	**24,813**	**146**	**-**	**26,265**
Balance on January 1, 2021	$	934	23,815	115	-	24,864
Amortization		195	456	15	-	666
Balance on December 31, 2021	**$**	**1,129**	**24,271**	**130**	**-**	**25,530**
Book Value:：						
Balance on December 31, 2022	**$**	**1,523**	**1,297**	**16**	**221,348**	**224,184**
Balance on January 1, 2021	**$**	**1,801**	**962**	**47**	**221,348**	**224,158**
Balance on December 31, 2021	**$**	**1,606**	**737**	**32**	**221,348**	**223,723**

A. Amortizations

The amortization expenses of intangible assets in 2022 and 2021 are presented in the following items in the consolidated income statement:

		2022	2021
Operating expenses	**$**	**735**	**666**

B. Goodwill Impairment Test

The Consolidated Company conducts an impairment assessment test on the goodwill on the books of the merged company at least once a year on the reporting date, the recoverable amount is calculated based on the unit's fair value minus disposal costs. These fair values less disposal costs are estimated based on discounted cash flows, and the fair value measurement is classified as Level 3 using significant unobservable inputs.

The discount rate is estimated based on the industry weighted average cost of capital, the discount rates for 2022 and 2021 are 4.71% and 5.03% respectively; the cash flow estimation is based on the five-year financial budget approved by the management, and in 2022 and 2021, the annual growth rate of 0%~5% will be extrapolated to the subsequent years. The values of the aforementioned key assumptions represent the management's assessment of the future trends of the relevant industries, while taking into account historical information from internal and external sources.

C. Guarantee

On December 31, 2022 and 2021, the intangible assets of the merged company have not been provided as collateral.

(10) Other current assets and other non-current assets

The details other current assets and other non-current assets of the Consolidated Company are as follows:

	December 31, 2022	December 31, 2021
Other current asset:		
Temporary payments	$ 281	249
Other financial assets:		
Restricted deposit	$ 20,845	1,399,669
Deposit account: More than three months, less than one year	2,061,000	1,472,755
	569	563
	$ 2,082,414	2,872,987
Other non-current assets:		
Prepayments for equipment	$ 38,600	107,904
Refundable deposits	2,019	1,960
	$ 40,619	109,864

Please refer to Note 8 for the details of pledge guarantee.

(11) Short-term loan

The details of the Consolidated Company's short-term loans are as follows:

	December 31, 2022	December 31, 2021
Guaranteed bank loan	$ -	1,611,000
Unused quota	$ 4,600,000	2,858,000
Interest rate range	0.71%~1.63%	0.71%~1.24%

Please refer to Note 8 for the details of the Consolidated Company's guarantee for bank loans with assets.

(12) Other current liabilities and other non-current liabilities

The details of other current liabilities and other non-current liabilities of the Consolidated Company are as follows:

	December 31, 2022	December 31, 2021
Other current liabilities:		
Long-term loans: due within one year	$ -	17,534
Deferred revenue: current	404	1,337
Temporary receipts	3,018	2,701
Receipts under custody.	2,734	2,396
	$ 6,156	23,968
Other non-current liabilities:		
Deposits received	$ 228	228

(13) Long-term borrowings

The details, terms and conditions of the company's long-term loans are as follows:

	December 31, 2021			
	Currency	Interest rate (%)	Year due	Amount
Secured bank loans	NTD	0.35%	113/12~115/11	$ 830,942
Unsecured bank loans	NTD	0.35%	113/12~115/11	176,723
Less: The portion due within one year (accounted for in other current liabilities)				(17,534)
Total				$ 990,131
Unused credit line				$ 979,600

Please refer to Note 8 for details on related assets pledged as collateral.

In 2022 and 2021, the company has obtained low-interest loans from E.SUN Bank project of NT$1,064,100 thousand and NT$1,020,400 thousand respectively, the contract period is five to seven years, the principal will be repaid on an average monthly basis from December 2022, The difference between the loan recognized and measured based on the market interest rate of 0.845% and the actual repayment preferential interest rate of 0.35% is treated as the government subsidy. Please refer to Note 6 (15).

(14) Lease liability

The carrying amounts of the Consolidated Company's lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Current liabilities	$ 51,293	40,212
Non-current liabilities	$ 579,056	609,032

For maturity analysis, please refer to Note 6 (24) Financial Instruments.

The amounts recognized in profit or loss for leases is as follows:

	2022	2021
Lease liability - Interest expense	$ 6,748	7,072
Expenses for short-term leases or low-value leases	$ 2,981	3,172
Covid-19-Related Rent Concessions (Recognized as Other income)	$ 1,894	1,863

Leases are recognized in the cash flow statement in the following amounts:

	2022	2021
Total amount - Lease - Cash outflow	$ 30,536	30,861

A. Leasing of lands and buildings

The Consolidated Company leases land, houses and buildings as business premises and storage warehouses for ten to twenty years and two to three years, some leases contain an option to extend the lease term for the same period as the original contract upon expiry of the lease term.

B. Other lease

The lease period the Consolidated Company for leasing machinery equipment, office equipment and computer information equipment is three years, and other leases are short-term or low-value leases, the company chooses to apply the exemption recognition requirements and not recognize its related right-of-use assets and lease liabilities.

(15) Deferred revenue

	December 31, 2022	December 31, 2021
Current (Included in other current liabilities)	$ 404	1,337
Non-current	5,749	16,869
Deferred revenue-Government subsidy	$ 6,153	18,206

The Consolidated Company received a government subsidy of NT$22,061 thousand in October 2011, relevant government subsidy conditions are for the purchase and construction of Photovoltaic System, This depreciable fixed asset was accepted in December 1999, and the subsidy is recognized in deferred revenue, And it is amortized over the useful life of the equipment.

On December 31, 2022 and 2021, the company obtained low-interest loans from E.SUN Bank project of NT$1,064,100 thousand and NT$1,020,400 thousand respectively, based on the market interest rate at the time of the loan, the fair value of the loan was estimated at NT$1,056,300 thousand and NT$1,001,119 thousand, respectively. The difference between the acquired amount and the fair value of the loan is NT$7,800 thousand and NT$19,281 thousand respectively, which is regarded as government low-interest loan subsidies, and recognize deferred revenue.

According to the contract, the loan is used to build factories and purchase equipment, and the subsidy income is recognized according to the use period of the asset. In 2022 and 2021, the company recognizes subsidy income of NT$573 thousand and NT$1,075 thousand respectively, which are listed under other income.

(16) Employee benefits

The Consolidated Company's definite allocation plan is in accordance with the provisions of the Labor Pension Act, and is allocated to the Labor Insurance Bureau's individual labor pension account at a contribution rate of 6% of the monthly salary of the employee. After the company allocates a fixed amount to the Labor Insurance Bureau under this plan, there is no legal or constructive obligation to pay additional amounts.

The Consolidated Company's 2022 and 2021 pension expenses under the definite appropriation pension method are NT$21,753 thousand and NT$20,366 thousand respectively, which have been allocated to the Bureau of Labor Insurance.

(17) Income tax

A. Income tax expense

The income tax for 2022 and 2021 expense were as follows

	2022	2021
Current income tax expense		
Current period incurred	$ 253,114	223,605
Undistributed retained earnings	9,639	9,173
Investment tax credit	(4,193)	(6,123)
Prior years income tax adjustment	(4,973)	(21,911)
	253,587	204,744
Deferred tax expense		
Origin and reversal of temporary difference	17,757	(20,185)
Changes in unrecognized temporary differences	(5,239)	9,233
	12,518	(10,952)
Income tax expense (Excluding income tax on profits from the sale of closed units)	**$ 266,105**	**193,792**

The Consolidated Company has no income tax directly recognized under equity in 2022 and 2021.

The relationship between the consolidated company's 2022 and 20210 income tax expenses and pre-tax net profit is adjusted as follows:

	2022	2021
Profit before tax	$ 1,390,199	1,056,242
Income tax calculated according to the domestic tax rate of the place where the Consolidated Company is located	$ 278,040	211,248
Non-deductible expenses	11	597
Tax-free income	(36)	(2,012)
Unrecognized changes in temporary differences	(5,239)	9,233
Upfront Income Tax Overestimation	(4,973)	(21,911)
Levy-Unallocated Retained Earnings	9,639	9,173
Investment tax credit,	(11,592)	(13,069)
The impact of the tax burden adjusted in accordance with the tax law	255	533
Income tax expense	$ 266,105	193,792

B. Deferred tax assets

(a) Unidentified deferred tax assets

	December 31, 2022	December 31, 2021
Deductible temporary difference	$ 107,326	138,393
Tax loss	94,514	524,315
	$ 201,840	662,708

Tax losses are regulated by the Income Tax Act, Losses for the previous ten years as approved by the tax collection agency can be deducted from the net profit of the current year, and then the income tax will be assessed. These items are not recognized as deferred tax assets, it is because the Consolidated Company is unlikely to have sufficient taxable income to use the temporary difference in the future.

As of December 31, 2022, the Consolidated Company has not yet recognized tax loss as deferred tax assets, and the deduction period is as follows:

Millennium VEE Hotel Taichung:

Year of loss	Undeducted loss	Last year of deduction
2013	$ 138,181	2023
2014	119,816	2024
2015	49,120	2025
2016	7,881	2026
2018	14,799	2028
2019	5,865	2029
2020	63,061	2030
2021	68,974	2031
2022	4,874	2032
	$ 472,571	

(b) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the 2022 and 2021 were as follows:

	Jnrealized Allowance for Inventory valuation and obsolescence loss	Unrealized Foreign Exchange Losses	Total
Deferred tax assets:			
Balance on January 1, 2022	$ 14,032	13,185	27,217
Credit- Recognize as profit or loss	-	(12,153)	(12,153)
Balance on December 31, 2022	**$ 14,032**	**1,032**	**15,064**
Balance on January 1, 202	14,032	2,258	16,290
Debit- Recognized as profit or loss	-	10,927	10,927
Balance on December 31, 2021	**$ 14,032**	**13,185**	**27,217**

	Unrealized Foreign Exchange Gain
Deferred tax liabilities:	
Balance on January 1, 2022	$ -
Debit- Recognized as profit or loss	365
Balance on December 31, 2022	**$ 365**
Balance on January 1, 2021	$ 23
Debit- Recognized as profit or loss	(23)
Balance on December 31, 2021	**$ -**

(c) Income tax verification situation

The income tax settlement declaration of the company and its domestic subsidiaries has been verified by the taxation authority as follows:

	Approved year
Parent company	2020
Millennium VEE Hotel Taichung:	2020

(18) Capital and other equity

On December 31, 2022 and 2021, the total rated share capital of the company is NT$1,000,000 thousand, the par value of each share is NT$10, that is 100,000 thousand shares. The above-mentioned total rated share capital is common stock. The issued shares are 80,171 thousand shares and 72,928 thousand shares respectively. Payments for all issued shares have been received.

A. Issuance of common stock

The company passed the resolution of the board of directors on December 10, 2021, handled cash capital increase and issued 7,243 thousand new ordinary shares before the stock's initial listing, NT$10 per share. The capital increase base date of this capital increase plan is May 5th, 2022 in the Republic of China. The bidding auction method is adopted, and each successful bidder shall subscribe according to the winning bid price, The price of each winning bid and its quantity-weighted average price is NT$211.38, the underwriting price for public subscription is NT$200 per share. The total amount of funds raised in this capital increase project is NT$1,507,954 thousand, which has been fully collected. The aforementioned total fundraising amount is in addition to the listed share capital of NT$72,430 thousand, after deducting the brokerage underwriting fee of NT$3,000 thousand, the remaining amount of NT$1,432,524 thousand is accounted for as Additional paid-in capital-Additional paid-in capital in excess of par-preferred stock. The capital increase was approved by the Financial Supervision Commission, and the relevant statutory registration procedures have been completed.

In addition, the remuneration cost incurred by the company for retaining employee stock subscriptions due to the aforementioned cash capital increase project was NT$9,102 thousand, the original account is listed in Additional Paid-In Capital-Employee stock option , transferred after the cash capital increase is completed as Additional paid-in capital-Additional paid-in capital in excess of par-preferred stock NT$9,102 thousand.

B. Additional paid-in capital

	December 31, 2022	December 31, 2021
Additional paid-in capital in excess of par-preferred stock	$ 1,441,626	-
Treasury stock trading	83,002	83,002
	$ 1,524,628	**83,002**

According to the company law, additional paid-in capital needs to make up the losses first before issuing new shares or cash with the realized additional paid-in capital in accordance with the proportion of shareholders' original shares. The realized additional paid-in capital referred to in the preceding paragraph includes the surplus from the issuance of stocks exceeding the par value and the income from receiving gifts. According to "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the total amount of additional paid-in capital that can be allocated to capital every year shall not exceed 10% of the paid-in capital.

C. Retained earnings

According to the articles of association of the company, if there is any surplus in the annual final accounts, it shall be distributed in the following order:

(A) Pay income tax according to law.

(B) Make up for previous year's losses.

(C) Ten percent of the deposit is legal reserve, but this is not the case when the accumulated legal reserve has reached the paid-in capital of the company.

(D) Provision or reversal of special reserve when necessary.

(E) After deducting the previous balance, the board of directors shall prepare a distribution proposal for the balance and the previous year's earnings, and submit it to the shareholders' meeting for a resolution on distribution.

The company's dividend distribution policy depends on factors such as the company's current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets, taking into account the interests of shareholders, observing and analyzing dividends and the company's long-term financial planning, etc., according to Article 240, Item 5 of the Company Law, authorize the board of directors to have more than two-thirds of the directors present, And the resolution of more than half of the directors present shall distribute dividends and bonuses or all or part of the Legal reserve and Additional Paid-In Capita stipulated in Article 241, Paragraph 1 of the Company Law, in the form of cash distribution, and report to the shareholders meeting. The total shareholder dividend is the total distributable surplus that is the balance listed in (E) plus the undistributed surplus at the beginning of the period, choose a ratio within the range of 2.5% to 15% to prepare dividends and bonus proposals for shareholders with surplus distribution, among them, the proportion of shareholder cash dividend distribution shall not be less than 50% of the total shareholder dividend.

(a) Legal reserve

When the company has no losses, it may, upon resolution of the shareholders' meeting, use the legal reserve to issue new shares or cash, provided that the amount exceeds 25% of the paid-in capital.

(b) Surplus appropriation

The company passed the resolution of the board of directors on March 25, 2022, the amount of cash dividends for the 2021 profit distribution plan, and the resolution of the 2020 profit distribution plan at the general meeting of shareholders on July 1, 2021, and the distribution of dividends to owners The amount is as follows:

	2021		2020	
	Allotment ratio NT$	Amount	Allotment ratio NT$	Amount
Dividends distributed to owners of common stock:				
Cash	$ 8.00	583,427	6.00	437,570

The company plans to approve the cash dividend amount for the 2022 profit distribution plan on February 24, 2023. The amount of dividends to be distributed to owners is as follows:

	2022	
	Allotment ratio NT$	Amount
Dividends distributed to owners of common stock:		
Cash	$ 10.00	$ 801,714

(19) Share based payment

On December 10, 2021, the board of directors resolved to increase capital by cash and issue new shares, keep 10%, total of 725 thousand shares, priority subscription by the company's employees, the number of shares abandoned or undersubscribed by employees is authorized to the president to negotiate with a specific person to subscribe for sufficient shares at the issue price. The company has the following share-based payment transactions as of December 31, 2022:

The company has the following share-based payment transactions as of December 31, 2022:

	Equity settled share
	Seasoned equity offering reserved for employee share purchase
Grant date	2022.04.22
Giving amount	725,000 shares
Contract period	2022.04.22~2022.04.29
Grant object	Employee
Vested conditions	Immediately vested

The company adopts the Black Scholes option evaluation model, to estimate the fair value of the share-based payment on the grant date, the input values of this model are as follows:

	2022
	Seasoned equity offering reserved for employee share purchase
Fair value on grant date (NTD$)	15.17
Share price on grant day (NTD$)	215.05
Exercise price (NTD$)	200
Implied Volatility (%)	29.04%
Duration of stock options (Year)	0.0219
Expected dividend	-
Risk free rate (%)	1.45%

The expected volatility is based on the weighted average historical volatility, and adjusted for expected changes due to publicly available information, the duration of stock options is from the date of grant to the end of payment, the risk-free rate is based on Taiwan government bonds.

