



**AV TECH CORPORATION**

**Annual Report for the Fiscal Year 2022**

**Printed on May 26, 2023**

## Table of Contents

I	Letter to the Shareholders .....	1
II	Company Introduction .....	3
1.	Founding	3
2.	Formation History .....	3
3.	Any Mergers And Acquisitions During This Year Up To The Printing Date Of This Annual Report .....	3
4.	Any Significant Transfer Or Replacement Of Shares Owned By Directors, Supervisors Or Major Shareholders Holding More Than 10% Of The Company's Shares During This Year Up To The Printing Date Of This Annual Report	4
5.	Any Changes In Management Right and Other Significant Matters That May Affect Shareholders' Interests During This Year Up To The Printing Date Of This Annual Report.....	4
III	Corporate Governance Report.....	5
1.	Organization .....	5
2.	Directors, Supervisors and Management Team.....	7
IV	Company Shares and Fund Raising.....	35
1.	Company Capital and Shares, Corporate Bonds, Preferred Stocks, Global Depository Receipts (GDR), Warrants for Employees	35
2.	Corporate Bonds (including overseas corporate bonds) .....	40
3.	Preferred Shares .....	40
4.	Global Depository Receipts (GDR).....	40
5.	Subscription of Warrants for Employees .....	40
6.	Subscription of New Shares for Employee Restricted Stocks .....	40
7.	Issuance of New Shares due to Acquisition of Shares of Another Company .....	41
8.	Implementation of fund usage plan .....	41
V	Operational Highlights.....	42
1.	Business Content .....	42
2.	Production and Sales Status .....	47
3.	Employee Data during the Past Two Years .....	50
4.	Information on Environmental Protection Costs.....	50
5.	Labor Relations .....	51
6.	Cyber Security Management.....	51
7.	Other Important Agreements (still valid and will be expired within a year).....	52
VI	Financial Standing.....	53
1.	Most Recent 5-Year Concise Financial Information .....	53
2.	Most Recent 5-Year Financial Analysis .....	58
3.	Up to the Printing Date of this Annual Report, has the Company or Related Companies Experienced Financial Turnover Difficulties.....	60
4.	Audit Committee's Review Report.....	61
5.	2021 Financial Statements.....	62
6.	2021 Consolidated Financial Statements with Subsidiaries Audited by CPA .....	63

VII	Review and Analysis of Financial Position and Financial Performance, and Risks Assessment .....	64
1.	Financial position.....	64
2.	Financial performance.....	65
3.	Cash flow.....	66
4.	The effect upon financial operations of any major capital expenditures during the most recent fiscal year.....	66
5.	The Company’s reinvestment policy for the most recent fiscal year, the main reasons for the profits/ losses generated thereby, the plan for improving reinvestment profitability, and investment plans for the coming year.....	67
6.	The section on risks.....	67
7.	Other important matters .....	70
VIII	Affiliates Information and Other Special Items .....	71
1.	Affiliates Information.....	71
2.	Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report .....	73
3.	Holding or disposal of shares in the Company by the Company’s subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report .....	73
4.	If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement. ....	73
5.	If any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders’ equity or the price of the Company’s securities during the most recent year up to the date of publication of the annual report .....	73
6.	If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders’ equity or the price of the Company’s securities during the most recent year up to the date of publication of the annual report .....	73
7.	Other matters that require additional description .....	73

## I Letter to the Shareholders

### A. Consolidated Financial Statements in 2022

#### 1. Consolidated Business Performance

The consolidated net revenue for 2022 is NT\$ 1,231,209 thousand (YoY -9%). The consolidated gross profit margin is 18% which increased by 1 percent points compared to the same period last year. The consolidated operating net profit is NT\$ 26,859 thousand. After deducting the consolidated non-operating net income of NT\$ 104,062 thousand, the net profit attributable to the owner is NT\$ 94,571 thousand. The EPS is NT\$ 1.18.

#### 2. Consolidated Financial Income, Expenses and Profitability Analysis

Item		2011	2022
Financial	Debt Ratio (%)	7	12
Structure	Long-term Capital to Fixed Property (%)	319	321
Solvency	Current Ratio (%)	1,246	626
	Quick Ratio (%)	1,074	506
	Return on Assets (%)	3.7	1.2
Profitability	Return on Equity (%)	4.2	1.4
	Net Profit Margin (%)	9	3
	EPS (元)	1.18	0.39

### B. Review of 2022 Business Performance

1. The sales revenue of semiconductor sales business is NT\$1,022,159 thousand in 2022, with a YoY decline of 7.6%. The main reason for sales decrease came from the reversal of semiconductor demand and accumulation of customer's inventory. Oversupply led to the lack of growth in sales revenue.
2. The semiconductor sales department controlled the gross profit margin and expenses effectively. With the benefit of a foreign exchange gain of NT\$ 15,594 thousand, the net profit of the semiconductor sales department increased by 46% to NT\$ 66,427 thousand compared to the same period last year. In the 3<sup>rd</sup> and 4<sup>th</sup> quarters, inventory adjustments were implemented, along with strategies such as undersupply and deferred delivery, resulting in a healthier inventory situation.
3. The sales revenue of CCTV business in 2022 was NT\$209,050 thousand, with a YoY decline of 16%. The main reason for sales decline was the influence of transferring orders of our OEM customers. The fixed expense was increased compared to the same period last year, and the net profit for the CCTV and other departments was NT\$ 18,422 thousand.

### C. Business Plan of 2022

#### 1. Distribution of Semiconductor

##### 1.1 Sales of semiconductor distribution

- 1.1.1 The strategy was to focus on industries that were characterized by high stability and long life cycles, and expand and deepen its existing product lines. The primary markets included industrial control,

communications, and automotive IPC. The produce lines were integrated to offer a comprehensive range of products to meet the customers' one-stop purchasing needs.

1.1.2 To capitalize on the market opportunities arising from the US-China trade war, the third-party warehousing partners were collaborated to expedite customer supply and seize business opportunities.

1.1.3 The customer demand and inventory management were well controlled. Undersupply strategies were implemented when necessary to avoid the risk of high inventory levels that can't be sold in a timely manner.

1.1.4 New product lines were sought positively to broaden the range of customers.

## 1.2 CCTV Business

1.2.1 The R&D team focused on the back-end storage technology, and combined the technology with intelligent image detection, image recognition and their related technologies and applications to improve the functionality of DVR, NVR and WiFi NVR. In addition, research resources were extended to front-end application products, such as network cameras, through a technology integration approach.

1.2.2 Non-China network camera solution was under development, aiming to offer a full range of Made-in-Taiwan customized products for markets requiring NDAA compliance.

1.2.3 The distribution channels were continued to be expanded both domestically and internationally. In addition to the channel expansion, the S/I customers were also increased in the Taiwan market to strengthen the relationship with downstream customers.

1.2.4 Research and development resources have been integrated with marketing resources to develop license plate recognition systems, key trackers and digital control systems that comply with green building and smart home requirements. The distribution channels were also emphasized to establish a solid foundation in the year of 2022. In the year of 2023, market exposure will be the main priority to expand the market share and capture new business opportunities.

## D. Development Strategy, Research and Development, and Competition

MIT total solution in the semiconductor and security control departments has been the recent focus of the company's research and development efforts for the year 2022. In 2023, the focus will be on developing AI-integrated surveillance for enhanced precision, and incorporating low-carbon and environmentally friendly materials. However, The products carry inherent risks in terms of patents, trademarks, safety regulations, and cybersecurity design. Additionally, the increasing trend towards regional supply chain autonomy and trade barriers due to international political and economic dynamics has added further complexities. The company must enhance customer communication efforts to better understand customer needs and limitations preventing operational risks.

AVTECH Corporation  
Chairman: Shih-Chung Chen

## II Company Introduction

### 1. Founding

Founding Date: June 26, 1996

### 2. Formation History

- 1996 AVTECH Corporation founded with initial capital of NT\$ 5,000,000, and dedicated to manufacturing and selling of CCTV products.
- 1997 Launched the first B/W CCD camera, and started to develop color camera by July to enter the CCTV market.
- 1998 Released the first color and B/W quad processors.
- 1999 Started to expand the sales channels to different countries.
- 2000 Merged Chieftron Corporation as the Electronic Component Division.
- 2001 Launched the quad processor with our own designed ASIC.
- 2002 Released full range of DVR (Digital Video Recorder).
- 2003 Approved for trade over-the-counter.
- 2004 Listed on TSEC.  
Introduced the world's first standalone 16CH MPEG4 DVR.
- 2006 Developed high-end speed dome cameras.
- 2007 Being listed as Forbes Asia's 200 Best Under A Billion
- 2008 3G DVR AVD718 got nominated by IFSEC Awards.  
Divided the Electronic Component Division from AVTECH Corporation and established "Chieftron International Inc."
- 2009 Being listed as Forbes Asia's 200 Best Under A Billion
- 2010 Released the mobile app, EagleEyes, for iPhone and BlackBerry
- 2011 Released the first all-in-one IP camera to enter the consumer market.
- 2012 Announced the first NVR and introduced the CMS system to manage and control multiple recorders and IP cameras.
- 2013 Announced EaZy Networking cloud service.
- 2014 Announced simple solutions for standalone IP system.
- 2015 Released the HD CCTV solution and developed applications for IoT.
- 2016 Released the full range of IR speed dome cameras.
- 2017 Released the new standalone DVR/NVR systems with large storage.
- 2018 Entered the era of smart security, such as face identification and home automation.
- 2019 Entered the consumer market for smart security.
- 2020 Expanded the business scale and diversity of investment
- 2021 Introduced new product lines to expand the investment portfolio.
- 2022 Increased the diversity of products to expand and strengthen distribution deployment.