The company's 2022 expenses incurred due to share-based payment are NT$9,102 thousand .

(20) Earnings per share

	2022	2021
Basic earnings per share		
Net income for the period attributable to holders of common shares of the Company	$ 1,124,094	862,450
Weighted average number of common shares outstanding (thousand shares)	77,711	72,928
Basic earnings per share (Unit: NT$)	$ 14.47	11.83
Fully diluted earnings per share		
Net income for the period attributable to holders of ordinary shares of the Company	$ 1,124,094	862,450
Weighted average number of common shares outstanding (thousand shares)	77,711	72,928
Impact of employee stock compensation (thousand shares)	43	27
Weighted average number of common shares outstanding (thousand shares) (After adjusting for the effect of dilutive potential common shares)	77,754	72,955
Diluted earnings per share (Unit: NT$)	$ 14.46	11.82

(21) Revenue from customer contracts

A. Breakdown of income

	2022	2021
Major regional markets		
Asia	$ 2,341,384	2,314,686
America	467,647	369,075
Europe	606,152	591,044
Other countries	14,601	16,257
	$ 3,429,784	3,291,062
Main Product/Service Line		
Gearbox	$ 2,690,447	2,558,584
Rack and Pinion	207,221	258,543
Robot	57,677	94,199
Room and food service income	435,168	345,235
Other	39,271	34,501
	$ 3,429,784	3,291,062

B. Contract balance

	December 31, 2022	December 31, 2021
Contract liabilities	$ 31,149	25,257

The opening balance of contract liabilities on January 1, 2022 and 2021, the amounts recognized as revenue in 2022 and 2021 are NT$19,417 thousand and NT$15,236 thousand, respectively.

(22) Remuneration of employees and directors

According to the company's articles of association, if there is any profit in the year, no less than 0.5% (inclusive) should be appropriated as employee remuneration and no more than 1% (inclusive) should be allocated as director remuneration. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance. The recipients of the employee remuneration given in the preceding paragraph may include employees of affiliated companies who meet certain conditions. Employee remuneration can be distributed in the form of stock (treasury stock, new stock issuance) or cash, which should be specially resolved by the board of directors and submitted to the shareholders' meeting report.

The company's estimated employee remuneration for 2022 and 2021 is NT$7,009 thousand and NT$6,292 thousand respectively, and the estimated amount of directors' remuneration is NT$4,522 thousand, it is estimated based on the company's pre-tax net profit for each period before deducting the employee and director's remuneration multiplied by the employee's remuneration and director's remuneration distribution ratio stipulated in the company's articles of association, And reported as operating costs or operating expenses in 2022 and 2021.

The actual distribution of employee and director remuneration in 2022 and 2021 is not different from the estimated amount in the company's 2022 and 2021 financial reports.

(23) Non-operating revenue and expenses

A. Interest income

The details of the interest income of the Consolidated Company in 2022 and 2021 are as follows:

	2022	2021
Bank deposit-interest income	$ 45,114	42,193
Bond investment-interest income	1,357	2,604
	$ 46,471	44,797

B. Other income

The details of the other income of the Consolidated Company' in 2022 and 2021 are as follows:

	2022	2021
Government subsidy income	801	11,799
Rent income.	965	853
Dividend income	11	9
	$ 1,777	12,661

C. Other gains and loss

The details of other profits and losses of the Consolidated Company in 2022 and 2021 are as follows:

	2022	2021
Foreign currency exchange losses	$ 175,723	(87,220)
Disposal of interests in property, plant and equipment	11	135
Loss of financial asset at fair value through profit or loss	(1,277)	(2,668)
Other Gains	24,417	16,689
	$ 198,874	(73,064)

D. Financial costs

The Consolidated Company's financial costs for 2022 and 2021 are detailed as follows:

	2022	2021
Interest expense-bank loan	$ 4,362	12,703
Interest expense- interest rate implicit in the lease	6,748	7,072
	$ 11,110	19,775

(24) Financial instruments

A. Credit risk

(a) Credit risk maximum exposure amount

The carry amount of financial assets represents the maximum amount of credit exposure.

(b) Concentration of credit risk

In order to reduce the credit risk of accounts receivable, the company continuously evaluates the customer's financial situation, and will ask the other party to provide guarantee or guarantee when necessary. The company still regularly evaluates the possibility of recovering the accounts receivable and makes provision for losses, and the impairment losses are always within the management's expectations. On December 31, 2022 and 2021, the company, 56% and 34% of the accounts receivable balance are composed of several customers, so that the company has no significant concentration of credit risk.

(c) Credit risk of receivables

Please refer to Note 6 (3) for credit risk exposure information on notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables, deposits and other financial assets.

All of the above are financial assets with low credit risk, therefore, the allowance loss for the period is measured by the amount of twelve-month expected credit losses (Please refer to Note 4 (7) for the explanation of how the company determines that the credit risk is low). There is no provision for allowance for losses in 2022 and 2021.

B. Liquidity risk

The following table presents the contractual maturity dates for financial liabilities, including estimated interest but excluding the effect of netting agreements.

	Carry amount	Cash flow	within 1 year	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2022						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	$ 6,153	6,153	404	404	882	4,463
Accounts payable	111,751	111,751	111,751	-	-	-
Other payables	159,014	159,014	159,014	-	-	-
lease liability (current andnon-current)	630,349	703,651	57,704	38,041	90,004	517,902
Deposits received	228	228	-	-	-	228
	$ 907,495	980,797	328,873	38,445	90,886	522,593

	Carry amount	Cash flow	within 1 year	1to 2 years	2 to 5 years	More than 5 years
December 31, 2021						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	$2,636,871	2,665,905	1,638,212	285,081	730,736	11,876
Accounts payable	79,233	79,233	79,233	-	-	-
Other payables	121,646	121,646	121,646	-	-	-
lease liability (current and non-current)	649,244	729,233	46,947	37,617	97,187	547,482
Deposits received	228	228	-	-	-	228
	$3,487,222	3,596,245	1,886,038	322,698	827,923	559,586

The Consolidated Company does not expect that the cash flow of maturity analysis will be significantly earlier, or the actual amount will be significantly different.

C. Currency risk

(a) Risk of exchange rate risk

The financial assets and liabilities of the Company exposed to significant foreign currency exchange rate risk are as follows:

	December 31, 2022			**December 31, 2021**		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets						
Monetary item						
USD$	$ 59,645	30.710	1,831,698	89,208	27.680	2,469,277
EUR€	16,135	32.720	527,937	13,465	31.320	421,724
CNY¥	62,410	4.408	275,103	476,007	4.344	2,067,774
Financial liabilities						
Monetary item						
CNY¥	7,138	4.408	31,464	2,494	4.344	10,834

(b) Sensitivity analysis

The company's monetary items The exchange rate risk of monetary items mainly comes from cash and cash equivalents denominated in foreign currencies, accounts receivable, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during translation. When the NT dollar depreciates or appreciates by 0.5% against foreign currencies on December 31, 2022 and 2021, with all other factors held constant, The net profit after tax in 2022 and 2021 will increase or decrease by NT$10,412 thousand and NT$19,791 thousand, respectively. The two-period analyzes use the same basis.

(c) Exchange gains and losses on monetary items

Exchange profit and loss information of monetary items of the Consolidated Company, the net foreign currency exchange (loss) gains (including realized and unrealized) in 2022 and 2021 are NT$175,723 thousand and NT$(87,220) thousand, respectively.

D. Interest Rate Risk

The company's financial assets and financial liabilities interest rate exposure are described in the liquidity risk management of this note.

The sensitivity analysis below is based on the interest rate exposure of derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the method of analysis is to assume that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. The rate of change used by the Company when reporting interest rates internally to key management personnel is a 0.5% increase or decrease in interest rates, It also represents management's assessment of the reasonably possible range of change in interest rates.

If the interest rate increases or decreases by 0.5%, and all other variables remain unchanged, the company's net profit after tax in 2022 and 2021 will decrease or increase by NT$25 thousand and NT$10,547 thousand, respectively. The main reason is the Consolidated Company's variable interest rate borrowings.

E. Fair value

(a) Valuation techniques for financial instruments measured at fair value

Amount and Fair value of the Consolidated Company's various financial assets and financial liabilities (including fair value grade information, However, if the carrying amount of a financial instrument that is not measured by fair value is a reasonable approximation of fair value, and lease liabilities, it is not required to disclose fair value information according to regulations) as follows:

	December 31, 2022				
		Fair value			
	Carry Amount	**First level**	**Second level**	**Third level**	**Total**
Financial assets measured at fair value					
Mandatory financial assets at fair value through profit or loss	$ 127	127	-	-	127
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,454,539	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	381,376	-	-	-	-
Other receivables (Include related parties)	18,006	-	-	-	-
Refundable deposits	2,019	-	-	-	-
Other financial assets-current	2,082,414	-	-	-	-
Total	**$ 4,938,481**	**127**	**-**	**-**	**127**
Financial liabilities measured at amortized cost					
Short- term debt	$ -	-	-	-	-
Accounts Payable	111,751	-	-	-	-
Other payables (Include related parties)	159,014	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	6,153	-	-	-	-
Deposits received	228	-	-	-	-
Leased liabilities(current + non-current)	630,349	-	-	-	-
Total	**$ 907,495**	**-**	**-**	**-**	**-**

	December 31, 2021				
		Fair value			
	Carry amount	First level	Second level	Third level	Total
Financial assets measured at fair value					
Mandatory financial assets at fair value through profit or loss	$ 62,697	62,697	-	-	62,697
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,912,707	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	354,385	-	-	-	-
Other receivables	13,923	-	-	-	-
Refundable deposits	1,960	-	-	-	-
Other financial assets-current	2,872,987	-	-	-	-
Total	$ 5,218,659	62,697	-	-	62,697
Financial liabilities measured at amortized cost					
Short- term debt	$ 1,611,000	-	-	-	-
Accounts payable	79,233	-	-	-	-
Other payables (Include related parties)	121,646	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	1,025,871	-	-	-	-
Deposits received	228	-	-	-	-
Leased liabilities(current + non-current)	649,244	-	-	-	-
Total	$ 3,487,222	-	-	-	-

(b) Fair value evaluation techniques for financial instruments that are not measured at fair value.
The methods and assumptions used by the Company to estimate the instruments not measured at fair value are as follows:
For financial assets and liabilities measured at cost after amortization, if there is transaction or quotation information from market makers, the latest transaction price and quotation information shall be used as the basis for evaluating the fair value. If there is no market value for reference, it shall be estimated by evaluation method. The estimates and assumptions used in the valuation method are the discounted present value of the cash flows to estimate the fair value.

(c) Fair value evaluation techniques for measuring financial instruments at fair value
Non-derivative financial instruments, if there is a public quotation in an active market for a financial instrument, the fair value shall be determined based on the public quotation in the active market. The market prices announced by major exchanges and central government bond over-the-counter trading centers that are judged to be popular bonds are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments with open quotations in active markets. If public quotations of financial instruments can be obtained timely and frequently from exchanges, brokers, underwriters, industry associations, pricing service agencies or competent authorities, and the prices represent actual and frequently occurring fair market transactions, the financial instruments There are open quotations in the active market, if the above conditions are not met, the market is considered inactive. In general, wide bid-ask spreads, large increases in bid-ask spreads, or low volume are

indicators of market inactivity.

Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained by evaluation techniques or by referring to quotations from counterparties. The fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, the net asset value method or other evaluation techniques, including the use of market information available on the consolidated balance sheet date. And get.

(d) Transfer between the first level and the second level.

There were no transfers in the past 2022 and 2021 years.

(25) Financial risk management

A. Overview

The Company has exposure to the following risks from its financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

The following likewise discusses the Company’s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks’ exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Consolidated Company's financial management department provides services for various businesses, coordinates operations in domestic and international financial markets, and monitors and manages financial risks related to the company's operations by analyzing internal risk reports based on risk levels and breadth. The Consolidated Company does not trade financial instruments (including derivative financial instruments) for speculative purposes.

C. Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company’s receivables from customers.

(a) Accounts receivable and other receivables

In order to reduce credit risk, the company continuously evaluates the financial status and actual collection situation of major customers, and regularly evaluates the possibility of receiving receivables.

(b) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial department of the company. Since the company's transaction counterparty and other party performing the contract are all credit-worthy banks, there is no major doubt about the performance of the contract, so there is no major credit risk.

(c) Guarantee

The Consolidated Company's policy stipulates that it can only provide financial guarantees to wholly-owned subsidiaries. On December 31, 2022 and 2021, the Consolidated Company did not provide any endorsement guarantee.

D. Liquidity risk

The Consolidated Company manages and maintains sufficient cash and cash equivalents to support the merged company's operations and mitigate the impact of cash flow fluctuations. The management of the Consolidated Company supervises the use of bank financing lines and ensures compliance with the terms of the loan contract.

The Consolidated Company manages and maintains sufficient cash and equivalent cash to support the company's operations and mitigate the impact of cash flow fluctuations. The company's management personnel supervise the use of bank financing lines and ensure compliance with the terms of the loan contract. Bank borrowings are an important source of liquidity for the Company. On December 31, 2022 and 2021, the company's unused short-term bank financing facilities were NT$4,600,000 thousand and NT$3,837,600 thousand, respectively.

E. Market risk

Market risk is a risk that arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Consolidated Company is exposed to exchange rate risk arising from sales and purchase transactions that are not denominated in the functional currency. The functional currency of the group companies is New Taiwan Dollars (NTD). The main denominated currencies for these transactions are US Dollars, Euros and Chinese Yuan.

(b) Interest rate risk

The policy of the Consolidated Company is based on floating interest rate, therefore, the change of market interest rate will make its effective interest rate change accordingly, and make its future cash flow fluctuate. The company negotiates interest rates with banks from time to time to reduce interest rate risk.

(26) Capital management

The Company's policy is to manage its capital of safeguard the capacity to continue as a going concern, returns for continue to provide returns for shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The company controls capital based on the debt-to-equity ratio. The ratio is calculated as net debt divided by total capital. Net debt is the total liabilities shown in the balance sheet minus cash and cash equivalents. Total capital is all the components of equity (share capital, capital reserves, retained earnings and other interests) plus net debt.

The company's capital management strategy for 2022 is consistent with that for 2021. The debt-to-equity ratios for 2022 and 31 December 2021 are as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 1,198,825	3,739,987
Less: cash and cash equivalents	(2,454,539)	(1,912,707)
Net debt	**$ (1,255,714)**	**1,827,280**
Total equity	$ 9,785,466	7,730,743
Total capital (Note)	**$ 8,529,752**	**9,558,023**
Debt-to-equity ratio	**(14.72)%**	**19.12%**

Note: Total capital is all components of equity plus net debt.

(27) Investing and financing activities not affecting the current cash flow

The company's non-cash transaction investment activities in 2022 and 2021 are the right-of-use assets obtained by leasing; please refer to Note 6 (8).

The reconciliation of liabilities from financing activities is as follows:

			Non-cash changes			
	January 1, 2022	Cash flow	Increase in this period	Deferred revenue change	Lease payment change	December 31, 2022
Short-term loan	$ 1,611,000	(1,611,000)	-	-	-	-
Long-term loan (Including deferred revenue and Long-term loans due within one year)	1,025,871	(1,019,145)	-	(573)	-	6,153
Lease liabilities (current + non-current)	649,244	(20,807)	958	-	954	630,349
Total liabilities from financing activities	**$ 3,286,115**	**(2,650,952**	**958**	**(573)**	**954**	**636,502**

			Non-cash changes			
	January 1, 2021	Cash flow	Increase in this period	Deferred revenue change	Lease payment change	December 31, 2021
Short-term loan	$ 468,000	1,143,000	-	-	-	1,611,000
Long-term loan (Including deferred revenue and Long-term loans due within one year)	693,253	333,693	-	(1,075)	-	1,025,871
Lease liabilities (current + non-current)	669,861	(20,617)	-	-	-	649,244
Total liabilities from financing activities	**$ 1,831,114**	**1,456,076**	**-**	**(1,075)**	**-**	**3,286,115**

7. Related-party transactions

(1) Names and relationship with the Company

During the period covered by this consolidated financial report, the related parties who had transactions with the Consolidated Company are as follows:

Name of related party	Relationship with the Consolidated Company
APEX DYNAMICS,INC. - Shanghai	Other related parties. The chairman of the company is a major shareholder of the company's legal person shareholders

(2) Significant transactions with related parties

A. Operating income

Sale of Goods to Related Parties：

	2022	2021
Other related parties:	$ 473,210	537,405

The selling price and sales conditions of the Consolidated Company to other related parties are not significantly different from those of general sales customers. Receivables between related parties have not received collateral, and after assessment, no provision for impairment loss is required (Loss on bad debts).

B. Purchase

The amount of goods purchased by the Consolidated Company from related parties is as follows:

	2022	2021
Other related parties:	$ -	44,360

Due to the particularity of the product and industry characteristics, the transaction price of the Consolidated Company's purchase of goods from related parties cannot be compared with the purchase transaction price of other suppliers, payment terms are not significantly different from typical manufacturers.
Since June 4, 2021, the Consolidated Company was no longer purchase goods from APEX DYNAMICS, INC. - Shanghai, because of business adjustments.

C. Accounts receivable

The details of the Consolidated Company's receivables from related parties are as follows:

Account title.	Related party category	December 31, 2022	December 31, 2021
Accounts receivable	Other related parties: APX DYNAMICS,INC. - Shanghai	$ 65,813	78,716

(3) Major management transaction

The remuneration of major management personnel includes:

	2022	2021
Short-term employee benefits	$ 15,780	14,346
Separation benefits	216	216
Other long-term benefits	-	-
Termination benefits	-	-
Cash-settled share-based payment	546	-
	$ 16,542	14,562

8. Pledged assets

The book value of the pledged assets provided by the Consolidated Company is as follows

Asset	Pledge guarantee subject	December 31, 2022	December 31, 2021
Property, plant and equipment	Bank loan	$ 2,944,170	3,054,858
Other financial asset-current	Short-term loan	-	1,383,288
Other financial asset-current	Issuance of meal coupons, accommodation and fitness membership fees, etc.	20,845	16,380
Other financial asset-current	Customs bond	569	563
		$ 2,965,584	4,455,089

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Significant unrecognized contractual commitments are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 17,532	69,450

(2) Contingent liabilities: None.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

(1) summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	428,691	90,449	519,140	369,950	64,719	434,669
Labor and health insurance	33,429	8,170	41,599	31,083	7,679	38,762
Pension	11,904	2,699	14,603	11,415	2,471	13,886
Remuneration of directors	-	4,703	4,703	-	4,762	4,762
Other employee benefits	12,763	1,475	14,238	12,444	1,499	13,943
Depreciation	190,794	64,405	255,199	184,305	77,772	262,077
Amortization	-	735	735	-	666	666

13. Other disclosures:

(1) Information on significant transactions:

From January 1, 2022 to December 31, 2022, in accordance with the provisions of the Financial Reporting Standards for Securities Issuers, the Consolidated Company should re-disclose the relevant information on major transactions as follows:

A. Fund loan to others:

Unit: NT$1000

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financingto other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purpose	Transaction amount for business between twoparties	Reasonsfor short-term financing	Allowancefor bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	APEX DYNAMICS, INC	Millennium VEE Hotel Taichung	Other receivables-related party	Yes	1,300,000	650,000	596,000 (Note3)	0.75%	short-term financing	-	Operation Requirements	-	None	-	3,914,186 (Note 1)	3,914,186 (Note 2)

Note 1: In accordance with the company's operating procedures for lending funds to others, the maximum loan amount for individual objects should not exceed 40% of the company's net worth.

Note 2: According to the company's operating procedures for lending funds to others, the total amount of funds loaned should not exceed 40% of the net value of the company.

Note 3: Transactions between subsidiaries included in the consolidated financial report have been eliminated when preparing the consolidated financial report.

B. Endorsement for others: None.

C. Securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and joint venture interests):

Unit: NT$1000/1000 shares

Holder	Category and name of security	Relationship with Issuer	Account subject	End of period				Note
				Shares	Carrying amount	Shareholding ratio	Fair value	
APEX DYNAMICS, INC.	Fund - Yuanta Taiwan High Dividend Quality Leading Fund	-	Financial asset flows at fair value through profit or loss	5	127	- %	127	

D. The cumulative purchase or sale of the same securities amounted to NT$300 million or more than 20% of the paid-in capital: None.

E. The amount of real estate acquired is NT$300 million or more than 20% of the paid-in capital: None.

F. Disposal of real estate amounting to NT$300 million or more than 20% of the paid-in capital: None.

G. Purchases and sales of goods with related parties amount to NT$100 million or 20% or more of the paid-in capital:

Unit: NT$1,000

Company -imports (sells) goods	Trading partner	Relation	Transaction situation				Situations and reasons why transaction conditions are different from general transactions		Notes receivable (payment), Accounts receivable		Note
			Import (sale) goods	Amount	Ratio of accounted for total (sale) goods	Credit period	Unit price	Credit period	Balance	Ratio of total receivables (pay) bills, accounts payment	
APEX DYNAMICS, INC.	APEX DYNAMICS, INC. -Shanghai	Other related parties	(sales)	(473,210)	(15.95)%	45 days monthly	-	Note 1	65,813	17.55%	

Note 1: The sales transaction price and collection period between related parties are not significantly different from those of ordinary customers.

H. Receivables from related parties amount to NT$100 million or more than 20% of the paid-in capital:

Unit: NT$1,000

Accounts receivable / Company Name	Trading partner	Relation	Receivable related party Payment balance	Turnover Ratio	Overdue receivables from related parties		Receivables from related parties Recovered amount	Allowance loss amount
					Amount	Processing method		
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Subsidiary of APEX DYNAMICS, INC	596,000	- %	-	-	(Note.1)	-

Note 1: As of 23 February 2023.

Note 2: It has been written off in the consolidated financial report.

I. Engaging in derivatives transactions: None.

J. Business relationship and important transactions between parent company and subsidiary company:

Unit: NT$1,000

NO.	Trader name	Transaction object	Relation	Transaction status			
				Subject	Amount	Transaction terms	Ratio to consolidated total operating income or total assets
0	APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	1	Other receivables -related parties.	596,000	Note.3	5.43%

Note.1 The way to fill in the serial number is as follows:

(a) 0 represents the parent company.

(b) Subsidiaries are numbered sequentially starting from the number 1 according to the company.

Note.2 The type of relationship with the trader is marked as follows:

(a) Parent company to subsidiary company.

(b) Subsidiary to parent company.

(c) Subsidiary to Subsidiary.

Note.3 The terms of the transaction with related parties shall be negotiated by both parties.

Note.4 It has been fully written off when preparing the consolidated financial report.

(2) Information about reinvestment business (Invested companies not including China):

The Consolidated Company's reinvestment business information in 2022 is as follows:

Unit: NT$1,000/share

Name of company	Counter-party	Area	Industry	Original investment amount		End of the period			Income Summary	Net investment	Note
				End of term	Dec, 2022	Shares	Ratio	Amount	of the invested company	income or loss accounted	
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Taichung, Taiwan	Hotel	1,084,602	1,084,602	70,000,000	100%	779,562	(4,726)	(4,726)	Note.1

Note 1: It has been written off in the consolidated financial report.

(3) Information on investment in mainland China: None.

(4) Major shareholders:

Unit: share

Shareholding / Shareholder's Name	Shares	Percentage
Hsing-Chang Investment Co., LTD	34,142,162	42.58%
Chang, Chung-Hsing	28,980,654	36.14%

14. Segment information:

(1) General information

The Consolidated Company has two reportable business departments, the precision machinery department and the restaurant and travel service department. The precision machinery segment is engaged in the production and sales of precision reducers and automatic control equipment manufacturing. The catering service department is engaged in hotel housing service and catering business.

The reportable departments of the Consolidated Company are strategic business units that provide different products and services. Since each strategic business unit requires different technology and marketing strategies, it must be managed separately. Most of the business units were acquired separately, and the management team at the time of acquisition was retained.

(2) Information on departmental profit and loss, assets, liabilities, and their measurement basis and adjustments should be reported

The Consolidated Company uses the departmental after-tax profit and loss in the internal management report reviewed by the chief operating decision-maker as the basis for management resource allocation and performance evaluation. In addition, all reportable segment profit and loss include significant non-cash items other than depreciation and amortization. The reported amounts are consistent with the reports used by operating decision makers.

The accounting policies of the operating departments are the same as the summary of important accounting policies stated in Note 4. The Consolidated Company regards sales and transfers between departments as transactions with third parties and is measured at current market prices.

The operating department information and adjustments of the merged company are as follows:

	2022			
	Precision machinery	**Hotel and Restaurant Service**	**Adjustments and write-offs**	**Other**
Income:				
Revenue from external customers	$ 2,966,054	463,730	-	3,429,784
Segment revenue	-	407	(407)	-
Interest income	51,102	63	(4,694)	46,471
Total income	**$ 3,017,156**	**464,200**	**(5,101)**	**3,476,255**
Interest expense	**$ 5,842**	**9,962**	**(4,694)**	**11,110**
Depreciation and amortization	**$ 255,934**	**109,945**	**-**	**365,879**
Investment loss accounted for using equity method	**$ (4,726)**	**-**	**4,726**	**-**
Reportable segment profit or loss	**$ 1,128,820**	**(4,726)**	**-**	**1,124,094**
Investments accounted for using equity method	**$ 779,562**	**-**	**(779,562)**	**-**
Non-current assets-Capital Expenditure	**$ 146,843**	**13,797**	**-**	**160,640**

	2021			
	Precision machinery	Hotel and Restaurant Service	Adjustments and write-offs	Other
Income:				
Revenue from external customers	$ 2,920,885	370,177	-	3,291,062
Segment revenue	-	167	(167)	-
Interest income	49,664	8	(4,875)	44,797
Total income	$ 2,970,549	370,352	(5,042)	3,335,859
Interest expense	$ 13,737	10,913	(4,875)	19,775
Depreciation and amortization	$ 262,743	126,030	-	388,773
Investment loss accounted for using equity method	$ (58,949)	-	58,949	-
Reportable segment profit or loss	$ 921,399	(58,949)	-	862,450
Investments accounted for using equity method	$ 784,288	-	(784,288)	-
Non-current assets-Capital Expenditure	$ 392,500	11,494	-	403,994

The major adjustment items of the above-mentioned reportable departmental information are explained as follows:

The total reportable segment revenues for 2022 and 2021 are NT$407 thousand and NT$167 thousand, respectively.

(3) Product information

Consolidated Company's income from external customers is as follows:

Product and service name	2022	2021
Gearbox	$ 2,690,447	2,558,584
Rack and Pinion	207,221	258,543
Robot	57,677	94,199
Hotel and Restaurant revenue	435,168	345,235
Other	39,271	34,501
Total	$ 3,429,784	3,291,062

(4) Area information

The geographical information of Consolidated Company is as follows, in which the income is classified based on the geographical location of customers, Non-current assets are classified according to the geographical location of the assets.

Area		2022	2021
Income from external clients:			
Asia	$	2,341,384	2,314,686
America		467,647	369,075
Europe		606,152	591,044
Other		14,601	16,257
Total	$	3,429,784	3,291,062

Area		December 31, 2022	December 31, 2021
Non-current assets:			
Asia	$	4,552,595	4,759,759

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets; it does not include non-current assets of financial instruments, deferred income tax assets, assets of post-employment benefits and rights arising from insurance contracts.

(5) Main customer information

		2022	2021
Sales revenue - Company A	$	473,210	537,405

Stock Code: 4583

【Appendix 2】

APEX DYNAMICS, INC.

Parent Company Only Financial Statements
for the Years Ended December 31, 2022 and 2021
and Independent Auditors' Report

Address： Central Taiwan Science Park
No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan
Telephone：886-4-2465-0219

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of APEX Company:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The 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 of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(13) "Revenue" and Note 6(22) "Revenue from contracts with customers" to the consolidated financial statements.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management, since the revenue is recognized based on each sale order and contract terms to be identified and because the timing and amount of revenue recognition have a significant impact on the financial statement. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Company.

How the matter was addressed in our audit:

Our principal audit procedures included: the principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year, sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the accounting treatment of related contracts is applied appropriately, performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

2. Assessment of Inventory

The accounting principle of inventory, refer to consolidated financial statements Note 4 (7)“inventory”, the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note 5; the explanation of inventory assessment refers to consolidated financial statements Note 6 (5).