### 3. Any Mergers And Acquisitions During This Year Up To The Printing Date Of This Annual Report

None

**4. Any Significant Transfer Or Replacement Of Shares Owned By Directors, Supervisors Or Major Shareholders Holding More Than 10% Of The Company's Shares During This Year Up To The Printing Date Of This Annual Report**

None

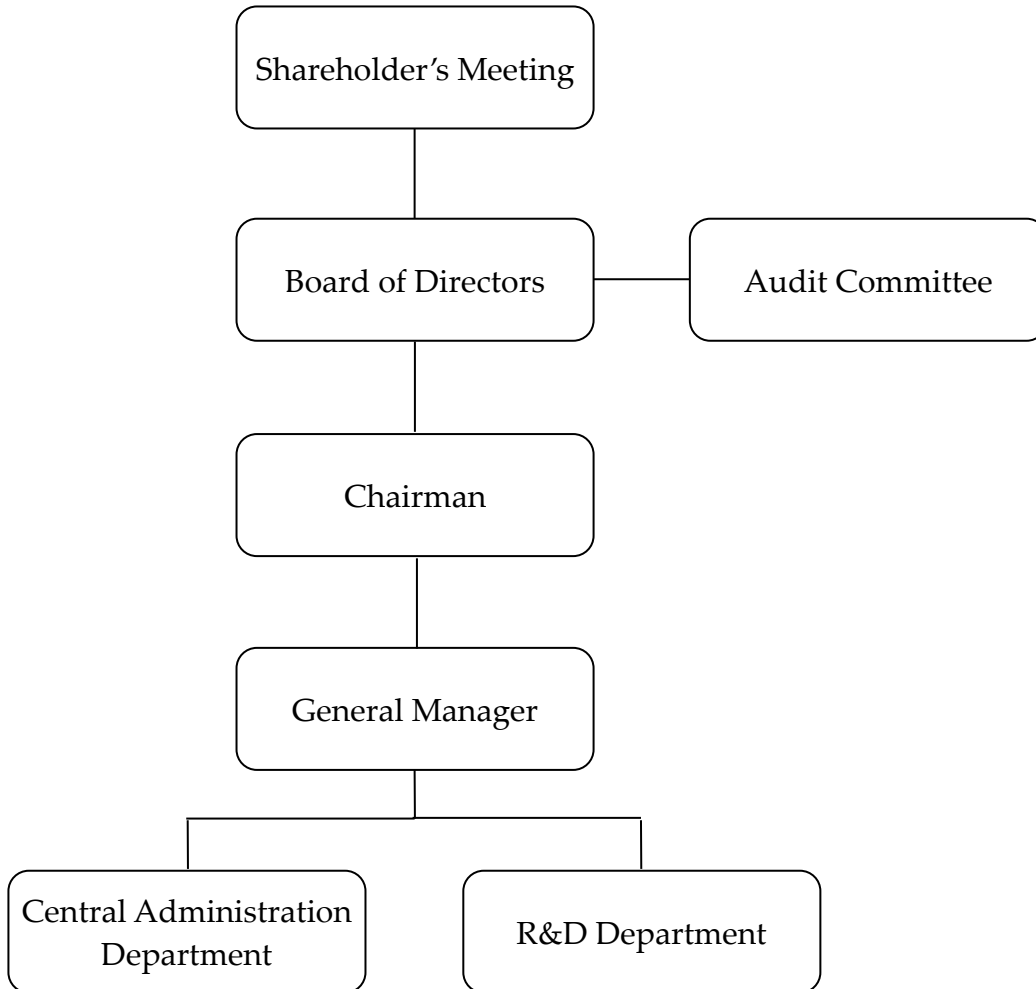
**5. Any Changes In Management Right and Other Significant Matters That May Affect Shareholders' Interests During This Year Up To The Printing Date Of This Annual Report**

None

### III Corporate Governance Report

#### 1. Organization

##### 1.1 Organization System Chart



## 1.2 Department Functions

Department	Functions
General Manager	<ol style="list-style-type: none"> <li>1. Establish middle and long term business goals and development plans.</li> <li>2. Review and approve contacts and information.</li> <li>3. Hold and host administration review meetings.</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Establish and execute yearly audit plan.</li> <li>2. Audit the enforcement and improvements of the internal control system..</li> <li>3. Audit the execution of sales, production and administration management, analyze flaws if any and offer suggestions to improve.</li> </ol>
Central Administration Department	<ol style="list-style-type: none"> <li>1. Capital planning, raising, scheduling and controlling, marketable securities registering and saving, cash receipt and withdraw, custody of foreign exchange, registration of load application, contact and settlement, receipt and issuance of checks and receipts, accounting and taxing affairs, etc.</li> <li>2. System development, analysis, integration and maintenance, e-paper promoting, planning and executing, management of human resources, general affairs and properties, etc.</li> <li>3. Purchase of materials and products, inventory management, and product import and export affairs.</li> </ol>
R&D Department	<ol style="list-style-type: none"> <li>1. Product design for video capture and storage</li> <li>2. Product design for transmission and control</li> <li>3. Product design for new IC</li> <li>4. Product design for mechanism and drive</li> <li>5. Software design</li> <li>6. Product test, application and production</li> </ol>

## 2. Directors, Supervisors and Management Team

### 2.1 Directors

2023 / 04 / 23 Unit: Shares

Title (Note1)	Name	Nationality	Gender	Age		Elected Date	Term (Years)	First Elected Date (Note2)	Shares held when elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Main Working (Education) Experience (Note3)	Concurrent Positions in the Company and Other Companies	Managerial officers, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
				51 ~ 60	Over 60				Number	%	Number	%	Number	%	Number	%			Title	Name	Relation
				Chairman	Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen				Republic of China	Male	V		2021.08.25	3	2000.5.22	22,215,044			27.77%	22,215,044	27.77%
Director	Chun-Ju Huang	Republic of China	Male		V	2021.08.25	3	2000.5.22	8,842,984	11.05%	8,842,984	11.05%	7,385,781	9.2%	-	-	Bachelor of Chemistry, Chinese Culture University General Manager of AVTECH Corporation	Director of Chun-Yi Investment Co., LTD Director of Chiao-Tai Investment Co., LTD Director of Chiao-Sheng Investment Co., LTD Director of Ju-Lin Investment Co., LTD	-	-	-
Director	Cheng-Mou Wu	Republic of China	Male		V	2021.08.25	3	2000.5.22	279,061	0.35%	251,061	0.35%	0	0.0%	-	-	Bachelor of International Business, National Chengchi University General Manager of AVTECH Corporation	Director of Chun-Yi Investment Co., LTD Supervisor of Chiao-Sheng Investment Co., LTD	-	-	-
Independent Director	I-Chen Tsai	Republic of China	Female	V		2021.08.25	3	2003.7.7	-	-	-	-	-	-	-	-	MBA, Ohio State University in USA	-	-	-	-
Independent Director	Chih-Ming Wang	Republic of China	Male	V		2021.08.25	3	2009.6.16	-	-	-	-	-	-	-	-	MBA, Chinese Culture University VP of Finance, Turbocomm Tech. Inc. (public-listed) Senior Manager of Finance, HTC Corporation	-	-	-	-
Independent Director	Chia-Wei Lai	Republic of China	Male	V		2021.08.25	3	2021.08.25	-	-	-	-	-	-	-	-	Master of Tourism, Shin Hsin University General Manager, Surehigh International Technologies, Inc.	-	-	-	-
Independent Director	Chin-Ling Chung	Republic of China	Female	V		2021.08.25	3	2021.08.25	-	-	-	-	-	-	-	-	Master of Accounting, Chung Yuan Christian University VP of HRM, Visual Photonics Epitaxy Co., Ltd	-	-	-	-

Note1: The institutional shareholders are listed below:

Name of Institutional Shareholder	Name of Major Shareholders
Chun-Yi Investment Co., LTD	Chun-Ju Huang, Yi-Lin Chen (83.23%)

Note2: The current directors and independent directors have continuously served as the directors of the Company since their first appointment without any interruption.

Note3: The current directors and independent directors are not employed by the Company's CPA firm or related companies.

## 2.2 Professional knowledge and independence check matrix of directors

### 2.2.1 Professional knowledge of directors

Name \ Item	Professional Knowledge and Experience	Independence Attribute	Concurrent independent director position in other publicly traded companies
Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	Master of Mechanical and Materials Engineering, Tatung University Project Manager, First International Computer Sales Manager, Bao Rui Ming Corporation	No occurrences listed in Corporate Law, Article 30	-
Director / Chun-Ju Huang	Bachelor of Chemistry, Chinese Culture University General Manager of AVTECH Corporation	No occurrences listed in Corporate Law, Article 30	-
Director / Cheng-Mou Wu	Bachelor of International Business, National Chengchi University General Manager of AVTECH Corporation	No occurrences listed in Corporate Law, Article 30	-
Independent Director / I-Chen Tsai	MBA, Ohio State University in USA	Comply with the conditions in (1)	1
Independent Director / Chih-Ming Wang	MBA, Chinese Culture University VP of Finance, Turbocomm Tech. Inc. (public-listed) Senior Manager of Finance, HTC Corporation	Comply with the conditions in (1)	-
Independent Director / Chia-Wei Lai	Master of Tourism, Shin Hsin University General Manager, Surehigh International Technologies, Inc.	Comply with the conditions in (1)	-
Independent Director / Chin-Ling Chung	Master of Accounting, Chung Yuan Christian University VP of HRM, Visual Photonics Epitaxy Co., Ltd	Comply with the conditions in (1)	-

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

- (1) An employee of the Company or any of its affiliates
- (2) A director or supervisor of the Company or its affiliates except for the independent directors of the Company or its parent company who have direct or indirect shareholding of more than 5% of a subsidiary
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings..
- (4) A spouse or relative within the second degree of kinship or lineal relative within the third degree of kinship of any of the persons listed in (1) ~ (3).
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

- (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Except for the company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) A spouse or relative in the second degree of kinship with other directors
- (11) Any matters stated in Article 30 of Company Act.
- (12) Elected by role of Government, corporate person or its representative regulated in Article 27 of Company Act.

## 2.2.2 The diversity and independence of the Board directors

### a) The diversity and independence of the Board directors

According to the Company's "Corporate Governance Best Practice Principles", Article 21, the members of the Board of Directors should be diversified and possess the below skills:

- Operational judgement skills.
- Accounting and financial analysis skills.
- Operational management skills.
- Crisis management skills.
- Industry knowledge.
- Global market view.
- Leadership skills.
- Decision making skills.

Name	Nationality	Gender	Age			Serves as an Independent Director	Employee	Core Expertise							Industry Knowledge			Professional Competency									
			40 ~ 50	51 ~ 60	61 ~ 70			Less than 3 terms	3 ~ 9 terms	More than 9 terms	Operational Judgement	Accounting and Financial Analysis	Operational Management	Crisis Management	Industry Knowledge	Global Market View	Leadership	Decision Making	Financial Holding, Banking, Insurance	Information, Telecommunication, Media	Manufacture, Investment, Others	Layer, Accountant, Lecturer	Business Management	R&D and Production	Finance and Accounting	Law Affairs	Sales and Marketing
Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	Republic of China	Male		V			V	V	V	V	V	V	V	V	V			V		V						V	
Chun-Ju Huang	Republic of China	Male			V			V	V	V	V	V	V	V			V		V							V	
Cheng-Mou Wu	Republic of China	Male			V			V	V	V	V	V	V	V			V		V							V	V
I-Chen Tsai	Republic of China	Female		V				V	V	V	V	V	V	V					V						V		
Chih-Ming Wang	Republic of China	Male		V				V	V	V	V	V	V	V			V		V						V	V	
Chia-Wei Lai	Republic of China	Male		V				V	V	V	V	V	V	V			V		V						V		V
Chin-Ling Chung	Republic of China	Female		V				V	V	V	V	V	V	V					V						V		V

b) The diversity and independence of the Board directors

There are currently 7 members of the Board of Directors including 4 independent directors. The percentage of the independent directors in the Board of Directors is 57%. The independent directors of AVTECH Corporation are all in compliance with the regulations established by Securities and Futures Bureau of Financial Supervisory Commission R.O.C. (Taiwan). The independence of the independence directors, please refer to page 8.