Description of key audit matter:

The Company’s inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included conducting sampling to examine accuracy of inventory aging; assessing the Company’ s inventory decline or rationality of debt ratio; examining accuracy of allowance amount of inventory of past years, and comparing with this period; assessing whether estimation method this period presents fairly; examining whether the valuation of inventories is in compliance with the accounting policies of the Company; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, if we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng Hsueh, Chen and Tsu-Hsin, Chang.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2023

Notes to Readers

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

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

APEX DYNAMICS, INC.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 2,389,845	23	1,860,714	17
1110	Current financial assets at fair value through profit or loss (Note 6(2))	127	-	62,697	1
1150	Notes receivable, net (Note 6(3))	1,985	-	7,679	-
1170	Accounts receivable, net (Note 6(3))	306,966	3	261,187	3
1180	Accounts receivable due from related parties, net (Notes 6(3) and 7)	65,813	-	78,716	1
1200	Other receivables, net (Note 6(4))	17,975	-	13,502	-
1210	Other receivables due from related parties, net (Notes 6(4))	596,390	6	650,424	6
1220	Current tax assets	4,814	-	21,910	-
130X	Inventory(Note 6(5))	1,458,107	14	1,429,191	13
1410	Prepayments (Note 6(6))	5,120	-	4,946	-
1476	Other current financial assets (Note 6(11) and 8)	2,061,569	20	2,856,606	26
1479	Other current assets, others (Note 6(11))	-	-	24	-
	Total current assets	6,908,711	66	7,247,596	67
	Non-current assets:				
1550	Investments accounted for using equity method (Note 6(7))	779,562	8	784,288	7
1600	Property, plant and equipment (Note 6(8). 8 and 9)	2,528,062	25	2,545,735	24
1755	Right-of-use asset (Note 6(9))	125,939	1	141,097	1
1780	Intangible assets (Note 6(10))	2,836	-	2,375	-
1840	Deferred tax assets (Note 6(18))	15,064	-	27,217	-
1920	Refundable deposits (Note 6(11))	183	-	145	-
1990	Other Non-Current Assets－Other (Note 6 (11))	28,858	-	107,904	1
	Total Non-current assets	3,480,504	34	3,608,761	33
	Total assets	$ 10,389,215	100	10,856,357	100

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(12) and 8)	$ -	-	1,579,000	15
2130	Current contract liabilities (Note 6 (22)and7)	3,778	-	902	-
2170	Accounts payable	97,991	1	66,062	1
2200	Other payables	111,064	1	86,492	1
2220	Other payables-Related person (Note 7)	65	-	12	-
2230	Current tax liabilities	254,064	3	222,411	2
2280	Current lease liabilities (Note 6(15))	16,990	-	16,402	-
2300	Other Current Liabilities (Note 6 (13)(14)(16))	2,046	-	20,358	-
	Total Current Liabilities	485,998	5	1,991,639	19
	Non-Current Liabilities:				
2540	Long-term borrowings (Note 6(14) and 8)	-	-	990,131	9
2570	Deferred tax liabilities (Note 6(18))	364	-	-	-
2580	Non-current lease liabilities (Note 6(15))	111,638	1	126,975	1
2630	Long-term deferred revenue (Note 6(16))	5,749	-	16,869	-
	Total Non-Current Liabilities	117,751	1	1,133,975	10
	Total Liabilities	603,749	6	3,125,614	29
	Equity (Note 6(19))				
3100	Capital stock	801,714	8	729,284	7
3200	Capital surplus	1,524,628	14	83,002	1
3300	Retained earnings	7,459,124	72	6,918,457	63
	Total equity	9,785,466	94	7,730,743	71
	Total Liabilities and Equity	$ 10,389,215	100	10,856,357	100

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

APEX DYNAMICS, INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		For the years ended December 31			
		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue (Note 6(22) and 7)**	2,966,054	100	2,920,885	100
5000	**Operating costs (Note 6(5) (8) (9) (15) (17) (23)and 7)**	1,530,133	52	1,504,889	52
	Gross Profit	1,435,921	48	1,415,996	48
	Operating Expense (Note 6(8) (9) (10) (15) (17) (23) and7)**:**				
6100	Selling expenses	37,908	1	36,533	1
6200	Administrative expenses	201,832	7	193,998	7
6300	Research and development expenses	43,063	1	32,570	1
		282,803	9	263,101	9
	Net operating income	1,153,118	39	1,152,895	39
	Non-operating revenue and expenses (Note 6(24)):				
7100	Interest income	51,102	2	49,664	2
7010	Other income	1,171	-	1,621	-
7020	Other gains and losses, net	195,375	6	(75,251)	(3)
7050	Finance costs, net (Note 6(15))	(5,842)	-	(13,737)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	(4,726)	-	(58,949)	(2)
		237,080	8	(96,652)	(3)
7900	Profit before tax	1,390,198	47	1,056,243	36
7950	Total tax expense **(Note 6(18))**	266,104	9	193,793	6
	Profit	1,124,094	38	862,450	30
8300	Other comprehensive income, net	-	-	-	-
8500	**Total comprehensive income**	**$ 1,124,094**	**38**	**862,450**	**30**
	Earnings per share (Note 6(21))				
9750	Basic earnings per share (NT$)	$ 14.47		11.83	
9850	Diluted earnings per share (NT$)	$ 14.46		11.82	

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

APEX DYNAMICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

			Retained earnings			
	Ordinary shares	Capital surplus	Legal reserve	Undistributed earnings	Total	Total Equity
Balance at January 1, 2021	$ 729,284	83,002	715,436	5,778,141	6,493,577	7,305,863
Profit	-	-	-	862,450	862,450	862,450
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	862,450	862,450	862,450
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	68,162	(68,162)	-	-
Cash dividends of ordinary share	-	-	-	(437,570)	(437,570)	(437,570)
	-	-	68,162	(505,732)	(437,570)	(437,570)
Balance at December 31, 2021	**$ 729,284**	**83,002**	**783,598**	**6,134,859**	**6,918,457**	**7,730,743**
Balance at January 1, 2022	$ 729,284	83,002	783,598	6,134,859	6,918,457	7,730,743
Profit				1,124,094	1,124,094	1,124,094
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,124,094	1,124,094	1,124,094
Appropriation and distribution of retained earnings:						
Legal reserve appropriated	-	-	86,245	(86,245)	-	-
Cash dividends of ordinary share	-	-	-	(583,427)	(583,427)	(583,427)
			86,245	(669,672)	(583,427)	(583,427)
Cash Capital Increase	72,430	1,432,524	-	-	-	1,504,954
Cost of employee stock options payable	-	9,102	-	-	-	9,102
Balance at December 31, 2022	**$ 801,714**	**1,524,628**	**869,843**	**6,589,281**	**7,459,124**	**9,785,466**

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

APEX DYNAMICS, INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		2022	2021
Cash flows from (used in) operating activities:			
Profit before tax	$	1,390,198	1,056,243
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		255,199	262,077
Amortization expense		735	666
Net gains on financial assets or liabilities at fair value through profit or loss		1,277	2,668
Interest expense		5,842	13,737
Interest income		(51,102)	(49,664)
Dividend income		(11)	(9)
Cost of share-based payment payable		9,102	-
Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method		4,726	58,949
Gains on disposal of property, plan and equipment		(11)	(135)
Total adjustments to reconcile profit (loss)		225,757	288,289
Changes in operating assets and liabilities:			
Changes in operating assets			
Decrease in notes receivable due from related parties		5,694	3,933
Increase in notes receivable		(45,779)	(34,705)
Accounts payable – related parties reduce		12,903	24,649
Decrease(increase) in other accounts		(1,460)	4,321
Decrease (increase) in inventories		(28,916)	157,554
Decrease (increase) in prepaid accounts		(252)	709
Decrease (increase) in other current assets		24	(12)
Increase in other finance assets		(6)	(4)
Total change in operating assets		(57,792)	156,445
Total changes in operating liabilities			
Increase (decrease) in contract liabilities		2,876	(1,873)
Increase in accounts payable		31,929	19,004
Decrease in accounts payable – related parties		-	(12,297)
Decrease in Other payables		29,446	6,260
Increase (decrease) in other payables – related parties		53	(68)
Decrease in other current liabilities		(418)	(1,021)
Total changes in operating liabilities		63,886	10,005
Total changes in operating assets and liabilities		6,094	166,450
Total adjustments		231,851	454,739
Cash flows from operating activities		1,622,049	1,510,982
Interest received		48,123	45,148
Dividend received		11	9
Interest paid		(6,401)	(13,329)
Income tax paid		(204,838)	(81,206)
Net cash flows from operating activities		1,458,944	1,461,604
Cash Flows from Investing Activities			
Fair Value Through Other Comprehensive Income Financial Assets		61,293	-
Acquisition of disposal of property, plant and equipment		(121,735)	(365,359)
Proceeds from disposal of property, plant and equipment		11	150
Decrease (increase) in refundable deposits		(38)	360
Decrease (increase) in other receivable- related parties		54,000	-
Acquisition of intangible assets		(801)	(231)
Increase (Decrease) in other financial assets **Ts**		795,043	(1,655,590)
Increase in other non-current assets		(24,307)	(26,911)
Net cash flows from (used in) investing activities		763,466	(2,047,581)
Cash flows from (used in) financing activities:			
Increase in short-term loans		118,000	3,462,000
Decrease in short-term loans		(1,697,000)	(2,270,000)
Proceeds from long-term debt		44,955	333,693
Repayments of long-term debt		(1,064,100)	-
Payments of lease liabilities		(16,661)	(16,627)
Cash dividend		(583,427)	(437,570)
Proceeds from issuing shares		1,504,954	-
Net cash flows from (used in) investing activities		(1,693,279)	1,071,496
Net increase in cash and cash equivalents		529,131	485,519
Cash and cash equivalents at beginning of period		1,860,714	1,375,195
Cash and cash equivalents at end of period	$	**2,389,845**	**1,860,714**

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

APEX DYNAMICS, INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Company history

The APEX DYNAMICS, INC. (Hereinafter referred to as the "Company", named Taiwan Guangyong Power Technology Co., Ltd.), established on October 26, 1999 with the approval of the Ministry of Economic Affairs, The Taiwan Guangyong Power Technology Co., Ltd. merged with APEX DYNAMICS, INC. on December 26, 2008, and took the company as the surviving company after the merger, It was renamed as APEX DYNAMICS, INC. on February 26, 2009, registered at No. 10, Keyuan 3rd Rd., Xitun Dist., Taichung City, Taiwan.

The main business of the company is the manufacturing of mechanical transmission components such as Gearbox, Rack and Pinion. The company's stock has been approved for listing and trading by the Taiwan Stock Exchange, it has been officially listed on the Taiwan Stock Exchange since May 9, 2022.

2. Approval date and procedures of the financial statements:

The company only financial statements were authorized for issuance by the Board of Directors on February 24, 2023.

3. New standards, amendments and interpretations adopted:

(1) The impact of the newly released, revised standards, interpretations and recognized by the "Financial Supervisory Commission Taiwan".

The company began to apply the following newly revised "International Financial Reporting Standards" from January 1, 2022, and it did not have a significant impact on individual financial reports.

- Amendments to "International Accounting Standards" No. 16: "Real estate, plant and equipment - the price before reaching the intended state of use".
- Amendments to "International Accounting Standards" No. 37: "Onerous Contracts—Costs of Performing Contracts".
- Annual Improvements to "International Financial Reporting Standards", cycle of 2018-2020.
- Amendments to "International Financial Reporting Standards" No.3: "References to Conceptual Frameworks".

(2) The impact of haven't passed the International Financial Reporting Standards recognized by the "Financial Supervisory Commission Taiwan".

The company assesses that the application of the following newly revised International Financial Reporting Standards, which will take effect from January 1 2023, will not have a significant impact on individual financial reports.

- Amendment to "International Accounting Standards", No. 1: "Disclosure of Accounting Policies".
- Amendments to "International Accounting Standards", No. 8: "Definition of Accounting Estimates".
- Amendment to "International Accounting Standards", No.12: "Deferred income tax related to asset and liabilities arising from a single transaction".

(3) Newly released and revised standards and interpretations not yet approved by the "Financial Supervisory Commission Taiwan":

The International Accounting Standards Board has issued and revised the standards and interpretations that have not yet been approved by the Financial Supervisory Commission. The content that may be relevant to the company is as follows：

Newly Issued or Revised Guidelines	Modified Content	Effective Date
Amendments to "International Accounting Standards" No.1: "Classification of Liabilities as Current or Non-Current".	The current IAS 1 stipulates that liabilities for which the enterprise does not have an unconditional right to defer settlement for at least twelve months after the reporting period shall be classified as current. The amendment deletes the requirement that the right should be unconditional and instead requires that the right must exist and be substantive at the end of the reporting period. The amendment clarifies how an enterprise should classify liabilities that are paid off by issuing its own equity instruments (such as convertible corporate bonds).	January 1, 2024
Amendments to "International Accounting Standards" No. 1": "Non-current liabilities with contractual terms".	After reconsidering certain aspects of the 2020 IAS1 amendments, the new amendment clarifies that only contractual terms in compliance on or before the reporting date affect the classification of a liability as current or non-current. The contractual terms to which a business is bound after the reporting date (i.e. future terms) do not affect the classification of liabilities at that date, however, when non-current liabilities are subject to future contractual terms, companies need to disclose information to help users of financial statements understand the risk that such liabilities may be repaid within twelve months of the reporting date.	January 1, 2024

The company is continuously assessing the impact of the above-mentioned standards and interpretations on the company's financial position and operating results, and the relevant impact will be disclosed when the assessment is completed.

The company expects that the following other unrecognized newly issued and revised standards will not have a significant impact on individual financial reports.

- Amendments to "International Financial Reporting Standards" No. 10 and "International Accounting Standards" No. 28 "Asset sale or investment between investors and their affiliates or joint ventures"
- "International Financial Reporting Standards" No. 17: "Contract of Insurance", and amendments to "International Financial Reporting Standards" No. 17.
- Amendments to "International Financial Reporting Standards" No.176: Requirements for sale and leaseback transactions.

4. Summary of significant accounting policies:

A summary of the significant accounting policies adopted in this individual financial report is as follows. The following accounting policies have been consistently applied to all periods presented in this individual financial report.

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

Except for financial assets measured at fair value through profit or loss, which are measured at fair value, this individual financial report has been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which it operates. This individual financial report is expressed in New Taiwan dollars, the company's functional currency. All financial information expressed in New Taiwan dollars is in thousands of New Taiwan dollars.

(3) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency exchange differences arising from translation are normally recognized in profit or loss.

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

An asset is classified as current when：

A. It is expected to be realized, or intended to be sold or consumed, during the normal operating cycle.

B. It is held primarily for the purpose of trading.

C. It is expected to be realized within twelve months after the reporting period.

D. The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is classified as current when:

A. It is expected to be settled within the Company's normal operating cycle.
B. It is held primarily for the purpose of trading.
C. The liability is due to be settled within twelve months after the reporting period; or
D. The Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand, check deposits and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

(6) Financial instruments

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

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

When a financial asset meets the following conditions at the same time and is not designated as measured at fair value through profit or loss, it is measured at cost after amortization:

- The financial asset is held under the business model for the purpose of collecting contractual cash flow.
- The contractual terms of the financial asset generate cash flows on specified dates that are exclusively payments of principal and interest on the principal amount outstanding.

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

(b) Fair value through other comprehensive income

Financial assets that are not measured at amortized cost above or at fair value through other comprehensive profit or loss are measured at fair value through profit or loss, including derivative financial assets.

At the time of original recognition, in order to eliminate or significantly reduce the improper accounting ratio, the company may irrevocably designate financial assets that meet the conditions of measuring at amortized cost or at fair value through other comprehensive profit and loss as at fair value through profit or loss. Financial assets measured by value.

These assets are subsequently measured at fair value and the net gain or loss , including any dividend and interest income, is recognized in profit or loss.

(c) Impairment of financial assets

The company's financial assets (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, deposits and other financial assets, etc.) measured at cost after amortization） and contract assets are recognized as an allowance for expected credit losses.

The following financial assets are measured against allowance losses based on twelve-month expected credit loss amounts, the rest are measured by the amount of expected credit losses during the duration:

- Debt securities are judged to have low credit risk at the reporting date, and:
- The credit risk of other debt securities and bank deposits (the risk of default during the expected life of the financial instrument) has not increased significantly since original recognition.

The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the duration. When determining whether the credit risk has increased significantly since the original recognition, the Company considers reasonable and verifiable information (obtainable without excessive cost or investment), including qualitative and quantitative information, and analysis based on the company's historical experience, credit evaluation and forward-looking information.

If the contract payment is overdue for more than 90 days, the company assumes that the credit risk of the financial asset has increased significantly.

If the contract payment is overdue for more than 120 days, or the borrower is unlikely to fulfill its credit obligations to pay the full amount to the company, the company considers the financial asset to be in default.

The expected credit loss during the duration refers to the expected credit loss arising from all possible default events during the expected duration of the financial instrument.

Twelve-month expected credit loss refers to the expected credit loss arising from possible default events of financial instruments within twelve months after the reporting date, or a shorter period if the expected life of the financial instrument is less than twelve months.

The longest period for measuring expected credit losses is the longest contractual period over which the Company is exposed to credit risk.