2.2.2 Management Team Information

2023/04/23 Unit: 1000 shares

Position	Nationality	Gender	Name	Inauguration Date	Shareholding		Currently holding shares of spouses and minor children		Shareholding by Nominee Arrangement		Main experience (education background)	Concurrent positions at other companies	Managers who are Spouses or Within Two Degrees of Kinship		
					Number	%	Number	%	Number	%			Title	Name	Relation
General Manager (doubled by Chairman)	Republic of China	Male	Shih-Chung Chen	2003.5.5	180,300	0.23%	-	-	-	-	Master of Mechanical and Materials Engineering, Tatung University Project Manager, First International Computer Sales Manager, Bao Rui Ming Corporation	Director of Chieftron International Inc.	-	-	-
R&D Manager	Republic of China	Male	Ming-Sheng Cheng	2022.10.11	-	-	-	-	-	-	Master of Computer Science and Engineering, National Yang Ming Chiao Tung University Assistant Manager of R&D Department, AVTECH Corporation Assistant Manager of R&D Department, MAGNETOX (TAIWAN) Inc.		-	-	-
Manager of Finance doubling as Chief of Accounting Department	Republic of China	Female	Min-Hui Lin	2006.3.7	3,658	0.00%	-	-	-	-	Bachelor of Accounting, Chinese Culture University Auditor of KPMG in Taiwan		-	-	-
Audit Manager	Republic of China	Female	Tung-Hsia Chang	2010.4.28	-	-	-	-	-	-	Bachelor of Statistics, National Taipei University Section Manager of Accounting, AVTECH Corporation Section Manager of Cost Accounting, I-CHIA Technologies, Inc.		-	-	-

Note1: In recent years, our company has adopted a horizontal expansion business strategy. The former Chairman concurrently serves as the General Manager to maintain organizational stability during the exploration phase of the third business group.

## 2.3 Remuneration paid to Directors, Supervisors and management team in the most recent fiscal year (2022)

### 2.3.1 Remuneration of Directors and Independent Directors

Unit: NTD thousand

Title	Name	Compensation of Directors								Amt&Percent of A B, C and D to net profit after tax		Relevant remuneration of part-time personnel								Amt&Percent of A, B, C, D, E, F and G to net profit after tax		Is there any remuneration from other invested businesses apart from subsidiaries
		Remuneration A) Note1)		Retirement allowance (B)		Remuneration from distribution of earnings (C) (Note2)		Business execution expenses (D) (Note3)				money award and special expenses etc. (E) (Note4)		Retirement allowance (F) (Note5)		Employee profit sharing from earnings distribution (G) (Note6)						
		The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	Cash dividends	Stock dividends	Cash dividends	Stock dividends	The Company	All companies within the consolidated financial statement	
Chairman	Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	-	-	-	-	299	299	80	80	379 0.4%	379 0.4%	1,200	1,200	-	-	800	0	800	0	2,379 2.51%	2,379 2.51%	None
Director	Chun-Ju Huang	-	-	-	-	299	299	80	80	379 0.4%	379 0.4%	-	-	-	-	-	-	-	-	379 0.4%	379 0.4%	None
Director	Cheng-Mou Wu	-	-	-	-	299	299	80	80	379 0.4%	379 0.4%	-	-	-	-	-	-	-	-	379 0.4%	379 0.4%	None
Independent Director	I-Chen Tsai	-	-	-	-	299	299	80	80	379 0.4%	379 0.4%	-	-	-	-	-	-	-	-	379 0.4%	379 0.4%	None
Independent Director	Chih-Ming Wang	-	-	-	-	299	299	80	80	379 0.4%	379 0.4%	-	-	-	-	-	-	-	-	379 0.4%	379 0.4%	None
Independent Director	Chia-Wei Lai					299	299	80	80	379 0.4%	379 0.4%									379 0.4%	379 0.4%	None
Independent Director	Chin-Ling Chung					299	299	80	80	379 0.4%	379 0.4%									379 0.4%	379 0.4%	None

1. The remuneration paid by the Company to directors includes remuneration provided in accordance with the Company's Article of Association and is subject to the approval of the Remuneration Committee and the Board of Directors. As the fixed members of the Audit Committee, the remuneration paid to the independent directors are different from the directors considering the responsibilities, risks and time devoted they should take.

2. Except as disclosed in the above table, the remuneration received by the directors of the Company in the most recent year(2021) for providing services (such as serving as a consultant to non-employees of the parent company / all companies listed in the financial report / reinvestment enterprises, etc.): None

Range of Remuneration for Directors

Range of remuneration paid to directors	Name of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies involved in financial statement	The Company	All companies involved in financial statement
Under NT\$ 1,000,000	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, Hong-Jhih Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, Hong-Jhih Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, Hong-Jhih Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)			Chun-Yi Investment Co., LTD Rep: Shih-Chung Chen	Chun-Yi Investment Co., LTD Rep: Shih-Chung Chen
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)				
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)				
NT\$ 5,000,000 (included) ~ NT\$ 10,000,000 (excluded)				
NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (excluded)				
NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (excluded)				
NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (excluded)				
NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (excluded)				
Over NT\$ 100,000,000	-	-	-	-
Total	2,653 thousand	2,653 thousand	4,653 thousand	4,653 thousand

Note1: The remuneration to the directors in the most recent fiscal year (including the salary paid to directors, additional allowance, retirement allowance, bonus, etc

Note2: The remuneration paid to the directors approved by the Board of Directors but not yet submitted to the Shareholders' Meeting in the most recent fiscal year

Note3: The expenses for execution of business in the most recent fiscal year (including transportation allowance, special payment, dormitory and vehicle offering, etc)

Note4: The remuneration paid to the directors doubling as the Company's employees (such as the general manager, deputy general manager, other managerial officers, etc), including monthly salary, additional allowance, retirement allowance, bonus, transportation allowance, special payment, dormitory and vehicle offering, etc.

Note5: There's no retirement allowance paid to the directors, or there's no expense recognition of the retirement allowance paid to the directors.

Note6: For the remuneration (including stock dividends and ash dividends) paid to the directors doubling as the Company's employees (such as general manager, vice general manager, other managers, etc) in the most recent fiscal year, the earning distribution as dividends to employees according to the resolution of the Board of Directors (not yet submitted to the Shareholders' Meeting) in the most recent fiscal year should be exposed.

### 2.3.2 Remuneration of Supervisors

The Company has established the Committee of Audit to replace supervisors.

### 2.3.3 Remuneration paid to the management team

Unit: NTD thousand

Title	Name	Remuneration (A) (Note1)		Retirement Allowance (B) (Note2)		Money award and special payment etc. (Note3)		Earning distribution as dividends for personnel (D) (Note4)				Amt&Rate of total amount of A, B, C and D to pure profits after tax (%)		Remuneration from other invested businesses apart from subsidiaries
		The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company		All companies within the consolidated financial statement		The Company	All companies within the consolidated financial statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
General Manager	Shih-Chung Chen	1,200	1,200	-	-	-	-	800	0	-	-	2,000 2.11%	2,000 2.11%	None

### Range of Remuneration for Directors

Range of remuneration paid to management team	Name of Management Team	
	The Company	All companies involved in financial statement
Under NT\$ 1,000,000	-	-
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)	-	-
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)	Shih-Chung Chen	Shih-Chung Chen
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)	-	-
Total	2,000	2,000

Note1: The monthly salary, additional allowance, retirement allowance paid to the management team in the most recent fiscal year

Note2: There's no retirement allowance paid to the general manager and the deputy general manager, or no expense recognition of the retirement allowance paid to the general manager and the deputy general manager.

Note3: The bonus, transportation allowance, special payment, dormitory and vehicle offering, etc and other remunerations paid to the management team

### 2.3.4 Employee profit sharing granted to the management team

2022 Unit: NTD 1000

	Title	Name	Stock Dividends	Cash Dividends (Note)	Total	Proportion of total amount to net profits after tax (%)
Manager	Chairman doubling as General Manager	Shih-Chung Chen	0	1,325	1,325	1.4%
	R&D Manager	Ming-Sheng Cheng				
	Manager of Finance doubling as Chief of Accounting Department	Min-Hui Lin				
	Audit Manager	Tung-Hsia Chang				

Note: No earning distribution to employees in 2021.

### 2.3.5 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

- a) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the past two fiscal years

	Proportion of the total compensation to net profit after tax		Increase (decrease) ratio
	2021	2022	
Director	6.26%	2.8%	-3.46%
General Manager and Deputy General Manager	3.71%	2.11%	-1.6%

- b) The remuneration policy is to provide compensation based on the contribution of the position to the company's operation performance. The procedure for setting compensation includes determining the total amount based on the company's profit in the most recent fiscal year and considering the contribution of the position (employee) to the company's operation performance based on the company's evaluation system.

### 2.3.6 Procedures for payment and relevance with operation performance and future risks

According to the Company's Articles of Incorporation, Article 18, the remuneration to the directors shall not over 1% of the profits of the most recent fiscal year and its allocation to the directors shall be based on the operation performance of the Company and the their contributions to the Company. The policy for the remuneration of the General Manager is to provide compensation based on the Company's Executive Compensation Management Regulations and the salary levels of the position in the industry market, the job scope of the position within the company, and the contribution of the position to the company's operation performance.

The procedure for setting compensation is based on the Company's Performance Evaluation Regulations of the Board of Directors and the Directors' Compensation Management Regulations. In addition to considering the overall operation performance of the company, future business risks and development trends in the industry, individual performance achievement rates and contributions to the company's performance are also taken into account to provide reasonable compensation.

The performance evaluations and the reasonableness of the compensation are reviewed by the Remuneration Committee and the Board of Directors, and the compensation system shall be reviewed based on actual business conditions and relevant laws and regulations, in order to achieve a balance between sustainable business operations and risk management for the company.

## 2.4 Implementation of corporate governance

### 2.4.1 Information on implementation of Board of Directors

Four meetings were held by the Board of Directors in 2022 (A) with their attendance shown as follows:

Title	Name	Attendance in person B	By proxy	Attendance rate in person % 【 B/A 】	Remarks
Chairman	Rep of Chun-Yi Investment Co., LTD: Shih-Chung Chen	4	0	100%	2021.08.25 re-elected
Director	Chun-Ju Huang	4	0	100%	2021.08.25 re-elected
Director	Cheng-Mou Wu	4	0	100%	2021.08.25 re-elected
Independent Director	Chih-Ming Wang	4	0	100%	2021.08.25 re-elected
Independent Director	I-Chen Tsai	4	0	100%	2021.08.25 re-elected
Independent Director	Chia-Wei Lai	4	0	100%	2021.08.25 elected
Independent Director	Chin-Ling Chung	4	0	100%	2021.08.25 elected

#### A. Other noteworthy matters:

1. If any of the matters specified in Article 14-3 of Taiwan's Securities and Exchange Act occurs, and other matters involving objection or expressed reservation by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

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:

None

3. Measures taken to strengthen the functionality of the board:

The Company has chosen 4 independent directors as members of Audit Committee (members added from 3 to 4 by Aug. 25<sup>th</sup>, 2021) to strengthen the internal control system.

B. 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. Meeting Date for Board of Directors: Mar. 16<sup>th</sup>, 2022

Contents of Motion: Remuneration proposal for the management team

Director in conflict of interest: Shih-Chung Chen

Causes for avoidance and voting:

According to the Company Law, Article 206, the director, Shih-Chung Chen, is not allowed to join the vote for the motion. The motion is voted and approved by the rest of the other directors.

2. Meeting Date for Board of Directors: Nov. 9<sup>th</sup>, 2022

Contents of Motion: Remuneration proposal for the management team

Director in conflict of interest: Shih-Chung Chen

Causes for avoidance and voting:

According to the Company Law, Article 206, the director, Shih-Chung Chen, is not allowed to join the vote for the motion. The motion is voted and approved by the rest of the other directors.

**C. The Board of Directors Evaluation and Implementation**  
Implementation of self-assessment for the Company's Board of Directors, Individual Board Members, and Functional Committee

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
Annually	2022/1/1 to 2022/12/31	Including the performance evaluation of the board of directors, directors and functional committees	Self-evaluation of the performance of board of directors, directors and functional committees	<p>(1) Self-evaluation of the board of directors: The degree of participation in the company's operations, improvement of board decision quality, the composition and structure of the board of directors, the selection and continuing education of directors, internal control</p> <p>(2) Self-evaluation of the individual directors: Understanding of the Company's goals and mission, awareness of directors' duties, the degree of participation in the company's operations, internal relationship management and communication, continuing education of directors, and internal control</p> <p>(3) Self-evaluation of the functional committees: The degree of participation in the company's operations, awareness of the functional committees' responsibilities, improvement of board decision quality, functional committee composition and member selection, and internal control</p>

The assessment's result of 2022 has been reported to the Board of Directors by Mar. 29<sup>th</sup>, 2023, and the performance assessments to the Board of Directors, individual directors and functional committees are approved by the members of the Board.

D. Measures taken to strengthen the functionality of the board:

1. The members for independent directors are 4 by Aug. 25<sup>th</sup>, 2021.
2. Enhancing information transparency: A specific person is designated to collect and disclose all information required by law to enhance information transparency.

## 2.4.2 Information on implementation of Audit Committee

Four meetings were held by the Audit Committee in 2022 (A) with the attendance of independent directors shown as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance in person (%) (B/A)	Remarks
Independent Director	I-Chen Tsai	4	0	100%	2021.08.25 re-elected
Independent Director	Chih-Ming Wang	4	0	100%	110.08.25 re-elected
Independent Director	Chia-Wei Lai	4	0	100%	110.08.25 elected
Independent Director	Chin-Ling Chung	4	0	100%	110.08.25 elected

Other noteworthy matters:

A) Matters specified in Article 14-5 of the Taiwan's Securities and Exchange Act:

Date of Meeting	Meting Sessions	Contents of motion	Response to the Audit Committee's opinion
2022/3/16	1 <sup>st</sup> meeting in 2022	1. Proposition and recognition on the 2021 financial statements	Approved by all members in Audit Committee
		2. Review and approval on 2021 earning distribution	
		3. Review and approval on 2021 cash dividends distribution	
		4. Review and approval on 2021 Statement of Internal Control	
		5. Review and approval on the modifications of the rules of procedures for the Company's shareholders meetings	
2022/5/4	2 <sup>nd</sup> meeting in 2022	1. Recognition on the consolidated financial statement of the 1 <sup>st</sup> quarter of 2022	Approved by all members in Audit Committee
		2. Review and approval on the establishment of the procedures for fund loaning and endorsement / guarantee	
		3. Review and approval on dismissal and appointment of accountants	
2022/8/3	3 <sup>rd</sup> meeting in 2022	1. Recognition on the consolidated financial statement of the 2 <sup>nd</sup> quarter of 2022	Approved by all members in Audit Committee
2022/11/9	4 <sup>th</sup> meeting in 2022	1. Review and approval on the consolidated financial statement of the 3 <sup>rd</sup> quarter of 2022	
		1. Review and approval on 2022 Audit Plan	

Resolutions passed by two-thirds of all Directors but without approval of the Audit Committee except for the preceding item: None

B. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

C. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.): The audit reports are submitted regularly by the Company's audit department to independent directors and no significant matters of poor communication occur.

2.4.3 The difference between the corporate governance implementation and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons:

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
1. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	V		Already done and followed after the 1 <sup>st</sup> meeting of the Board of Directors in 2017	Not Applicable
2. The Company's equity structure and shareholders' equity				-
2.1 Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?	V		A spokesperson system has been established and a specialist has been appointed to handle related issues. The Company the major shareholders are staying in contact.	Not Applicable -
2.2 Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	V		The Company always keeps an eye on the shareholding status of directors, managerial officers and major shareholders holding more than 10% of the shares.	Not Applicable -
2.3 Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	V		The affiliated companies are all working independently and the Company has established the operation, business and financial transaction regulations with related parties, specific companies and group enterprises.	Not Applicable
2.4 Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	V		The Company has established the prevention of insider trading management procedures to regulate all employees, managerial officers and directors of the Company, and anyone who has access to information about the Company based on their profession or control relationship. Any actions that may involve insider trading are prohibited and internal education training and reminding on this are regularly provided.	Not Applicable
3. Composition and responsibilities of the Board of Directors				
3.1 Has the Board of Directors formulated and implemented a diversity policy on membership and specific management objectives?	V		The Company has 4 independent directors who are elected based on their expertise as well as their ethical conduct and leading reputations. Their expertise, operational judgement and professional skills in different fields can offer diversified strategies and implementation plans for the Company.	Not Applicable
3.2 In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees?	V		The main responsibility of the Board of Directors is to supervise, guide and evaluate the performance of the business management team and to appoint or dismiss managerial officers. Regular meetings are held yearly for performance evaluations.	Not Applicable
3.3. Has the Company established measures for evaluating the performance of the Board of Directors and its evaluation method, conducts performance evaluation annually and regularly, and submits to the Board of Directors for reference of individual director's salary, bonus, and a nomination for reappointment?	V		The CPAs are evaluated regularly by the Audit Committee and the Board of Directors to ensure their independence.	Not Applicable
3.4 Does the Company regularly evaluate the independence of the attesting CPAs?	V			Not Applicable
4. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)?	v		The Department of Finance of the Company is also appointed to be responsible for corporate governance to handle matters related to corporate governance and the Board of Directors.	Not Applicable -

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V		A) A spokesman, stock affairs manager and specialist are appointed by the Company to build a complete communication channel and offer real-time service to respond and answer calling from stakeholders. B) A related communication channel has been established on the Company's official website to respond important corporate social responsibility issues that are of concern to stakeholders.	Not Applicable  Not Applicable
6. Has the Company appointed a professional stock affairs agency to handle matters for shareholders' meetings?	V		The Company has appointed the CTBC Bank as the professional stock affairs agency to handle matters for shareholders' meetings.	Not Applicable
7. Information disclosure				
7.1 Has the Company set up a website to disclose finance and business matters and corporate governance information?	V		The webpage, "Investors", are built on the Company' official website, and the financial information of the Company are disclosed on TWSE MOPS as regulated by related laws..	Not Applicable
7.2 Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for collecting and disclosing Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?	V		The related department has been set and managed by a specialist appointed by the Company. The spokesman system is also established.	Not Applicable
7.3 Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?	V		All information is disclosed on TWSE MOPS as regulated by related laws.	Not Applicable
8. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policy and risk measurement standards, implementation of customer policy, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		A. Rights for employees: 1. Right to work: Relevant government laws and regulations are complied to offer fair and open opportunities for job applications, except when there are significant differences or obvious unsuitability between the job requirements and the applicant's capabilities. The reward and punishment systems are detailed established to provide fair and transparent channels for employee promotion and reward and punishment measures. 2. Excellent workplace culture: The prevention measures for sexual harassment are clearly defined and strictly enforced, and the Act of Gender Equality in Employment Act is followed. 3. Safe working environment: The Labor Safety and Health Committee is established to ensure the regulations of labor safety and health are strictly followed and enforced. 4. The Labor Standards Act is followed to protect the basic rights for employees and is used to expand or improve and related regulations of the Company to enhance the welfare and rights of the employees. B. Care for employees: The welfare Committee is established to handle related affairs. C. Investor Relations: A specialist is appointed to handle the investor-related affairs. D. Supplier Relationship: Contracts are made between the Company and each of our suppliers to protect each other's rights and	Not Applicable

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
			<p>clarify the responsibilities both parties should take.</p> <p>E. Relations with stakeholders: Related trading principles are established between the Company and the stakeholders and disclosed by law.</p> <p>F. Continuing education of directors: The "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" is followed have the directors attending related courses.</p> <p>G. Execution of risk management policy and risk measuring standards: Various internal regulations are established legally for various risk management and evaluation.</p> <p>H. Execution of customer policies: Liability insurance has been covered to protect our customers.</p> <p>I. Liability insurance for the Company's directors: Liability insurance has been covered for customers.</p>	
9. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved			The English versions of Notice of Annual Meeting and Handbook for the shareholders' meeting are prepared and the webpage, "Investors", is updated to improve the service to shareholders.	