Expected credit loss is a probability-weighted estimate of credit loss during the expected life of a financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that the company can receive under the contract and the cash flows that the company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The company assesses whether financial assets measured at amortized cost are credit-impaired at each reporting date. A financial asset is credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of the financial asset have occurred.

An allowance for a financial asset carried at amortized cost is deducted from the asset's carrying amount and the amount of the allowance or reversal is recognized in profit or loss.

When the company cannot reasonably expect to recover all or part of the financial assets, it directly reduces the total book value of its financial assets. The company analyzes the timing and amount of write-offs individually on the basis of whether it is reasonably expected to be recoverable. The Company does not anticipate a material reversal of the amount written off. However, written-off financial assets are still enforceable to comply with the Company's procedures for recovering overdue amount.

(d) Delisting of Financial Assets

The Company only terminates its contractual rights to the cash flows from the asset, or has transferred the financial asset and substantially all the risks and rewards of ownership of the asset have been transferred to another enterprise, financial assets are declassified when they have neither transferred nor retained substantially all the risks and rewards of ownership nor retained control over the financial asset.

If the Company enters into a transaction to transfer financial assets, if it retains all or substantially all the risks and rewards of ownership of the transferred assets, it will continue to recognize in the balance sheet.

B. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equity

The debt and equity instruments issued by the company are classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities and equity instruments.

(b) Equity transaction

An equity instrument is any contract that recognizes the Company's remaining interest in an asset less all of its liabilities. The equity instruments issued by the company are recognized at the amount obtained after deducting the direct issuance costs.

(c) Treasury Stock

When repurchasing the recognized equity instruments of the Company, the consideration paid (including directly attributable costs) shall be recognized as a decrease in equity. Shares repurchased are classified as treasury stocks. Subsequent sales or reissue of treasury stocks, the amount received is recognized as an increase in equity, and the surplus or loss resulting from the transaction is recognized as capital reserve or retained earnings (if the capital reserve is insufficient to offset).

(d) Financial Liabilities

Financial liabilities are classified as either amortized cost or fair value through profit or loss. Financial liabilities are classified as fair value through profit or loss if they are held for trading, derivatives or designated at original recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and the related net gains and losses, including any interest expense, are recognized in profit or loss.

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

(e) Delisting of Financial Liabilities

The company delists financial liabilities when the contractual obligations have been fulfilled, canceled or expired. When the terms of financial liabilities are modified and there is a significant difference in the cash flow of the modified liabilities, the original financial liabilities shall be excluded, and based on the revised terms, new financial liabilities are recognized at fair value.

When a financial liability is delisted, the difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities can only be offset and expressed on the balance sheet with a net amount when the company currently has a legally enforceable right to offset each other and intends to deliver with a net amount or realize assets and liquidate liabilities at the same time.

(7) Inventory

Inventories are measured at the lower of cost and net realizable value. Costs include acquisition, production or processing costs and other costs incurred to bring them to the usable location and state, and are calculated using the weighted average method. The cost of finished goods and work-in-progress inventories includes manufacturing overhead apportioned in appropriate proportions based on normal production capacity.

Net realizable value refers to the estimated selling price under normal business conditions less the estimated cost to complete the project and the estimated cost to complete the sale.

(8) Investment Subsidiary

When preparing the individual financial report, the company adopts the equity method to evaluate the controlling invested company. Under the equity method, the current profit and loss and other comprehensive profit and loss in the individual financial report are the same as the share of the current profit and loss and other comprehensive profit and loss attributable to the owner of the parent company in the financial report prepared on the basis of consolidation, and the owner's equity in the individual financial report is the same as the equity attributable to the owner of the parent company in the financial report prepared on the basis of consolidation.

If the company's change in the ownership interest of a subsidiary does not result in a loss of control, it shall be treated as an equity transaction with the owner.

(9) Property, Plant and Equipment

A. Recognition and Measurement

Property, plant and equipment are recognized and measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment losses.

When the useful life of major components of real estate, plant and equipment is different, they are treated as separate items (main components) of real estate, plant and equipment.

Gains or losses on the disposal of property, plant and equipment are recognized in profit or loss.

B. Subsequent Costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the company.

C. Depreciation

Depreciation is calculated as the asset's cost less its salvage value and is recognized in profit or loss over the estimated useful life of each component using the straight-line method. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

(a) Housing and buildings: 3~50 years
(b) Machinery and equipment: 2~15 years
(c) Other equipment: 2~10 years

The company reviews the depreciation method, useful life and salvage value on each reporting date, and makes appropriate adjustments when necessary.

(10) Lease

The Company assesses whether a contract is or contains a lease at the date the contract is formed. A contract is or contains a lease if the contract transfers control over the use of an identified asset for a period of time in exchange for consideration.

A. Lessee

The company recognizes right-of-use assets and lease liabilities on the lease commencement date, and the right-of-use assets are originally measured at cost, this cost includes the original measure of the lease liability, adjust any lease payments made on or before the lease commencement date, plus the original direct costs incurred and the estimated costs of dismantling, removing and restoring the location or the subject asset, less any rental incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the expiry of the useful life of the right-of-use asset or the expiry of the lease term, whichever is earlier, in addition, the company regularly assesses whether the right-of-use assets have been impaired and deals with any impairment losses that have occurred, and adjust the right-of-use asset in conjunction with the re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the lease inception date. If the interest rate implied by the lease is easy to determine, the discount rate is that rate, if it is not easy to determine, use the company's incremental borrowing rate. Generally speaking, the Company adopts its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

(a) Fixed payments, including in-substance fixed payments.
(b) Variable lease payments that depend on an index or rate, using the index or rate at lease commencement as the original measure
(c) The residual value guarantee amount expected to be paid, and
(d) The exercise price or penalty payable when it is reasonably certain that the purchase option or lease termination option will be exercised.

Subsequent accrual of interest on lease liabilities using the effective interest method, and measure its amount again when:

(a) Changes in the index or rate used to determine lease payments lead to changes in future lease payments.
(b) There is a change in the residual value guarantee amount expected to be paid.
(c) There is a change in the valuation of the underlying asset purchase option.
(d) A change in the estimate of whether to exercise the option to extend or terminate, resulting in a change in the assessment of the lease term.
(e) Modification of the subject matter, scope or other terms of the lease.

Lease liabilities due to changes in the aforementioned index or rate used to determine lease payments, when there is a change in the residual value guarantee amount and a change in the evaluation of the purchase, extension or termination option and is re-measured, the book value of the right-of-use asset should be adjusted accordingly, when the carrying amount of the right-of-use asset is reduced to zero, the remaining re-measured amount is recognized in profit or loss.

For a lease modification that reduces the scope of the lease, it reduces the carrying amount of the right-of-use asset to reflect partial or full termination of the lease, the difference between this and the re-measured amount of the lease liability is recognized on profit or loss.

The company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

If the agreement contains lease and non-lease components, the Company allocates the consideration in the contract to the individual lease components on a relative stand-alone price basis. Unless, when leasing land and buildings, the company chooses not to distinguish "non-lease components", but treats "lease components" and "non-lease components" as "single lease components" for processing. For short-term leases of office equipment and leases of low-value underlying assets, The Company elects not to recognize a right-of-use asset and a lease liability, relevant lease payments are recognized as expenses during the lease period on a straight-line basis.

Beginning January 1, 2021, when the basis for determining future lease payments is changed due to changes in interest rate indicators, the company uses a revised discount rate that reflects changes in another index interest rate, the lease liability is measured by discounting the revised lease payments. The company is for all rental concessions that meet all of the following conditions, choose to apply the practical expedient and not assess whether it is a lease modification:

(a) Rent Concessions as a Direct Result of the COVID-19 Pandemic
(b) Changes in lease payments that result in the modified lease consideration being almost the same or less than the lease consideration before the change
(c) Any reduction in lease payments will only affect payments originally due before June 30, 2022, and
(d) There are no material changes to the other terms and conditions of the lease

Under the practical expedient method, when rental concessions lead to changes in lease payments, the changes are recognized in profit or loss when the event or situation that initiates rental concessions occurs.

B. Lessor

The transaction in which the company is the lessor is to classify the lease contract according to whether it transfers almost all the risks and rewards attached to the ownership of the underlying asset on the date of establishment of the lease, if so, it is classified as a finance lease, otherwise it is classified as an operating lease. When evaluating, the company considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying asset.

If the agreement includes lease and non-lease components, the company's International Financial Reporting Standards No. 15 allocates the consideration in the contract.

(11) Intangible assets

A. Recognition and Measurement

Expenses related to research activities are recognized in profit or loss when incurred.

Development expenditures are made only when they can be reliably measured, the technical or commercial feasibility of the product or process has been achieved, and future economic benefits are likely to flow into the company, and capitalization begins when the company intends and has sufficient resources to complete the development and use or sell the asset. Other development expenditures are recognized in profit or loss as incurred. After original recognition, capitalized development expenditures are measured at their cost less accumulated amortization and accumulated impairment.

The company acquires other intangible assets with limited useful life, Including patent rights and trademark rights, etc., it is measured by the amount after deducting accumulated amortization and accumulated impairment losses from cost.

B. Subsequent Expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset concerned. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and brands.

C. Amortization

Amortization, other than goodwill, is calculated as the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method from the time the intangible asset is ready for use over its estimated useful life.

The estimated useful lives for the current and comparative periods are as follows:

(a) Computer software: 2~5 years

(b) Patent right: 4~25 years

(c) Trademark rights: 10 years

The company reviews the amortization method, useful life and residual value of intangible assets on each reporting date and makes appropriate adjustments when necessary.

(12) Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that the carrying amount of the non-financial asset may have been impaired（except for inventories and deferred tax assets）. If any indication exists, estimate the asset's recoverable amount. Goodwill is regularly tested for impairment every year.

For the purposes of impairment testing, a group of assets whose cash inflows are largely independent of those of other individual assets or groups of assets is the smallest identifiable group of assets. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit less disposal costs and its value in us. When assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate, the discount rate should reflect current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. Impairment losses are recognized if the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount. Impairment losses are recognized immediately in profit or loss for the current period, and first reduce the book amount of the apportioned goodwill of the cash-generating unit, and then reduce the book amount of each asset in proportion to the book amount of other assets in the unit.

Goodwill impairment losses are not reversed. Non-financial assets other than goodwill are only reversed within the range not exceeding the carrying amount determined when the asset has not recognized the impairment loss in the previous year（depreciation or amortization）.

(13) Recognition of Income

Revenue from customer contracts

Revenue is measured by the consideration to which goods or services are transferred and to which they are expected to be entitled. Revenue is recognized when the company's control of the goods or services is transferred to the customer and the performance obligations are met. The company's main income items are explained as follows:

A. Sales of Goods

The company mainly manufactures precision gearbox, gears, automatic control equipment and other related products. The company recognizes revenue when control of the product is transferred. The transfer of control of the product means that the product has been delivered to the customer, customers can completely determine the sales channels and prices of products, and has no unfulfilled obligations that would affect the customer's acceptance of the product. Delivery occurs, when the product is shipped and the risk of obsolescence and loss has passed to the customer, and when the customer has accepted the product according to the sales contract, the acceptance clause has become invalid, or the company has objective evidence that all acceptance conditions have been met.

The company recognizes accounts receivable when the control of the goods is transferred, because the merging company has the unconditional right to receive the consideration at that point in time.

B. Financial Composition

The company expects that the time interval between the time when all customer contracts transfer goods or services to the customer and the time when the customer pays for the goods or services will not exceed one year, Therefore, the Company does not adjust the time value of money of the transaction price.

(14) Government Subsidy

When the company can receive government subsidies, the unconditional subsidies are recognized as other income. For other subsidies related to assets, when the company can reasonably believe that the conditions attached to the government subsidy will be followed and the subsidy will be received, it will be recognized in deferred income at fair value, and recognize the deferred income as other income on a systematic basis within the useful life of the asset. Government grants to compensate for the expenses or losses incurred by the company shall be recognized in profit or loss on a systematic basis and related expenses at the same time

(15) Employee Benefits

A. Confirm allocation plan

The contribution obligation of the defined contribution pension plan is recognized as an expense during the service period of the employee. Prepaid appropriations are recognized as an asset to the extent that they will result in a return of cash or a reduction in future payments.

B. Short-term Employee Benefits

Short-term employee benefit obligations are recognized as an expense when services are rendered. If the company has a current legal or constructive payment obligation due to the past service provided by the employee, and the obligation can be reliably estimated, the amount is recognized as a liability.

(16) Share-Based Benefit Transactions

The amount of the fair value of the cash-delivered share appreciation rights that should be paid to employees is to recognize expenses and increase relative liabilities during the period when employees can obtain remuneration unconditionally. The liability is re-measured against the fair value of the share appreciation rights at each reporting date and delivery date, and any changes are recognized in profit or loss.

(17) Income Tax

Income tax includes current and deferred income tax. Current income tax and deferred income tax shall be recognized in profit or loss, except for those related to business combination, directly recognized in equity or other items related to the comprehensive income.

Current income tax includes the estimated income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustments to prior year tax payable or tax refund receivable. 其The amount is the best estimate of the amount expected to be paid or received based on the statutory tax rate or substantive legislative tax rate on the reporting date.

Deferred income tax is recognized by measuring temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Temporary differences arising from the following situations are not recognized as deferred income tax:

A. Assets or liabilities originally recognized in a transaction that is not a business combination and does not affect accounting profits and taxable income (losses) at the time of the transaction
B. Temporary differences arising from investment in subsidiaries, affiliated enterprises and joint venture interests, the company can control the timing of the reversal of the temporary difference and it is very likely that the reversal will not occur in the foreseeable future, and
C. Taxable temporary differences arising from the original recognition of goodwill.

For unused tax losses and unused income tax credits in the post-transition period, and deductible temporary differences, to the extent that future taxable income is likely to be available for use, they are recognized as deferred income tax assets. And it will be reassessed on each reporting date, and the relevant income tax benefits will be adjusted to the extent that it is not likely to be realized, or reverse the original reduced amount within the scope that it is likely to have sufficient taxable income. Deferred income tax is measured at the tax rate when the temporary difference is expected to reverse, and is based on the statutory tax rate or substantive legislative tax rate at the reporting date.

The company will offset the deferred income tax assets and deferred income tax liabilities only when the following conditions are met at the same time:

A. Has the legally enforceable right to offset current income tax assets against current income tax liabilities, and
B. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxpayers whose income tax is levied by the same tax authority:
   (a) The same taxpayer, or
   (b) Different taxpayers, but each subject intends to settle current income tax liabilities and assets on a net basis, or realize assets and settlement simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled debt.

(18) Earnings per Share

The Company presents basic and diluted earnings per share attributable to equity holders of the Company's common stock. The company's basic earnings per share is calculated by dividing the profit or loss attributable to the company's common stock holders by the weighted average number of common shares outstanding in the current period. Earnings per share is calculated by adjusting the profit and loss attributable to ordinary equity holders of the company and the weighted average number of ordinary shares outstanding, respectively, after adjusting the impact of all potential dilutive ordinary shares. The Company's potentially dilutive common stock includes employee compensation estimates.

(19) Department Information

The company has disclosed departmental information in the consolidated financial report, so the individual financial report does not disclose departmental information.

5. Major sources of uncertainty in major accounting judgments, estimates and assumptions

When preparing this individual financial report, management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis, and changes in accounting estimates are recognized in the period in which the change is made and in the affected future periods.

Uncertainty in the following assumptions and estimates has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and has reflected the impact of the COVID-19 epidemic, The relevant information is as follows：

Inventory Evaluation

Since inventories are measured at the lower of cost and net realizable value, The company evaluates the amount of inventory on the reporting date due to normal wear and tear, obsolescence or no market value, and reduce the cost of inventories to net realizable value. This inventory evaluation is mainly based on the estimated demand for products in a specific period in the future. Therefore, there may be major changes due to rapid changes in the industry. Please refer to Note 6 (5) for the details of inventory evaluation and valuation.