## 2.4.4 Remuneration Committee

### A. Members of Remuneration Committee

	Professional Knowledge and Experience	Independence Attribute	Concurrent independent director position in other publicly traded companies
Independent Director / I-Chen Tsai	MBA, Ohio State University in USA	Comply with the conditions in (1)	1
Independent Director / Chih-Ming Wang	MBA, Chinese Culture University VP of Finance, Turbocomm Tech. Inc. (public-listed) Senior Manager of Finance, HTC Corporation	Comply with the conditions in (1)	-
Independent Director / Chia-Wei Lai	Master of Tourism, Shin Hsin University General Manager, Surehigh International Technologies, Inc.	Comply with the conditions in (1)	-
Independent Director / Chin-Ling Chung	Master of Accounting, Chung Yuan Christian University VP of HRM, Visual Photonics Epitaxy Co., Ltd	Comply with the conditions in (1)	-

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

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

pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Any matters stated in Article 30 of Company Act.

(11) Elected by role of Government, corporate person or its representative regulated in Article 27 of Company Act.

#### B. Operation Status of the Remuneration Committee

(1) There are 4 members in the Company's Remuneration Committee.

(2) Current Term: From Aug. 25<sup>th</sup>, 2021 to Aug. 24<sup>th</sup>, 2024. The Remuneration Committee held two meetings in the recent year (2022). The qualifications and attendance of the Remuneration Committee are listed as follows

Title	Name	Attendance in person (B)	By proxy	Attendance rate in person % (B/A)	Remarks
Chair	I-Chen Tsai	2	0	100%	2021.08.25 re-elected
Member	Chih-Ming Wang	2	0	100%	2021.08.25 re-elected
Member	Chia-Wei Lai	2	0	100%	2021.08.25 dismissed
Member	Chin-Ling Chung	2	0	100%	2021.08.25 elected

Other noteworthy matters:

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. Meeting Dates of Remuneration Committee

Date of Meeting	Meeting Sessions	Contents of Motion	Resolution
2022/03/24	1 <sup>st</sup> meeting in 2022	1. Discussion on the approval of 2021 remuneration for employees and directors	Passed by all members
		2. Discussion on 2022 monthly salary for managerial officers	
2022/11/10	2 <sup>nd</sup> meeting in 2022	1. Discussion on distribution of 2022 remuneration for managerial officers	Passed by all members

2.4.5 Implementation of the Sustainable Development and the Differences of Practice for Sustainable Development of Listed OTC Companies and its Reasons

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
1. Does the company establish a governance structure to achieve sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?		V	The Company hasn't set up a dedicated unit to promote sustainable development. The execution of sustainable development depends on the actual circumstances by the administration department of the Company.	No difference
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations according to the principle of materiality, and formulate relevant risk management policies or strategies? (Note2)		V	The Company hasn't set up a dedicated unit for corporate social responsibility. The execution of corporate social responsibility depends on the actual circumstances by the administration department of the Company.	No difference
3. Environmental issues a) Does the company establish proper environmental management systems based on the characteristics of their industries? b) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? c) Does the company assess the potential risks and opportunities of climate change on its present and future operation, and take measures to respond to climate-related issues? d) Does the company conduct assessment on greenhouse gas, water consumption and waste for the last two years, and establish company strategies for energy conservation and carbon reduction, greenhouse gas reduction, water saving and waste management?	V		1. The general affairs has established a series of regulations for resource management, including the electricity and water usage. For example, indoor lighting will not be turned on if there's sufficient natural light in corridors near windows. 2. Air purification equipment has been installed to emit fumes of the factory's tin smelting process to prevent environment pollution caused by the emissions.	No difference
4. Social issues a) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? b) Does the company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation? c) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? d) Does the company provide its employees with career development and training sessions? e) Does the company comply with relevant regulations and international standards on the health and safety of customers, customer privacy, marketing and labeling of products and	V		1. Relevant labor regulations are strictly followed. The employees' rights to work are protected based on the Act of Gender Equality in Employment and the Act of Sexual Harassment Prevention. 2. Health check is arranged regularly for employees and significant health changes are followed every year. 3. Regular donations are made to charity groups such as Taiwan Fund for Children and Families in Taichung,	No difference

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
<p>services, and formulates relevant policies and procedures to protect consumer rights and handling complaints?</p> <p>f) Does the company formulated and implement supplier management policy, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights?</p>			Taiwan Woman and Children Association, Taiwan Fund for Children and Families in Taipei, Childhood Brain Tumor Association CBTA-Taiwan, and Genesis Social Welfare Foundation. The Company has received a metal from Taiwan Fund for Children and Families.	
5. Does the company compile corporate social responsibility reports or reports that disclose the company's non-financial information based on international CSR compiling standard or guidelines? Is the report accredited from accreditation agency or third-party verification organization?		V	The Company hasn't planned to compile corporate social responsibility reports. The information about the corporate social responsibility is disclosed in the annual report.	No difference
6. If the Company makes its own corporate social responsibilities principles according to the Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: The Company doesn't make its own corporate social responsibilities principles. The execution of corporate social responsibility depends on the actual circumstances by the administration department of the Company.				
7. Any other important information that helps to understand the conduct of corporate social responsibility: A foundation is established and cooperate with the Department of Social Welfare of each cities to offer help by cases, and a fund for emergency medical assistance for employees or their family members is allocated in the budget of the Company's Employee Welfare Committee.				

Note1: If "Yes" is checked for implementation, please specify the important policies, strategies, and measures adopted and their implementation; if "No" is checked, please explain the differences from the "Sustainability Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor" and the relevant policies, strategies and measures to be adopted in the future.

Note2: The materiality principle applies to those environmental, social, and corporate governance issues that significantly impact the Company's investors and other stakeholders.

Note3: Please refer to the best practices examples on the TWSE website for disclosure methods.

2.4.6 Status of Implementation of Integrity Operation and differences to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and rationale

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>a) Does the company formulate ethical corporate management policy that approved by the board of directors, and declare its policies and procedures in its guidelines and external documents, as well as the commitment from its board and top managerial officers to implement the policies?</p> <p>b) Has the company established an evaluation mechanism to assess the unethical conducts risk, and regularly analyzes and evaluates business activities with high potential unethical conducts, and formulates a precaution plan which at least covered listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>c) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, the commitment to implement the policies, and review the policy regularly?</p>	V		<p>The Company has established Integrity Operation Rules which have been published on the corporate's website to regulate the directors, managerial officers and employees and fulfill integrity operation.</p> <p>Based on the rules, if bribery or corruption is discovered, it should be reported to the audit department. The audit department will conduct an investigation to find the facts. The process will not be disclosed until the facts are clear. Depending on the severity of the situation, the audit department will report to the chairman, general manager, or board of directors. Severe cases will be reported to the Board of Directors for discipline. The most severe punishment will be dismissal of the employee. If there is any loss to the company, legal action will be taken to recover the damages.</p>	None
<p>2. Fulfill operations integrity policy</p> <p>a) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>b) Does the company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and regularly (at least once a year) report to the Board about the implementation of ethical corporate management policy and the plan against unethical conducts?</p> <p>c) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>d) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and audit the implementation of policies of preventing unethical conduct, either by internal auditors or CPAs on a regular basis?</p> <p>e) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>Significant operational policies, investment projects, acquisition and disposal of assets, endorsement guarantees, loans, bank financing, and other matters are evaluated and analyzed by the relevant departments, and implemented after being approved by the board of directors.</p> <p>When executing activities that involve a conflict of interest with one's own job responsibilities, a special report should be submitted to the department's highest supervisor to request permission for the activity or to request recusal from executing the activity that conflicts with one's own job responsibilities.</p> <p>All employees of the Company have signed the non-compete clause and non-disclosure agreement. If anyone takes advantages of their position to obtain confidential information and discloses it, causing harm to the company, the company will seek compensation without hesitation.</p>	None

Item	Implementation Status		Description	Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No		
<p>3. Report System operating status</p> <p>a) Has the company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object?</p> <p>b) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases and measures for follow-up?</p> <p>c) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?</p>	V		The Company's audit department is the channel for reporting the integrity violation cases. It will protect the identity of the whistleblowers and ensure the confidentiality of the content of the report. If the violation is severe, the company may disclose the violator's job title, name, date of violation, details of the violation, and the outcome of the investigation on the internal website.	None
<p>4. Enhance information disclosure</p> <p>a) Does the Company disclose the information of implementation and results of integrity management on its website and the MOPS?</p>	V		The relevant information is disclosed on the Company's official website.	None
5. If the company develops its own integrity operation rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: No difference.				
<p>6. Other important information for better understanding of the integrity operation</p> <p>The legal department will verify the legality of the transaction counterparties through case-based investigation. For significant or questionable cases, consultation with legal advisors will be made. The finance department will review the transaction based on the accounting principles.</p>				

If the company has established corporate governance guidelines and related regulations, please disclose their inquiry methods: Not applicable.

2.4.7 Status of Implementation of Internal Control System

a) Statement of Internal Control System: Please refer to page 191.

b) An accountant is hired to audit the Company's internal control system:  
None

2.4.8 Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year (up to the printing date of this Annual Report); correction and improvement procedures:

None

2.4.9 Important resolutions made by the Shareholders' Meeting and Board of Directors, during the last year and up to the printing date of this Annual Report

a) The resolutions approved by the Board of Directors during 2022 up to the printing date of this Annual Report:

Date	Important Resolution
2022.3.16	<ol style="list-style-type: none"> <li>1. Resolution: Recognition of 2021 business report and financial statements</li> <li>2. Resolution: Date and venue of shareholders' meeting, and shareholder's proposal period</li> <li>3. Resolution: 2021 earning distribution</li> <li>4. Resolution: 2021 distribution of cash dividends</li> <li>5. Resolution: 2021 remuneration to employees and directors</li> <li>6. Resolution: Modifications to the Articles of Association</li> <li>7. Resolution: Modifications to the procedures of acquiring or disposing of assets</li> <li>8. Resolution: Additional recognition for procedures of fund loaning and endorsement / guarantee</li> <li>9. Resolution: Disposition (transfer) of subsidiary's shareholding</li> <li>10. Resolution: 2021 Internal Control System Statement</li> <li>11. Resolution: 2022 Remuneration (monthly salary) to executive offices</li> <li>12. Resolution: Dismiss and engagement of CPAs</li> </ol>
2022.5.4	<ol style="list-style-type: none"> <li>1. Resolution: Recognition of Consolidated financial statements for the 1<sup>st</sup> quarter of 2022</li> <li>2. Resolution: Proposals submitted to 2022 Shareholders' Meeting</li> <li>3. Resolution: Inspection of greenhouse gas emission and the inspection schedule</li> </ol>
2022.8.3	<ol style="list-style-type: none"> <li>1. Resolution: Review of consolidated financial statements for the 2<sup>nd</sup> quarter of 2022</li> <li>2. Resolution: Proposals of increase in the endorsement guarantee limit for subsidiary companies</li> <li>3. Resolution: Appointment of new R&amp;D Supervisor of AVTECH Corporation and General Manager of AVTECH Security Corporation</li> </ol>
2022.11.9	<ol style="list-style-type: none"> <li>1. Resolution: Review of consolidated financial statement for the 3<sup>rd</sup> quarter of 2022</li> <li>2. Resolution: 2023 audit plan</li> <li>3. Resolution: Modification of supervisory regulations for subsidiary companies</li> <li>4. Resolution: Establishment of internal procedures for handling significant information</li> <li>5. Resolution: 2021 remuneration to executive officers</li> <li>6. Resolution: Appointment of CPAs in 2023 and assessment of their independence and qualifications</li> </ol>
2023.3.29	<ol style="list-style-type: none"> <li>1. Resolution: Recognition of 2022 business report and financial statements</li> <li>2. Resolution: Date and venue of shareholders' meeting, and shareholder's proposal period</li> <li>3. Resolution: 2022 earning distribution</li> <li>4. Resolution: 2022 distribution of cash dividends</li> <li>5. Resolution: 2022 remuneration to employees and directors</li> <li>6. Resolution: Establishment of procedures for fund loaning and endorsement / guarantee</li> <li>7. Resolution: 2022 Internal Control System Statement</li> <li>8. Resolution: Appointment of the corporate governance officers</li> <li>9. Resolution: 2023 remuneration (monthly salary) for executive officers</li> <li>10. Resolution: Modifications to the regulations of board of directors' meeting</li> <li>11. Resolution: Modifications to the regulations of shareholders' meeting</li> <li>12. Resolution: Inspection of greenhouse gas emission and the inspection schedule</li> <li>13. Resolution: Deliberation and ratification of acquisition of overseas corporate bonds denominated in US dollars.</li> </ol>
2023.5.10	<ol style="list-style-type: none"> <li>1. Resolution: Recognition of consolidated financial statements for the 1<sup>st</sup> quarter of 2023</li> <li>2. Resolution: Proposals submitted to 2023 Shareholders' Meeting</li> <li>3. Resolution: Modifications to the Internal Control System</li> </ol>

b) Important resolutions approved by the Shareholders' Meeting and the implementation

2021 Shareholders' Meeting is held by June 22<sup>th</sup>, 2022. The resolutions approved by the shareholders attended and the implementation are as follows:

b.1 Recognition of 2021 Business Report and Financial Statements

Implementation: 2021 Business Report and Financial Statements are recognized. The consolidated revenue of the year is approximately NT\$ 1,355,760,000 and the net loss after tax is approximately NT\$ 30,970,000. The net loss of each share is NT\$ 0.39.

b.2 Recognition of 2021 Earning Distribution

Implementation: Recognition passed and implemented according to the resolution of the Shareholders' Meeting

2.4.10 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors during the latest year and up to the printing date of this Annual Report:

None

2.4.11 During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had been dismissed:

None

## 2.5 Information on Accountants' Fees

Unit: NT\$

CPA Firm	Name of Accountant	Inspection Period	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte Taiwan	Chien-Liang Liu	2022.01.01 ~ 2022.12.31	2,000,000			
	Yu-Ling Tsai	2022.01.01 ~ 2022.12.31				

2.5.1 If the non-audit fees paid to the CPA, the CPA's accounting firm and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

None

2.5.2 If the CPA Firm is altered and the audit fee in altering year is less than that in the previous year, the amount of the audit fee reduced, percentage and reasons for the reduction of the audit fee shall be disclosed:

None

2.5.3 If the audit fee is reduced by over 10% compared with the previous year, the amount of the audit fee reduced, percentage and reasons for the reduction of audit fees shall be disclosed:

None

## 2.6 Alternation of CPA

### 2.6.1 About the Former CPA

Replacement Date	2021.5.5		
Reasons for Replacement	Internal restructuring at the firm		
Describe whether the Company terminated or the CPA did not accept the engagement	Parties	CPA	The Company
	Status	Not Applicable	
	Termination of engagement		
No longer accepted (discontinued) the engagement			
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	✓	
Remarks/specify details:			
Other disclosures (Any matters required to be disclosed under sub-items 4 of Article 10.5.1)	None		

### 2.6.2 About the Successor CPA

Name of Accounting Firm	Deloitte Taiwan
Name of CPA	Chen-Ming Lee, Chien-Liang Liu
Date of Engagement	2021.5.5
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA	None

### 2.6.3 Former CPA's Reply:

Not applicable

#### 2.6.4 About the Former CPA

Replacement Date	2021.11.10		
Reasons for Replacement	Internal restructuring at the firm		
Describe whether the Company terminated or the CPA did not accept the engagement	Parties	CPA	The Company
	Status		
	Termination of engagement	Not Applicable	
No longer accepted (discontinued) the engagement			
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	✓	
	Remarks/specify details:		
Other disclosures (Any matters required to be disclosed under sub-items 4 of Article 10.5.1)	None		

#### 2.6.5 About the Successor CPA

Name of Accounting Firm	Deloitte Taiwan
Name of CPA	Yu-Ling Tsai
Date of Engagement	2021.11.10
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA	None

#### 2.6.6 Former CPA's Reply: Not applicable

**2.7 The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise:**

None

**2.8 Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares during the latest year and up to the printing date of this Annual Report**

**2.8.1 Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares**

Title	Name	2022		Up to Apr. 23 <sup>rd</sup> , 2023	
		Shareholding Increase / Decrease (Note)	Pledged Shares Increase / Decrease	Shareholding Increase / Decrease (Note)	Pledged Shares Increase / Decrease
Chairman	Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	( 132,000 )	-	-	-
Director and Shareholder of more than 10%	Chun-Ju Huang	-	-	-	-
Director	Cheng-Mou Wu	( 28,000 )	-	-	-
Independent Director	I-Chen Tsai	-	-	-	-
Independent Director	Chih-Ming Wang	-	-	-	-
Independent Director	Chia-Wei Lai	-	-	-	-
Independent Director	Chin-Ling Chung	-	-	-	-
General Manager	Shih-Chung Chen	-	-	-	-
Manager of R&D Department	Tsung-Hsien Wang	-	-	-	-
Manager of Finance and Chief of Accounting Department	Min-Hui Lin	( 3,000 )	-	-	-

**2.8.2 Information on Equity Transfer**

None

**2.8.3 Information on Equity Pledge**

None

## 2.9 Information on Relationships among the Top Ten Shareholders

Apr. 23, 2023 Unit: Share

Name	Shareholding		Spouse & Minor Shareholding		Shares Held through Other Parties Shares		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Number	%	Number	%	Number	%	Title / Name	Relationship	
Chun-Yi Investment Co., LTD	22,215,044	27.77%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin hen	Chairman	
Chun-Ju Huang	8,842,984	11.05%	7,385,781	9.23%	-	-	Chun-Yi Investment Co., LTD	Director	
							Chiao-Sheng Investment Co., LTD	Director	
							Chiao-Tai Investment Co., LTD	Director	
							Ju-Lin Investment Co., LTD	Director	
							An-Hung Investment Co., LTD	Director	
Yi-Lin Che	7,385,781	9.23%	8,842,984	11.05%	-	-	Chun-Yi Investment Co., LTD	Chairman	
							Chiao-Sheng Investment Co., LTD	Director	
							Chiao-Tai Investment Co., LT	Director	
							Ju-Lin Investment Co., LTD	Chairman	
							An-Hung Investment Co., LTD	Chairman	
Chiao-Sheng Investment Co., LTD	3,992,338	4.9%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin Chen	Chairman	
Chiao-Tai Investment Co., LTD	2,730,165	3.41	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin Chen	Director	
Tzu-Jung Huang	2,419,005	3.02%	-	-	-	-	Chun-Ju Huang	Relatives Within Two Degrees	

Name	Shareholding		Spouse & Minor Shareholding		Shares Held through Other Parties Shares		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
							Yi-Lin Chen	Relatives Within Two Degrees	
Ju-Lin Investment Co., LTD	1,600,000	2.00%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin Chen	Director	
An-Hung Investment Co., LTD	1,383,000	1.73%	-	-	-	-	Chun-Ju Huan	Director	
							Yi-Lin Chen	Chairman	
Kuo-Lung Wen	483,000	0.60%							
Citibank (Taiwan) Hosting Barclays Corporate & Investment Bank - SBL / PB Investment Account of Barclays Corporate & Investment Bank	417,000	0.52%	-	-	-	-	-	-	

## 2.10 Combined Shareholding Percentage

Reinvestment	Investment by the Company		Direct or indirect control of Directors, Supervisors, or Managerial Officers		Combined Investment	
	Shares	%	Shares	%	Shares	%
Chieftron International Inc.	15,240,000	84.11%	-	-	15,240,000	84.11%
AVTECH Investment Inc.	8,000,000	100%			8,000,000	100%
AVTECH Security Corporation	9,600,000	96%			9,600,000	96%
Q.S.C. Industry Co., Ltd.	3,000,000	100%			3,000,000	100%

## IV Company Shares and Fund Raising

### 1. Company Capital and Shares, Corporate Bonds, Preferred Stocks, Global Depository Receipts (GDR), Warrants for Employees

#### 1.1 Type of Shares

2023/04/23 Unit: 1000 shares

Type	Authorized Capital			Remarks
	Issued Outstanding Shares (Listed Stock)	Non-issued Shares	Total	
Registered Common Shares	80,000	40,000	120,000	–

#### 1.2 Sources of Capital

Year / Month	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Property other than cash offset by the number of shares	Remarks
1996.06	10	500	5,000	500	5,000	Founded	None	–
1998.11	10	2,500	25,000	2,500	25,000	Capital increase by cash	None	–
1999.09	10	6,300	63,000	6,300	63,000	Capital increase by cash	None	–
2000.05	10	40,000	400,000	15,000	150,000	Capital increase 24,000 thousand by cash Capital increase 63,000 thousand by earnings	None	–
2001.10	10	40,000	400,000	25,000	250,000	Capital increase 49,000 thousand by cash Capital increase 48,000 thousand by earnings Capital increase 3,000 thousand by employee bonus	None	–
2002.09	10	40,000	400,000	31,760	317,600	Capital increase 62,500 thousand by cash Capital increase 5,100 thousand by employee bonus	None	2002 JGZYZ No 126761
2003.10	10	60,000	600,000	45,264	452,640	Capital increase 127,040 thousand by cash Capital increase 8,000 thousand by employee bonus	None	JGZYZ No 0920135381
2004.07	10	63,000	630,000	60,775	607,748	Capital increase 147,108 by earnings Capital increase 8,000 thousand by employee bonus	None	JGZYZ No 0930124999