6. Explanation of Important Accounting Items

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 378	943
Demand deposit	699,767	516,562
Time deposit	1,689,700	1,343,209
Cash and cash equivalents listed in the cash flow statement	**$ 2,389,845**	**1,860,714**

Please refer to Note 6 (25) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

Please refer to Note 6 (11) for details of the company's time deposits of more than three months.

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

		December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:			
Beneficiary certificate-Fund	$	127	168
Foreign bonds		-	62,529
Total	$	127	62,697

For market risk information, please refer to Note 6 (26).

(3) Notes receivable and Accounts receivable (including related parties)

		December 31, 2022	December 31, 2021
Notes receivable-Due to business	$	2,187	7,881
Less: Allowance for losses		(202)	(202)
	$	1,985	7,679
Accounts receivable-Measured at amortized cost	$	306,981	261,202
Accounts receivable-Related parties-Amortized cost measure		65,813	78,716
Less: Allowance for losses		(15)	(15)
	$	372,779	339,903

The company uses a simplified approach to estimate expected credit losses for all notes receivable and accounts receivable (including related parties), that is, it is measured by the expected credit loss during the duration, for this measurement purpose, Notes receivable and accounts receivable (including related parties) are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, And has incorporated forward-looking information, including general economic and related industry information.

The expected credit loss analysis of the company's Notes receivable and Accounts receivable (including related parties) is as follows:

	December 31, 2022		
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses.
Not overdue	374,981	0.058%	217

	December 31, 2021		
	Notes receivable and Accounts receivable Amount	Weighted average expected credit loss rate	Duration of allowance expected credit losses
Not overdue	$ 347,799	0.062%	217

The company's Notes receivable and Accounts receivable (including related parties) allowance loss changes table is as follows:

		2022	2021
Closing balance (i.e. opening balance)	$	217	217

December 31, 2022 and 2021, the company's Notes receivable and Accounts receivable (including related parties) are not discounted or provided as collateral.

Please refer to Note 6 (25) for the credit and exchange rate risks of the Company's Notes receivable and Accounts receivable (including related parties).

(4) Other receivables

	December 31, 2022	December 31, 2021
Other receivables-Capital loans and subsidiaries	$ 596,000	650,000
Other receivables- Other (including related parties)	18,365	13,926
Less: Allowance for losses	-	-
	$ 614,365	663,926

For the remaining credit risk information, please refer to Note 6 (25).

(5) Inventory

	December 31, 2022	December 31, 2021
Raw material	$ 217,266	167,445
Semi-finished product	709,571	720,858
Work in Process	469,664	456,746
Manufactures	61,606	84,142
	$ 1,458,107	1,429,191

The cost of goods sold is detailed as follows:

	2022	2021
Inventory sale transfer	$ 1,570,704	1,538,155
Inventory price recovery benefit	(31,067)	(22,805)
Scrap loss	2,998	787
Scrap income	(12,974)	(11,250)
Inventory loss	472	2
	$ 1,530,133	1,504,889

On December 31, 2022 and 2021, the company's inventory has not been pledged as a guarantee.

(6) Prepayments

The details of the company's prepayment are as follows:

	December 31, 2022	December 31, 2021
Advance payment	$ 993	134
Prepaid expenses	4,127	4,812
	$ 5,120	4,946

(7) Investments using the equity method

The company's investments using the equity method on the reporting date are listed as follows:

	December 31, 2022	December 31, 2021
Millennium VEE Hotel Taichung	$ 779,562	784,288

A. Subsidiaries

Please refer to the 2022 consolidated financial report.

B. Guarantee

On December 31, 2022 and 2021, the company's investment using the equity method did not provide pledge guarantees.

(8) Property, plant and equipment

The details of the cost, depreciation and impairment losses of the company's real estate, plant and equipment in 2022 and 2021 are as follows:

		Land	Buildings	Mechanical equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2022	$	201,218	2,725,227	2,964,432	346,085	-	6,236,962
Additions		-	14,919	86,571	15,930	-	117,420
Disposals		-	-	(1,186)	(219)	-	(1,405)
Reclassifications		-	7,521	10,736	84,779	-	103,036
Balance on December 31, 2022	$	201,218	2,747,667	3,060,553	446,575	-	6,456,013
Balance on January 1, 2021	$	201,218	1,709,439	2,823,765	325,342	830,000	5,889,764
Additions		-	187,617	145,885	18,614	-	352,116
Disposals		-	-	(12,841)	-	-	(12,841)
Reclassifications		-	828,171	7,623	2,129	(830,000)	7,923
Balance on December 31, 2021	$	201,218	2,725,227	2,964,432	346,085	-	6,236,962
Depreciation							
Balance on January 1, 2022	$	-	785,048	2,628,012	278,167	-	3,691,227
Depreciation		-	97,227	124,087	16,815	-	238,129
Disposals		-	-	(1,186)	(219)	-	(1,405)
Balance on December 31, 2022	$	-	882,275	2,750,913	294,763	-	3,927,951
Balance on January 1, 2021	$	-	684,969	2,511,068	263,101	-	3,459,138
Depreciation		-	100,079	129,770	15,066	-	244,915
Disposals		-	-	(12,826)	-	-	(12,826)
Balance on December 31, 2021	$	-	785,048	2,628,012	278,167	-	3,691,227
Carrying amounts:							
December 31, 2022	$	201,218	1,865,392	309,640	151,812	-	2,528,062
January 1, 2021	$	201,218	1,024,470	312,697	62,241	830,000	2,430,626
December 31, 2021	$	201,218	1,940,179	336,420	67,918	-	2,545,735

Please refer to Note 8 for the details of bank loans and financing line guarantees on December 31, 2022 and 2021.

(9) Right of use asset

The cost and depreciation of the company's leased land, buildings and other equipment, etc., the details of the changes are as follows:

	Land	Buildings	Total
Cost			
Balance on January 1, 2022	$ 191,661	-	191,661
Addition	954	958	1,912
Balance on December 31, 2022	**$ 192,615**	**958**	**193,573**
Balance on January 1, 2021	$ 191,661	2,137	193,798
Disposal	-	(2,137)	(2,137)
Balance on December 31, 2021	**$ 191,661**	**-**	**191,661**
Depreciation:			
Balance on January 1, 2022	$ 50,564	-	50,564
Depreciation	16,997	73	17,070
Balance on December 31, 2022	**$ 67,561**	**73**	**67,634**
Balance on January 1, 2021	$ 33,758	1,781	35,539
Depreciation	16,806	356	17,162
Disposal	-	(2,137)	(2,137)
Balance on December 31, 2021	**$ 50,564**	**-**	**50,564**
Book Value:			
December 31, 2022	**$ 125,054**	**885**	**125,939**
January 1, 2022	**$ 157,903**	**356**	**158,259**
December 31, 2021	**$ 141,097**	**-**	**141,097**

(10) Intangible Assets

The details of the cost, amortization and impairment loss of the company's intangible assets in 2022 and 2021 are as follows:

	Patent Right	Computer Software	Trademark Rights	Total
Cost:				
Balance on January 1, 2022	$ 2,735	25,008	162	27,905
Obtained separately	16	785	-	801
Reclassification	78	317	-	395
Balance on December 31, 2022	**$ 2,829**	**26,110**	**162**	**29,101**
Balance on January 1, 2021	$ 2,735	24,777	162	27,674
Obtained separately	-	231	-	231
Balance on December 31, 2021	**$ 2,735**	**25,008**	**162**	**27,905**
Amortization:				
Balance on December 31, 2022	$ 1,129	24,271	130	25,530
Amortization	177	542	16	735
Balance on December 31, 2022	**$ 1,306**	**24,813**	**146**	**26,265**
Balance on January 1, 2021	$ 934	23,815	115	24,864
Amortization	195	456	15	666
Balance on December 31, 2021	**$ 1,129**	**24,271**	**130**	**25,530**
Book Value:				
December 31, 2022	**$ 1,523**	**1,297**	**16**	**2,836**
January 1, 2021	**$ 1,801**	**962**	**47**	**2,810**
December 31, 2021	**$ 1,606**	**737**	**32**	**2,375**

A. Amortizations

The amortization expenses of intangible assets in 2022 and 2021 are presented in the following items in the consolidated income statement:

	2022	2021
Operating expenses	**$ 735**	**666**

B. Guarantee

On December 31, 2022 and 2021, the company's intangible assets have not been provided as collateral.

(11) Other current assets and other non-current assets

The details other current assets and other non-current assets of the company are as follows:

	December 31, 2022	December 31, 2021
Other current asset:		
Temporary payment	$ -	24
Other financial assets:		
Restricted deposit	$ -	1,383,288
Deposit account: More than three months, less than one	2,061,000	1,472,755
Customs bond	569	563
	$ 2,061,569	2,856,606
Other non-current assets:		
Prepayments for equipment	$ 28,858	107,904
Refundable deposits	183	145
	$ 29,041	108,049

Please refer to Note 8 for the details of pledge guarantee.

(12) Short-term loan

The details of the company's short-term loans are as follows:

	December 31, 2022	December 31, 2021
Guaranteed bank loan	$ -	1,579,000
Unused quota	$ 4,000,000	2,290,000
Interest rate range	0.71%~0.76%	0.71%~0.76%

Please refer to Note 8 for the details of the company's guarantee for bank loans with assets.

(13) Other current liabilities and other non-current liabilities

The details of other current liabilities and other non-current liabilities of the Company are as follows:

	December 31, 2022	December 31, 2021
Other current liabilities:		
Long-term loans: due within one year	$ -	17,534
Deferred revenue: current	404	1,337
Receipts under custody	1,632	1,477
Other	10	10
	$ 2,046	20,358

(14) Long-term borrowings

The details, terms and conditions of the company's long-term loans are as follows:

	December 31, 2021			
	Currency	**Interest rate (%)**	**Year due**	**Amount**
Secured bank loans	NTD	0.35%	12/2024~11/2026	$ 830,942
Unsecured bank loans	NTD	0.35%	12/2024~11/2026	176,723
Less: The portion due within one year (accounted for in other current liabilities)				(17,534)
Total				$ 990,131
Unused credit line				$ 979,600

Please refer to Note 8 for details on related assets pledged as collateral.

In 2022 and 2021, the company has obtained low-interest loans from E.SUN Bank project of NT$1,064,100 thousand and NT$1,020,400 thousand respectively, the contract period is five to seven years, the principal will be repaid on an average monthly basis from December 2022, The difference between the loan recognized and measured based on the market interest rate of 0.845% and the actual repayment preferential interest rate of 0.35% is treated as the government subsidy. Please refer to Note 6 (16). The company has fully repaid the low-interest loan for the project by the end of March 2022.

(15) Lease liability

The carrying amounts of the Company's lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Current liabilities	$ 16,990	16,402
Non-current liabilities	$ 111,638	126,975

For maturity analysis, please refer to Note 6 (25) Financial Instruments.

The amounts recognized in profit or loss for leases, are as follows:

	2022	2021
Interest expense on the lease liability	$ 1,501	1,668
Expenses for short-term leases or low-value leases	$ 292	411

Leases are recognized in the cash flow statement in the following amounts:

	2022	2021
Total cash outflows from leases	$ 18,454	18,706

A. Leasing of lands and buildings

The company leases land, houses and buildings as business premises and storage warehouses for ten to twenty years and two to three years, some leases contain an option to extend the lease term for the same period as the original contract upon expiry of the lease term.

B. Other lease

The lease period of the company for leasing machinery equipment, office equipment and computer information equipment is three years, and other leases are short-term or low-value leases, the company chooses to apply the exemption recognition requirements and not recognize its related right-of-use assets and lease liabilities.

(16) Deferred revenue

	December 31, 2022	December 31, 2021
Current (Included in other current liabilities)	$ 404	1,337
Non-current	5,749	16,869
Deferred revenue-Government subsidy	**$ 6,153**	**18,206**

On December 31, 2022 and 2021, the company obtained low-interest loans from E.SUN Bank project of NT$1,064,100 thousand and NT$1,020,400 thousand respectively, based on the market interest rate at the time of the loan, the fair value of the loan was estimated at NT$1,056,300 thousand and NT$1,001,119 thousand, respectively. The difference between the acquired amount and the fair value of the loan is NT$7,800 thousand and NT$19,281 thousand respectively, which is regarded as government low-interest loan subsidies, and recognize deferred revenue.

According to the contract, the loan is used to build factories and purchase equipment, Recognition of subsidy income according to the period of use of the asset. In 2022 and 2021, the company recognizes subsidy income of NT$573 thousand and NT$1,075 thousand respectively, which are listed under other income.

(17) Employee benefits

The company's definite allocation plan is in accordance with the provisions of the Labor Pension Act, and is allocated to the Labor Insurance Bureau's individual labor pension account at a contribution rate of 6% of the monthly salary of the employee. After the company allocates a fixed amount to the Labor Insurance Bureau under this plan, there is no legal or constructive obligation to pay additional amounts.

The company's 2022 and 2021 pension expenses under the definite appropriation pension method are NT$14,603 thousand and NT$13,886 thousand respectively, which have been allocated to the Bureau of Labor Insurance.

(18) Income tax

A. The income tax for 2022 and 2021 expense were as follows:

	2022	2021
Current income tax expense		
Current period incurred	$ 253,114	223,605
Undistributed retained earnings	9,639	9,173
Investment tax credit	(4,193)	(6,123)
Prior years income tax adjustment	(4,973)	(21,911)
	253,587	204,744
Deferred tax expense		
Origin and reversal of temporary difference	18,730	(6,389)
Changes in unrecognized temporary differences	(6,213)	(4,562)
	12,517	(10,951)
Income tax expense	$ 266,104	193,793

The company has no income tax directly recognized under equity in 2022 and 2021.

The relationship between the company's 2022 and 2021 income tax expenses and net profit before tax is adjusted as follows:

	2022	2021
Profit excluding income tax	$ 1,390,198	1,056,243
Income tax using the Company's domestic tax rate	$ 278,040	211,249
The impact of the tax burden adjusted in accordance with the tax law	255	533
Non-deductible expenses	5	592
Tax-free income	(2)	(2)
Changes in unrecognized temporary differences	(6,213)	(4,562)
Prior years income tax adjustment (overestimated)	(4,973)	(21,911)
Levy-Undistributed retained earnings	9,639	9,173
Investment tax credits	(11,592)	(13,069)
Impact of investment loss tax recognized in accordance with equity law	945	11,790
Income tax expense	$ 266,104	193,793

B. Deferred tax assets

(a) Unrecognized deferred tax assets

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 107,326	138,393

(b) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the 2022 and 2021 were as follows:

	Unrealized Allowance for ıventory valuation d obsolescence los	Unrealized Foreign Exchange Losses	Total
Deferred tax assets:			
Balance on January 1, 2022	14,032	13,185	27,217
Credit- Recognized as profit or loss	-	(12,153)	(12,153)
Balance on December 31, 2022	$ 14,032	1,032	15,064
Balance on January 1, 2021	14,032	2,257	16,289
Debit- Recognized as profit or loss	-	10,928	10,928
Balance on December 31, 2021	$ 14,032	13,185	27,217

	Unrealized Foreign Exchange Gain
Deferred tax liabilities:	
Balance on January 1, 2022	$ -
Debit- Recognize as profit or loss	364
Balance on December 31, 2022	$ 364
Balance on January 1, 2021	$ 23
Debit- Recognize as profit or loss	(23)
Balance on December 31, 2021	$ -

C. Income tax verification situation

The company's profit-seeking enterprise income tax settlement declaration has been approved by the tax collection agency until 2020.