Year / Month	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Property other than cash offset by the number of shares	Remarks
2005.07	10	94,000	940,000	70,891	708,910	Capital increase 91,162.2 thousand by earning Capital increase 10,000thousand by employee bonus	None	JGZYZ No 0940131166
2006.07	10	94,000	940,000	82,775	827,747	Capital increase 106,336.5 thousand by earnings Capital increase 12,500 thousand by employee bonus	None	JGZYZ No 0950133595
2007.07	10	94,000	940,000	90,120	901,196	Capital increase 66,219.7 thousand by earnings Capital increase 7,230 thousand by employee bonus	None	JGZYZ 0960039670
2008.07	10	120,000	1,200,000	100,000	1,000,000	Capital increase 94,625.63 thousand by earnings Capital increase 4,177.91 thousand by employee bonus	None	JGZYZ 0970035370
2017.7	10	120,000	1,200,000	80,000	800,000	Capital decrease 200,000 thousand	None	JGZYZ 1060025173

### 1.3 Shareholder Structure

2023/04/23

Shareholding Structure	Governments	Financial institutions	Other Institutions	Foreign Institutions & Individuals	Individuals	Treasury Stock	Total
Members	0	1	18	25	11,834	0	11,878
Total Shares Held	0	1,000	32,098,326	1,975,304	45,925,370	0	80,000,000
Shareholding %	0.00%	0.00%	40.12%	2.47%	57.41%	0.00%	100.00%

Note: No shareholding for Mainland China capital investment

### 1.4 Distribution of Shares

2023/04/23

Shares	No. of Shareholders	Total Shares Held	Shareholding %
1-999	6,753	1,843,044	2.30%
1,000-5,000	4,177	8,465,967	10.59%
5,001-10,000	503	3,831,778	4.79%
10,001-15,000	145	1,813,124	2.27%
15,001-20,000	110	2,000,326	2.50%
20,001-30,000	67	1,728,721	2.16%
30,001-40,000	36	1,266,710	1.58%
40,001-50,000	27	1,262,000	1.58%
50,001-100,000	27	2,051,374	2.56%
100,001-200,000	17	2,275,864	2.84%
200,001-400,000	6	1,992,775	2.49%
400,001-600,000	2	900,000	1.12%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
Above 1,000,001	8	50,568,317	63.22%
Total	11,878	80,000,000	100.00%

## 1.5 List of Major Shareholders

2023/04/23

	Name of Major Shareholder	Shares Held	Shareholding%
1	Chun-Yi Investment Co., LTD	22,215,044	27.77%
2	Chun-Ju Huang	8,842,984	11.05%
3	Yi-Lin Chen	7,385,781	9.23%
4	Chiao-Sheng Investment Co., LTD	3,992,338	4.99%
5	Chiao-Tai Investment Co., LTD	2,730,165	3.41%
6	Tzu-Jung Huang	2,419,005	3.02%
7	Ju-Lin Investment Co., LTD	1,600,000	2.00%
8	An-Hung Investment Co., LTD	1,383,000	1.73%
9	Kuo-Lung Wen	483,000	0.60%
10	Citibank (Taiwan) Hosting Barclays Corporate & Investment Bank - SBL / PB Investment Account of Barclays Corporate & Investment Bank	417,000	0.52%

## 1.6 Information on Market Price, Book Value, Earnings Per Share and Dividends

Unit: NTD /1000 shares

Item		Year	2021	2022	Current year to March 31th, 2023
Market Price Per Share	Highest		32.20	36.60	29.8
	Lowest		22.15	21.5	24.8
	Average		25.90	24.9	27.1
Equity Per Share	Before Distribution		28.53	29.56	28.72
	After Distribution		28.33	29.21	-
Earnings Per Share	Weighted average shares before adjustment		80,000	80,000	80,000
	Weighted average shares after adjustment		80,000	80,000	80,000
	Earnings per share)	0.39	1.18	0.12	0.26
		0.39	1.18	0.12	0.26
Dividends Per Share	Cash dividend		0.2	0.35 (Note4)	-
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-	-
		Stock Dividends Appropriated from Capital Reserve	-	-	-

Item		Year		
		2021	2022	Current year to March 31th, 2023
	Accumulated Unappropriated Dividends	-	-	-
Investment Return Analysis	P/E ratio (Note 1)	66.41	21.1	-
	Price-dividend ratio (Note2)	129.5 (Note4)	71.14 (Note4)	-
	Cash dividend yield (Note3)	0.77 (Note4)	0.014 (Note4)	-

Note1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note3: Cash Dividends Yield Rate = Cash Dividends per Share / Average Market Price

Note4: 2023 Earnings Distribution hasn't been submitted to the shareholders' meeting for resolution.

## 1.7 Dividend Policy and Execution Status

### 1.7.1 Dividend Policy

The Company is in a growth stage. By considering the future capital demand and long-term financial planning, over 50% of net earnings will be allocated as stock dividends and cash dividends of not less than 10%.

### 1.7.2 Distribution of Stock Dividends in 2022

Item			Year	
			2022 (allocated in 2022)	
Dividends Allocation	Cash dividend	Price per share (NTD)	0.35	
		Total (thousand)	28,000	
	Capital increase by earnings	Price per share (NTD)	0	
		Total (thousand)	0	
	Total	Price per share (NTD)	0.35	
		Total (thousand)	28,000	

## 1.8 Impact of Planned Issuance of Bonus Shares on the Company's Business Performance and Earnings Per Share

Not applicable

## 1.9 Remuneration to Employees and Directors

a) According to the Corporate Charters, Article 18,

"The profit before tax each year shall be used to compensate the loss from the precious year first before allocating to employees, directors and supervisors. The remaining profit shall be allocated as follow: the remuneration to employees should not be lower than 6%, and the remuneration to directors should not be higher than 1%. The allocated percentage of the remuneration to employees and directors and the remuneration type to employees (stock or cash dividends) shall be resolved by the Board of Directors with no less than two thirds of directors present and approved by more than half of directors attending the meeting, and submitted to the shareholders' meeting for resolution."

b) The basis to estimate the remuneration to employees, directors and supervisors is the number of shares distributed to employees as stock dividends, and how the accounting shall do if the actual amounts differ from the proposed amounts:

If the actual amounts differ from the amounts proposed on the Board of Directors, the differences are recorded in the year of shareholder's resolution as a change in accounting estimate and will not affect the financial statements audited by CPA.

c) Information on the Amount of Remuneration for Distribution Approved by the Board of Directors are as follows:

i) On March 29th, 2023, the Board of Directors approved that the cash dividends distributed to employees shall be NT\$6,535 thousand and to directors shall be NT\$ 2,093 thousand.

ii) Stock dividends to employees are not proposed in 2022.

d) Actual Distribution of the Amount of Remuneration in 2020:

NTD 0 thousand for employee cash dividends, NTD 2,541 for employee stock dividends and NTD 700 thousand for director dividends.

#### **1.10 Share Repurchases**

None

#### **2. Corporate Bonds (including overseas corporate bonds)**

None

#### **3. Preferred Shares**

None

#### **4. Global Depository Receipts (GDR)**

None

#### **5. Subscription of Warrants for Employees**

##### **5.1 The unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the annual report**

None

##### **5.2 Name of managers holding warrants for employees and top ten employees in terms of subscription of warrants, and the acquisition status as of the date of publication of the annual report**

None

#### **6. Subscription of New Shares for Employee Restricted Stocks**

None

## **7. Issuance of New Shares due to Acquisition of Shares of Another Company**

**7.1 During the latest year and up to the printing date of this Annual Report, the Company has issued new shares due to acquisition of shares of another company:**

7.1.1 The assessment prepared by lead securities underwriter concerning the issuance of new shares due to acquisition of shares of another company within the past quarter:

None

7.1.2 The implementation status of the past quarter. If the progress or benefit of such implementation is not as expected, its impact on shareholders' equity and an improvement plan shall be stated specifically:

Not Applicable

**7.2 Any mergers and acquisitions (M&A) resolved on the Board of Directors up to the printing date of this annual report, how the M&A will be executed and the brief information of the company being merged shall be revealed, and how the M&A will affect the benefits of shareholders:**

None

**7.3 Issuance of New Shares due to Acquisition of Shares of Another Company**

None

## **8. Implementation of fund usage plan**

The Company doesn't have any uncompleted issuance plan or completed plan with unrealized benefit within the latest three years

## V Operational Highlights

### 1. Business Content

#### 1.1 Business Scope

##### 1.1.1 Major Business

- a) The manufacture, production, installation, sales and export of CCTV surveillance systems (cameras, recorders and their peripherals), home surveillance systems and auto dialer, access control systems (RFID card readers, fingerprint readers and parking access control systems)
- b) Import / export business
- c) Agent and distributor of the business mentioned in a) and project bidding
- d) Manufacturer of electronic components
- e) Manufacturer of optic equipment
- f) Manufacturer of power generation and distribution equipment
- g) Wholesaler of electronic materials
- h) Wholesaler of precision instrument

##### 1.1.2 Current Product Items

Mobile surveillance systems, network remote surveillance systems, intelligent network camera systems, NVR, H.265 CCTV products and license plate recognition IR cameras.

##### 1.1.3 Revenue Mix

Unit: NTD 1,000

Item \ Year	2021		2022	
	Total Sales Revenue	Sales Percentage	Total Sales Revenue	Sales Percentage
Video surveillance systems	250,121	23%	209,050	17%
Electronic materials	1,105,635	77%	1,022,159	83%

##### 1.1.4 New Products

Home automation surveillance systems, video transmission / storage / compression systems, wireless video transmission systems, video detection and recognition systems, high-end face and access control systems, and business (home) IoT surveillance systems

## 1.2 Industry Overview

### 1.2.1 The Current Status of the Industry and Future Development

AVTECH is the professional manufacturer of CCTV systems. As the growing attention to home and public security privacy, the demands for a variety of surveillance equipment are also increased to bring the sales growth of CCTV devices and systems. The security industry is divided into four areas: CCTV, access control, burglar prevention and intercom, among which CCTV is one of the most important area and has occupied over 60% of the security market.