(19) Capital and other equity

On December 31, 2022 and 2021, the total rated share capital of the company is NT$1,000,000 thousand the par value of each share is NT$10, that is 100,000 thousand shares. The above-mentioned total rated share capital is common stock. The issued shares are 80,171 thousand shares and 72,928 thousand shares respectively. Payments for all issued shares have been received.

A. Issuance of common stock

The company passed the resolution of the board of directors on December 10, 2021, handled cash capital increase and issued 7,243 thousand new ordinary shares before the stock’s initial listing, NT$10 per share. The capital increase base date of this capital increase plan is May 5th, 2022 in the Republic of China. The bidding auction method is adopted, and each successful bidder shall subscribe according to the winning bid price, The price of each winning bid and its quantity-weighted average price is NT$211.38, the underwriting price for public subscription is NT$200 per share. The total amount of funds raised in this capital increase project is NT$1,507,954 thousand, which has been fully collected. The aforementioned total fundraising amount is in addition to the listed share capital of NT$72,430 thousand, after deducting the brokerage underwriting fee of NT$3,000 thousand, the remaining amount of NT$1,432,524 thousand is accounted for as Additional paid-in capital-Additional paid-in capital in excess of par-preferred stock. The capital increase was approved by the Financial Supervision Commission, and the relevant statutory registration procedures have been completed.

In addition, the remuneration cost incurred by the company for retaining employee stock subscriptions due to the aforementioned cash capital increase project was NT$9,102 thousand, the original account is listed in Additional Paid-In Capital-Employee stock option , transferred after the cash capital increase is completed as Additional paid-in capital-Additional paid-in capital in excess of par-preferred stock NT$9,102 thousand.

B. Additional paid-in capital

	December 31, 2022	December 31, 2021
Additional paid-in capital in excess of par-preferred stock	$ 1,441,626	-
Treasury stock trading	83,002	83,002
	$ 1,524,628	**83,002**

According to the company law, additional paid-in capital needs to make up the losses first before issuing new shares or cash with the realized additional paid-in capital in accordance with the proportion of shareholders' original shares. The realized additional paid-in capital referred to in the preceding paragraph includes the surplus from the issuance of stocks exceeding the par value and the income from receiving gifts. According to "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the total amount of additional paid-in capital that can be allocated to capital every year shall not exceed 10% of the paid-in capital.

C. Retained earnings

According to the articles of association of the company, if there is any surplus in the annual final accounts, it shall be distributed in the following order:

(A) Pay income tax according to law.

(B) Make up for previous year's losses.

(C) Ten percent of the deposit is legal reserve, but this is not the case when the accumulated legal reserve has reached the paid-in capital of the company.

(D) Provision or reversal of special reserve when necessary.

(E) After deducting the previous balance, the board of directors shall prepare a distribution proposal for the balance and the previous year's earnings, and submit it to the shareholders' meeting for a resolution on distribution.

The company's dividend distribution policy depends on factors such as the company's current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets, taking into account the interests of shareholders, observing and analyzing dividends and the company's long-term financial planning, etc., according to Article 240, Item 5 of the Company Law, authorize the board of directors to have more than two-thirds of the directors present, And the resolution of more than half of the directors present shall distribute dividends and bonuses or all or part of the Legal reserve and Additional Paid-In Capita stipulated in Article 241, Paragraph 1 of the Company Law, in the form of cash distribution, and report to the shareholders meeting. The total shareholder dividend is the total distributable surplus that is the balance listed in (E) plus the undistributed surplus at the beginning of the period, choose a ratio within the range of 2.5% to 15%

to prepare dividends and bonus proposals for shareholders with surplus distribution, among them, the proportion of shareholder cash dividend distribution shall not be less than 50% of the total shareholder dividend.

(a) Legal reserve

When the company has no losses, it may, upon resolution of the shareholders' meeting, use the legal reserve to issue new shares or cash, provided that the amount exceeds 25% of the paid-in capital.

(b) Surplus appropriation

The company passed the resolution of the board of directors on March 25, 2022, the amount of cash dividends for the 2021 profit distribution plan, and the resolution of the 2020 profit distribution plan at the general meeting of shareholders on July 1, 2021, and the distribution of dividends to owners The amount is as follows:

	2021		2020	
	Allotment ratio NT$	Amount	Allotment ratio NT$	Amount
Dividends distributed to owners of common stock:				
Cash	$ 8.00	583,427	6.00	437,570

The company plans to approve the cash dividend amount for the 2022 profit distribution plan on February 24, 2023. The amount of dividends to be distributed to owners is as follows:

	2022	
	Allotment ratio NT$	Amount
Dividends distributed to owners of common stock:		
Cash	$ 10.00	$ 801,714

(20) Share based payment

On December 10, 2021, the board of directors resolved to increase capital by cash and issue new shares, keep 10%, total of 725 thousand shares, priority subscription by the company's employees, the number of shares abandoned or undersubscribed by employees is authorized to the president to negotiate with a specific person to subscribe for sufficient shares at the issue price. The company has the following share-based payment transactions as of December 31, 2022:

	Equity settled share
	Seasoned equity offering reserved for employee share purchase
Giving day	April 22, 2022
Giving amount	725,000 shares
Contract period	April 22, 2022~ April 29, 2022
Grant object	Employee
Vested conditions	Immediately vested

The company adopts the Black Scholes option evaluation model, to estimate the fair value of the share-based payment on the grant date, the input values of this model are as follows:

	2022
	Seasoned equity offering reserved for employee share purchase
Fair value on grant date (NTD$)	15.17
Share price on grant day (NTD$)	215.05
Exercise price (NTD$)	200
Implied Volatility (%)	29.04%
Duration of stock options (Year)	0.0219
Expected dividend	-
Risk free rate (%)	1.45%

The expected volatility is based on the weighted average historical volatility, and adjusted for expected changes due to publicly available information, the duration of stock options is from the date of grant to the end of payment, and the risk-free rate is based on Taiwan government bonds.

The company's 2022 expenses incurred due to share-based payment are NT$9,102 thousand.

(21) Earnings per share

	2022	2021
Basic earnings per share		
Net income for the period attributable to holders of common shares of the Company	$ 1,124,094	862,450
Weighted average number of common shares outstanding (thousand shares)	77,711	72,928
Basic earnings per share (Unit: NT$)	$ 14.47	11.83
Fully diluted earnings per share		
Net income for the period attributable to holders of ordinary shares of the Company	$ 1,124,094	862,450
Weighted average number of common shares outstanding (thousand shares)	77,711	72,928
Impact of employee stock compensation (thousand shares)	43	27
Weighted average number of common shares outstanding (thousand shares) (After adjusting for the effect of dilutive potential common shares)	77,754	72,955
Diluted earnings per share (Unit: NT$)	$ 14.46	11.82

(22) Revenue from customer contracts

A. Breakdown of income

Major regional markets	2022	2021
Asia	$ 1,877,654	1,944,509
America	467,647	369,075
Europe	606,152	591,044
Other countries	14,601	16,257
	$ 2,966,054	2,920,885

Main Product/Service Line	2022	2021
Gearbox	$ 2,690,447	2,558,584
Rack and Pinion	207,221	258,543
Robot	57,677	94,199
Other	10,709	9,559
	$ 2,966,054	2,920,885

B. Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	$ 3,778	902	2,775

The opening balance of contract liabilities on January 1, 2022 and 2021, the amounts recognized as revenue in 2022 and 2021 are NT$882 thousand and NT$2,775 thousand, respectively.

(23) Remuneration of employees and directors

According to the company's articles of association, if there is any profit in the year, no less than 0.5% (inclusive) should be appropriated as employee remuneration and no more than 1% (inclusive) should be allocated as director remuneration. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance. The recipients of the employee remuneration given in the preceding paragraph may include employees of affiliated companies who meet certain conditions. Employee remuneration can be distributed in the form of stock (treasury stock, new stock issuance) or cash, which should be specially resolved by the board of directors and submitted to the shareholders' meeting report.

The company's estimated employee remuneration for 2022 and 2021 is NT$7,009 thousand and NT$6,292 thousand respectively, and the estimated amount of directors' remuneration is NT$4,522 thousand, it is estimated based on the company's pre-tax net profit for each period before deducting the employee and director's remuneration multiplied by the employee's remuneration and director's remuneration distribution ratio stipulated in the company's articles of association, And reported as operating costs or operating expenses in 2022 and 2021.

The actual distribution of employee and director remuneration in 2022 and 2021 is not different from the estimated amount in the company's 2022 and 2021 financial reports.

(24) Non-operating revenue and expenses

A. Interest income

The details of the company's interest income in 2022 and 2021 are as follows:

		2022	2021
Bank deposit-interest income	$	45,051	42,185
Bond investment-interest income		1,357	2,604
Related party-interest income		4,694	4,875
	$	51,102	49,664

B. Other income

The details of the company's other income in 2022 and 2021 are as follows: ：

		2022	2021
Government subsidy income		583	1,149
Rent income.		577	463
Dividend income		11	9
	$	1,171	1,621

C. Other gains and loss

The details of other profits and losses of the company in 2022 and 2021 are as follows:

		2022	2021
Foreign currency exchange losses	$	175,670	(87,240)
Disposal of interests in property, plant and equipment		11	135
Loss of financial asset at fair value through profit or loss		(1,277)	(2,668)
Other Gains		20,971	14,522
	$	195,375	(75,251)

D. Financial costs

The company's financial costs for 2022 and 2021 are detailed as follows:

		2022	2021
Interest expense-bank loan	$	4,341	12,069
Interest expense- interest rate implicit in the lease.		1,501	1,668
	$	5,842	13,737

(25) Financial instruments

A. Credit risk

(a) Credit risk maximum exposure amount

The carry amount of financial assets represents the maximum amount of credit exposure.

(b) Concentration of credit risk

In order to reduce the credit risk of accounts receivable, the company continuously evaluates the customer's financial situation, and will ask the other party to provide guarantee or guarantee when necessary. The company still regularly evaluates the possibility of recovering the accounts receivable and makes provision for losses, and the impairment losses are always within the management's expectations. On December 31, 2022 and 2021, the company, 57% and 34% of the accounts receivable balance are composed of several customers, so that the company has no significant concentration of credit risk.

(c) Credit risk of receivables

Please refer to Note 6 (3) for credit risk exposure information on notes receivable and accounts receivable.

Other financial assets measured at amortized cost include other receivables, deposits and other financial assets.

All of the above are financial assets with low credit risk, therefore, the allowance loss for the period is measured by the amount of twelve-month expected credit losses (Please refer to Note 4 (6) for the explanation of how the company determines that the credit risk is low). There is no provision for allowance for losses in 2022 and 2021.

B. Liquidity risk

The following table presents the contractual maturity dates for financial liabilities, including estimated interest but excluding the effect of netting agreements.

	Carry amount	Cash flow	Contract within 1 year	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2022						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	$ 6,153	6,153	404	404	882	4,463
Accounts payable	97,991	97,991	97,991	-	-	-
Other payables	111,129	111,129	111,129	-	-	-
lease liability (current and non-current)	128,628	137,220	18,313	18,313	27,930	72,664
	$ 343,901	352,493	227,837	18,717	28,812	77,127
December 31, 2021						
Non-derivative financial liabilities						
Floating rate bank borrowings (including deferred income)	$ 2,604,871	2,633,538	1,605,845	285,081	730,736	11,876
Accounts payable	66,062	66,062	66,062	-	-	-
Other payables	86,504	86,504	86,504	-	-	-
lease liability (current and non-current)	143,377	153,408	17,890	17,890	36,099	81,529
	$ 2,900,814	2,939,512	1,776,301	302,971	766,835	93,405

The company does not expect that the cash flow of maturity analysis will be significantly earlier, or the actual amount will be significantly different.

C. Currency risk

(a) Risk of exchange rate risk

The financial assets and liabilities of the Company exposed to significant foreign currency exchange rate risk are as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets						
Monetary item						
USD$	$ 59,640	30.710	1,831,544	89,199	27.680	2,469,028
EUR€	16,135	32.720	527,937	13,465	31.320	421,724
CNY¥	62,410	4.408	275,103	476,007	4.344	2,067,774
Financial liabilities						
Monetary item						
CNY¥	7,138	4.408	31,464	2,494	4.344	10,834

(b) Sensitivity analysis

The company's monetary items The exchange rate risk of monetary items mainly comes from cash and cash equivalents denominated in foreign currencies, accounts receivable, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during translation. When the NT dollar depreciates or appreciates by 0.5% against foreign currencies on December 31, 2022 and 2021, with all other factors held constant, The net profit after tax in 2022 and 2021 will increase or decrease by NT$10,412 thousand and NT$19,791 thousand, respectively. The two-period analyzes use the same basis.

(c) Exchange gains and losses on monetary items

Exchange profit and loss information of monetary items of the company, the net foreign currency exchange (loss) gains (including realized and unrealized) in 2022 and 2021 are NT$175,670 thousand and NT$ (87,240) thousand, respectively.

D. Interest Rate Risk

The company's financial assets and financial liabilities interest rate exposure are described in the liquidity risk management of this note.

The sensitivity analysis below is based on the interest rate exposure of derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the method of analysis is to assume that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. The rate of change used by the Company when reporting interest rates internally to key management personnel is a 0.5% increase or decrease in interest rates, It also represents management's assessment of the reasonably possible range of change in interest rates.

If the interest rate increases or decreases by 0.5%, and all other variables remain unchanged, the company's net profit after tax in 2022 and 2021 will decrease or increase by NT$25 thousand and NT$10,419 thousand, respectively. The main reason is the company's variable interest rate borrowings.

E. Fair value

(a) Valuation techniques for financial instruments measured at fair value:

Amount and Fair value of the company's various financial assets and financial liabilities (including fair value grade information, However, if the carrying amount of a financial instrument that is not measured by fair value is a reasonable approximation of fair value, and lease liabilities, it is not required to disclose fair value information according to regulations) as follows:

	December 31, 2022				
		Fair value			
	Carry amount	First level	Second level	Third level	Total
Financial assets measured at fair value					
Mandatory financial assets at fair value rough profit or loss	$ 127	127	-	-	127
Financial assets measured at amortized st					
Cash and cash equivalents	$ 2,389,845	-	-	-	-
Notes receivable and Accounts receivable ıclude related parties)	374,764	-	-	-	-
Other receivables (Include related rties)	614,365	-	-	-	-
Refundable deposits	183	-	-	-	-
Other financial assets-current	2,061,569	-	-	-	-
Total	**$ 5,440,853**	**127**	**-**	**-**	**127**
Financial liabilities measured at ıortized cost					
Short- term debt	$ -	-	-	-	-
Accounts Payable	97,991	-	-	-	-
Other payables (Include related parties)	111,129	-	-	-	-
Long- term debt (Including deferred :ome and long-term loans due within one ar)	6,153	-	-	-	-
Leased liabilities(current + non-current)	128,628	-	-	-	-
Total	**$ 343,901**	**-**	**-**	**-**	**-**

	December 31, 2021				
		Fair value			
	Carry amount	**First level**	**Second level**	**Third level**	**Total**
Financial assets measured at fair value					
Mandatory financial assets at fair value through profit or loss	$ 62,697	62,697	-	-	62,697
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 1,860,714	-	-	-	-
Notes receivable and Accounts receivable (Include related parties)	347,582	-	-	-	-
Other receivables (Include related parties)	663,926	-	-	-	-
Refundable deposits	145	-	-	-	-
Other financial assets-current	2,856,606	-	-	-	-
Total	**$ 5,791,670**	**62,697**	**-**	**-**	**62,697**
Financial liabilities measured at amortized cost					
Short- term debt	$ 1,579,000	-	-	-	-
Accounts payable	66,062	-	-	-	-
Other payables (Include related parties)	86,504	-	-	-	-
Long- term debt (Including deferred income and long-term loans due within one year)	1,025,871	-	-	-	-
Leased liabilities (current + non-current)	143,377	-	-	-	-
Total	**$ 2,900,814**	**-**	**-**	**-**	**-**

(b) Fair value assessment techniques for financial instruments not measured at fair value.
The methods and assumptions used by the Company to estimate the instruments not measured at fair value are as follows:
For financial assets and liabilities measured at cost after amortization, if there is transaction or quotation information from market makers, the latest transaction price and quotation information shall be used as the basis for evaluating the fair value. If there is no market value for reference, it shall be estimated by evaluation method. The estimates and assumptions used in the valuation method are the discounted present value of the cash flows to estimate the fair value.

(c) Fair value evaluation techniques for measuring financial instruments at fair value
Non-derivative financial instruments, if there is a public quotation in an active market for a financial instrument, the fair value shall be determined based on the public quotation in the active market. The market prices announced by major exchanges and central government bond over-the-counter trading centers that are judged to be popular bonds are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments with open quotations in active markets.

(d) Transfer between the first level and the second level.
There were no transfers in the past 2022 and 2021 years.

(26) Financial risk management

A. Overview

The Company has exposure to the following risks from its financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The company's financial management department provides services for various businesses, coordinates operations in domestic and international financial markets, and monitors and manages financial risks related to the company's operations by analyzing internal risk reports based on risk levels and breadth. The company does not trade financial instruments (including derivative financial instruments) for speculative purposes.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

(a) Accounts receivable and other receivables

In order to reduce credit risk, the company continuously evaluates the financial status and actual collection situation of major customers, and regularly evaluates the possibility of receiving receivables.

(b) Investment

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial department of the company. Since the company's transaction counterparty and other party performing the contract are all credit-worthy banks, there is no major doubt about the performance of the contract, so there is no major credit risk.

(c) Guarantee

It is the company's policy to only provide financial guarantees to wholly owned subsidiaries. On December 31, 2022 and 2021, the company did not provide any endorsement guarantee.

D. Liquidity risk

The company manages and maintains sufficient cash and equivalent cash to support the company's operations and mitigate the impact of cash flow fluctuations. The company's management personnel supervise the use of bank financing lines and ensure compliance with the terms of the loan contract. Bank borrowings are an important source of liquidity for the Company. On December 31, 2022 and 2021, the company's unused short-term bank financing facilities were NT$4,000,000 thousand and NT$3,269,600 thousand, respectively.

E. Market risk

Market risk is a risk that arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Company is exposed to exchange rate risk arising from sales and purchase transactions that are not denominated in the functional currency. The functional currency of the group companies is New Taiwan Dollar (NTD). The main denominated currencies for these transactions are US Dollars, Euros and Chinese Yuan.

(b) Interest rate risk

The policy of the Company is based on floating interest rate then the change of market interest rate will make its effective interest rate change accordingly, and make its future cash flow fluctuate. The company negotiates interest rates with banks from time to time to reduce interest rate risk.

(27) Capital management

The Company's policy is to manage its capital of safeguard the capacity to continue as a going concern, returns for continue to provide returns for shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The company controls capital based on the debt-to-equity ratio. The ratio is calculated as net debt divided by total capital. Net debt is the total liabilities shown in the balance sheet minus cash and cash equivalents. Total capital is all the components of equity (share capital, capital reserves, retained earnings and other interests) plus net debt.

The company's capital management strategy for 2022 is consistent with that for 2021. The debt-to-equity ratios for 2022 and 31 December 2021 are as follows:

	December 31, 2022	December 31, 2021
Total liabilities	$ 603,749	3,125,614
Less: cash and cash equivalents	(2,389,845)	(1,860,714)
Net debt	**$ (1,786,096)**	**1,264,900**
Total equity	$ 9,785,466	7,730,743
Total capital (Note)	**$ 7,999,370**	**8,995,643**
Debt-to-equity ratio	**(22.33)%**	**14.06%**

Note: Total capital is all components of equity plus net debt.

(28) Investing and financing activities not affecting the current cash flow

The company's non-cash transaction investment activities in 2022 and 2021 are the right-of-use assets obtained by leased, please refer to Note 6 (9).

The reconciliation of liabilities from financing activities is as follows:

			Non-cash changes			
	January 1, 2022	**Cash flow**	**Increase in this period**	**Deferred revenue change**	**Lease payment change**	**December 31, 2022**
Short-term loan	$ 1,579,000	(1,579,000)	-	-	-	-
Long-term loan (Including deferred revenue and Long-term loans due within one year)	1,025,871	(1,019,145)	-	(573)	-	6,153
Lease liabilities (current + non-current)	143,377	(16,661)	958	-	954	128,628
Total liabilities from financing activities	**$ 2,748,248**	**(2,614,806)**	**958**	**(573)**	**954**	**134,781**

			Non-cash changes			
	January 1, 2021	**Cash flow**	**Increase in this period**	**Deferred revenue change**	**Lease payment change**	**December 31, 2021**
Short-term loan	$ 387,000	1,192,000	-	-	-	1,579,000
Long-term loan (Including deferred revenue and Long-term loans due within one year)	693,253	333,693	-	(1,075)	-	1,025,871
Lease liabilities (current + non-current)	160,003	(16,626)	-	-	-	143,377
Total liabilities from financing activities	**$ 1,240,256**	**1,509,067**	**-**	**(1,075)**	**-**	**2,748,248**

7. Related-party transactions

(1) Names and relationship with the Company

The following are related parties that had transactions with the Company during the periods covered in the non-consolidated financial statements.

Name of related party	Relationship with the Company
Subsidiary-Millennium VEE Hotel Taichung	Subsidiaries of the Company
APEX DYNAMICS,INC. - Shanghai	Other related parties. The chairman of the company is a major shareholder of the company's legal person shareholders

(2) Significant transactions with related parties

A. Operating income

Sale of Goods to Related Parties

	2022	2021
Other related parties: APEX DYNAMICS,INC. - Shanghai	$ 473,210	537,405

The selling price and sales conditions of the company to other related parties are not significantly different from those of general sales customers. Receivables between related parties have not received collateral, and after assessment, no provision for impairment loss is required (Loss on bad debts).

B. Purchase

The amount of goods purchased by the company from related parties is as follows:

	2022	2021
Other related parties: APEX DYNAMICS,INC. - Shanghai	$ -	44,360

Due to the particularity of the product and industry characteristics, the transaction price of the company's purchase of goods from related parties cannot be compared with the purchase transaction price of other suppliers, payment terms are not significantly different from typical manufacturers.

Since June 4, 2021, the company was no longer purchase goods from APEX DYNAMICS, INC. - Shanghai, because of business adjustments.

C. Accounts receivable

The details of the company's receivables from related parties are as follows:

Account title.	Related party category	December 31, 2022	December 31, 2021
Accounts receivable	Other related parties: APX DYNAMICS,INC. - Shanghai	$ 65,813	78,716

D. Loans to related parties

The actual disbursements of the company's capital loans and related parties are as follows:

	Loans receivable from related parties at the end of the period (Other receivables listed in the account - related parties)	
	December 31, 2022	December 31, 2021
Subsidiary: Millennium VEE Hotel Taichung	$ 595,000	650,000

	Interest income		Loans receivable from related parties at the end of the period (Other receivables listed in the account - related parties)	
	2022	2021	December 31, 2022	December 31, 2021
Subsidiary: Millennium VEE Hotel Taichung	$ 4,694	4,875	380	414

The company's capital loan to its subsidiaries is based on the interest rate agreed by both parties in the year of appropriation, the interest rate range for 2022 and 2021 is both 0.75%, and they are all unsecured loans. No allowance for impairment loss (bad debt expense) is assessed.

E. Leases

The company leased passenger cars to subsidiaries in March 2017 and signed a two-year lease contract, renewal for one year after the contract expires in March 2022, The total contract price for 2022 and 2021 is NT$120 thousand. The rental income for 2022 and 2021 is NT$114 thousand, the outstanding balance on December 31, 2022 and 2021 is NT$10 thousand, the account is listed in other receivables - related parties.

F. Other

The subsidiary provide the company's accommodation and catering related services, in 2022 and 2021, the company's expenditure amounts are NT$408 thousand and NT$167 thousand, respectively, accounted in Operating Expenses, as of December 31, 2022 and 2021, the outstanding balance is NT$65 thousand and NT$12 thousand, respectively, accounted in Other Payables-Related Parties.

(3) Key management personnel compensation

The remuneration of key management personnel includes:

	2022	2021
Short-term employee benefits	$ 13,833	12,346
Post-employment benefits	108	108
Other long-term benefits	-	-
Severance benefits	-	-
Share based payment	455	-
	$ 14,396	12,454

8. Pledged assets

The book value of the pledged assets provided by the company is as follows:

Asset	Pledge guarantee subject	December 31, 2022	December 31, 2021
Property, plant and equipment	Bank loan	$ 1,772,426	1,801,318
Other financial asset-current	Short-term loan	-	1,383,288
Other financial asset-current	Customs bond	569	563
		$ 1,772,995	3,185,169

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Significant unrecognized contractual commitments are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 17,532	69, 450

(2) Contingent liabilities: None.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022			2021		
	Cost of Sale	**Operating Expense**	**Total**	**Cost of Sale**	**Operating Expense**	**Total**
Employee benefits						
Salary	428,691	90,449	519,140	369,950	64,719	434,669
Labor and health insurance	33,429	8,170	41,599	31,083	7,679	38,762
Pension	11,904	2,699	14,603	11,415	2,471	13,886
Remuneration of directors	-	4,703	4,703	-	4,762	4,762
Other employee benefits	12,763	1,475	14,238	12,444	1,499	13,943
Depreciation	190,794	64,405	255,199	184,305	77,772	262,077
Amortization	-	735	735	-	666	666

For the years of 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	2022	2021
Numbers of employees	705	690
Numbers of directors (non-employee)	6	6
Average employee benefit expenses	$ 843	733
Average employee salary expenses	$ 743	635
Percentages of average employee salary expense	17.0%	7.6%
Remuneration of supervisors	$ -	-

The Company's salary and remuneration policy information (including directors, managers andemployees) is as follows:

A. Remuneration of directors:

The remuneration of the company's directors is evaluated by the remuneration committee for their participation in the company's operations and the value of their contributions, Authorize the board of directors to make decisions based on the evaluation of the remuneration committee and with reference to industry standards, however, because the company's profit has not reached the standard, the directors currently do not receive fixed remuneration except for traveling expenses every time they attend the board meeting.

B. Remuneration of employee and directors:

If the company makes a profit in the year, it shall be decided by the board of directors to allocate no less than 0.5% (inclusive) of the profit to distribute employee remuneration. However, if the company still has accumulated losses, it shall first make up for them. Employee remuneration in the preceding paragraph can be paid in stock or in cash. The profits after the distribution of employee remuneration, after the recommendation of the remuneration committee and the resolution of the board of directors, directors' remuneration may be distributed at a rate not exceeding 1% (inclusive) of the profits in the preceding paragraph.

C. Remuneration of employee and manager:

The company has formulated the "Salary Management Measures" and "Performance Management Measures". The remuneration paid to employees and managers is based on their education background, work experience and reference to the salary level of their peers, With reference to the position's power and responsibility ratio, personal performance achievement, contribution to the company's operating goals, and the risk of the position, a reasonable payment policy is formulated.

13. Other disclosures:

(1) Information on significant transactions:

2In 2022, in accordance with the provisions of the Financial Reporting Standards for Securities Issuers, the company should re-disclose the relevant information on major transactions as follows:

A. Fund loan to others:

Unit: NT$1000

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financingto other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purpose	Transaction amount for business between twoparties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	APEX DYNAMICS, INC	Millennium VEE Hotel Taichung	Other receivables-related party	Yes	1,300,000	650,000	596,000 (Note3)	0.75%	short-term financing	-	Operation Requirements	-	None	-	3,914,186 (Note 1)	3,914,186 (Note 2)

Note 1: In accordance with the company's operating procedures for lending funds to others, the maximum loan amount for individual objects should not exceed 40% of the company's net worth.

Note 2: According to the company's operating procedures for lending funds to others, the total amount of funds loaned should not exceed 40% of the net value of the company.

B. Endorsement for others: None.

C. Securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and joint venture interests):

Unit: NT$1000/1000 shares

Holder	Category and name of security	Relationship with Issuer	Account subject	End of period				Note
				Shares	Carrying amount	Shareholding ratio	Fair value	
APEX DYNAMICS, INC.	Fund - Yuanta Taiwan High Dividend Quality Leading Fund	-	Financial asset flows at fair value through profit or loss	5	127	- %	127	

D. The cumulative purchase or sale of the same securities amounted to NT$300 million or more than 20% of the paid-in capital: None.

E. The amount of real estate acquired is NT$300 million or more than 20% of the paid-in capital: None.

F. Disposal of real estate amounting to NT$300 million or more than 20% of the paid-in capital: None.

G. Purchases and sales of goods with related parties amount to NT$100 million or 20% or more of the paid-in capital:

Unit: NT$1000

Company -imports (sells) goods	Trading partner	Relation	Transaction situation				Situations and reasons why transaction conditions are different from general transactions		Notes receivable (payment), Accounts receivable		Note
			Import (sale) goods	Amount	Ratio of accounted for total (sale) goods	Credit period	Unit price	Credit period	Balance	Ratio of total receivables (pay) bills, accounts payment	
APEX DYNAMICS , INC.	APEX DYNAMICS, INC. -Shanghai	Other related parties	(sales)	(473,210)	(15.95)%	45 days monthly	-	Note 1	65,813	17.55%	

Note 1: The sales transaction price and collection period between related parties are not significantly different from those of ordinary customers.

H. Receivables from related parties amount to NT$100 million or more than 20% of the paid-in capital:

Unit: NT$1000

Accounts receivable / Company Name	Trading partner	Relation	Receivable related party Payment balance	Turnover Ratio	Overdue receivables from related parties		Receivables from related parties Recovered amount	Allowance loss amount
					Amount	Processing method		
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Subsidiary of APEX DYNAMICS, INC	596,000	- %	-	-	(Note.1)	-

Note 1: As of February 23, 2023.

I. The engaging in derivatives transactions: None.

(2) Information about reinvestment business (Invested companies not including China):

The company's reinvestment business information in 2022 is as follows:

Unit: NT$1,000/share

Name of company	Counter-party	Area	Industry	Original investment amount		End of the period			Income Summary of the invested company	Net investment income or loss accounted	Note
				End of term	Dec, 2022	Shares	Ratio	Amount			
APEX DYNAMICS, INC.	Millennium VEE Hotel Taichung	Taichung, Taiwan	Hotel	1,084,602	1,084,602	70,000,000	100%	779,562	(4,726)	(4,726)	Subsidiary of APEX DYNAMICS, INC.

(3) Information on investment in mainland China: None.

(4) Major shareholders:

Unit: share

Shareholding / Shareholder's Name	Shares	Percentage
Hsing-Chang Investment Co., LTD	34,142,162	42.58%
Chang, Chung-Hsing	28,980,654	36.14%

14. Segment information: None.

Please refer to the consolidated financial statements for 2022.

APEX DYNAMICS, INC.

President Chang, Chung-Hsing