**Product List of Security Industry**

Item	Main Products
CCTV	IP (network) camera, color camera, b/w camera, dome camera, wireless camera, board camera, DSP camera, IR camera, lens, monitor, recorder, quad processor, frame multiprocessor, matrix system, peripheral, digital video recorder, remote surveillance system
Access Control	RFID card reader, magnetic card reader, controller, system software, fingerprint reader, palm recognition reader, facial recognition reader, parking lot equipment, magnetic lock, electric lock, password door lock, EAS door system, peripheral, card writer
Burglar Prevention	Wireless / wired main station, dual beam infrared detector, dual-technology sensor, PIR sensor, electronic fence, glass break detector, magnetic contacts, panic button, buzzer, auto dialer, stun gun, gas spray, mini buzzer
Intercom	Intercom, door phone, 3-in-1 intercom

Source: A&S magazine

#### a) HD CCTV

HD CCTV images can be transmitted without compression and display delay. It's the most ideal technology for the users using analog CCTV systems. They can easily upgrade their systems to have the excellent image quality of HD or even higher definition by using the existing coaxial cables – without replacing the whole system to the IP structure. Simply replace the recorders and cameras and HD CCTV images are ready.

#### b) DVR

The traditional analog video surveillance system is using tapes for video storage, which is not easy to save and takes a lot of space for storage. It also takes a long time to search and find video footage. The DVR (digital video recorder), nowadays, removes all the disadvantages of what the traditional analog video surveillance system has and is convenient for video search, play, storage and backup. Remote access is also possible for quick checking.

The DVR can be divided into two categories: PC-based and standalone. For PC-based DVRs, they're usually Windows-based or Linux-based devices with 4 ~ 16 video channels. However, the interface design for the standalone DVRs is based on the traditional CVR interface, which is more familiar with the users who are already using the CCTV systems. The images are saved in hard disks and it's allowed to extend the storage capacity by adding external hard disks. Remote access is possible for live display, record and playback.

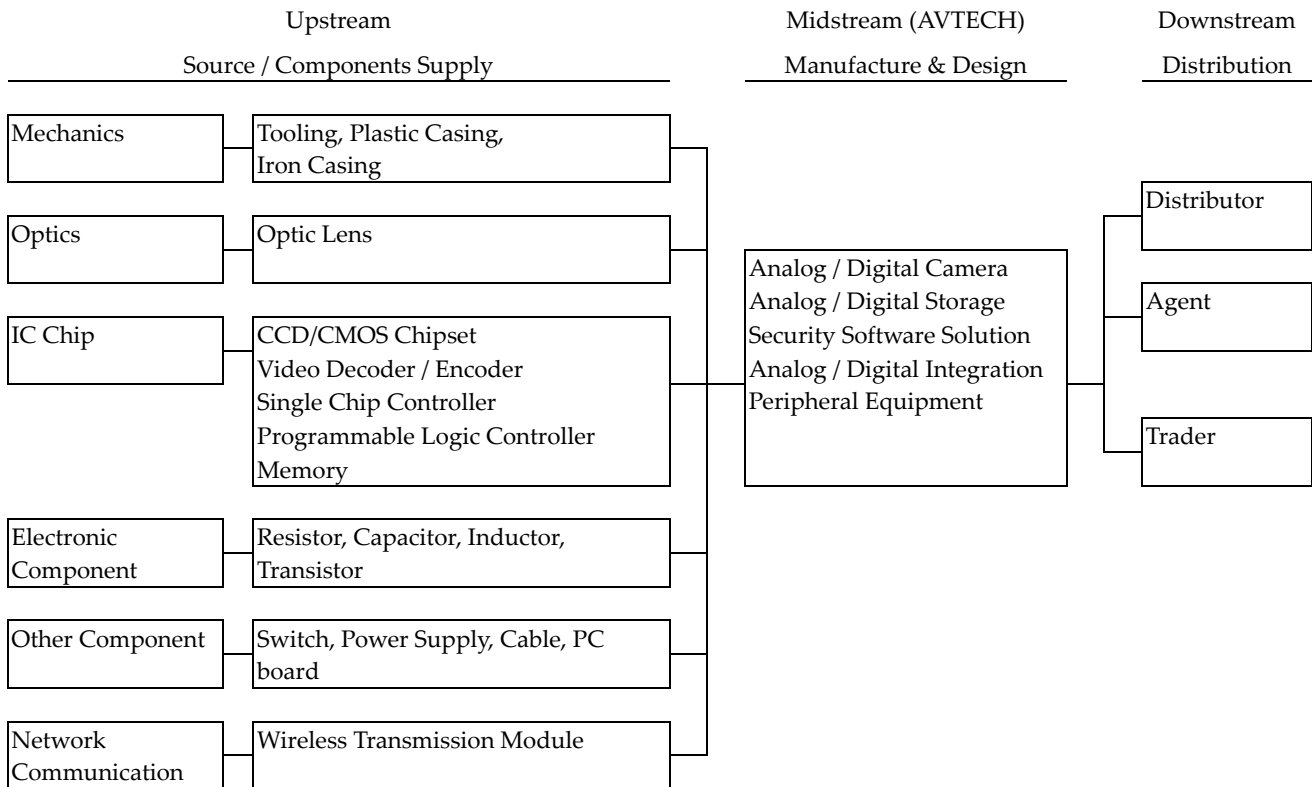
The compression format used by the DVR is evolved from MPEG4 to H.265, which can save over 50% of bandwidth to get quicker transmission and smaller file size. As the video definition demand is going higher and higher, the implementation of H.265 technology is inevitable.

#### c) IP camera

For remote surveillance, the DVR is designed to equip with the network function. All images are gathered in the DVR and can be transmitted via network.

An IP camera itself is capable of getting online. Users are able to access only one camera remotely to check what they want to see, but not access the recorder first and choose the channel they want. It gives the IP surveillance system great flexibility to build only a single watch or the whole system. It's also open for system integration to be a part of other security systems.

## 1.2.2 The Industry Value Chain and Relationship



## 1.2.3 Future Development

### a) High definition and low lux implementation

The coming of the digital video era results the high requirements for rapid and precise video capture and transmission. The related devices such as cameras, video processors, video storage and display devices are being pushed to conform to those requirements.

### b) Remote surveillance

The Remote surveillance system is consisted of several technologies such as video surveillance, audio/video remote transmission and telecommunication transmission, etc. It's been widely implemented in apartment complex and IoT commercial buildings, either by the LAN or WAN structure.

### c) IoT integration

It's also an inevitable trend to integrate the surveillance system with other electronic security systems to offer more practical and convenient applications.

### c) Competition

The security industry is now price-sensitive. We need to strongly control the production cost and speed up new features development as well as having adaptability to changes.

### 1.3 Technology and R&D

#### 1.3.1 Technical and R&D Business

AVTECH has dedicated itself in developing video surveillance related products to satisfy the customers' requirements and rapid changes of the market. AVTECH also has the FAE department to promote our new products, solve technical issues and listen to what the market needs.

#### 1.3.2 Education Degree of R&D Department

Education Degree	Number	Percentage
PhD	0	0%
Master	7	27%
Bachelor	16	62%
Associate	3	11%
Total	26	100%

#### 1.3.3 R&D Expenses for the Most Recent 3 Years

##### a) R&D Expenses for the Most Recent 3 Years

Unit: NTD 1,000

Item	2020	2021	2022
R&D Expenses	3,565	0	0
R&D Expenses to Revenue %	8%	0%	0%

##### b) Successful Product Development for the Most Recent 3 Years

Mobile surveillance software, system integration products, AI-based DVR

#### 1.3.4 Future R&D Development Plans

- a) AI-based camera and storage devices to process and analyze high definition video data
- b) IoT integration and cross industry alliance to extend the applications to other industries and offer more user-friendly and convenient life experiences.

Unit: NTD 1,000

Item	2023	2024	2025
R&D Expenses	10,000	20,000	20,000

## 1.4 Long and Short-term Business Development Plans

### 1.4.1 Short-term Business Development Plans

#### a) Marketing Strategy

We'll find global partners to extend the oversea markets and increase the market share for the video surveillance business. With the complete product lines, competitive pricing and fast delivery as the basis, we'll make sales and marketing strategies to consolidate the partnership with our agents and distributors in each country to promote the AVTECH brand and enhance the popularity in the local markets.

#### b) Production Strategy

We'll continue to purchase automatic equipment to optimize the production time and speed up the delivery date. We'll also guide our subcontractors to establish their own production and quality control abilities for higher production efficiency.

#### c) R&D Strategy

For video surveillance, we'll continue to develop and innovate existing products and meanwhile work on the IoT security products, such as the discovering more applications of digital storage and network transmission and developing our own key product features. We'll also focus on developing integration software for large-scaled system integration projects.

#### d) Business Management

AVTECH plans to establish a complete and flexible organization to build professional teams and recruit professionals for sales, marketing, R&D and business management.

### 1.4.2 Long-term Business Development Plans

#### a) Marketing Strategy

For video surveillance, we'll cultivate marketing professionals and build international marketing sites to master the depth and width for local sales. We'll make AVTECH the leading CCTV brand in the world and consolidate the partnership with our OEM / ODM customers.

#### b) Production Strategy

We'll continue to work on automatic production and analyze product structures to seek the possibility for cost reduction and quality enhancement. The manufacturing capacities will be greatly increased. The production management procedures will also be strictly enforced to ensure the product quality.

#### c) R&D Strategy

For video surveillance, we'll always keep up on the market trend and develop new products in time to satisfy our customers' needs. We'll also seek the opportunities to integrate the security industry with digitized multimedia and communication industries and keep innovate digital storage and remote surveillance applications. More R&D professionals will also be recruited to keep our R&D capabilities up-to-date.

#### d) Business Management

AVTECH plans to establish a thorough production and marketing system, reinforce the management group members and cultivate professionals in each area to face the changes of future development. The group members will recognize the corporate culture and share the same values, reaching our goal for sustainable development.

## 2. Production and Sales Status

### 2.1 Market Analysis

#### 2.1.1 Core Sales Areas

The main products of AVTECH Corporation are video surveillance systems and their sales areas in 2022 are listed below:

Unit: NTD 1,000

Product	Area	Amount	Percentage
Video Surveillance System	Domestic	156,788	75%
	Asia	33,448	16%
	Others	14,633	7%
	America	-	-
	Europe	4,181	2%
	Total	209,050	100%

#### 2.1.2 Market Share & Competition Niche

##### a) Market Share

AVTECH is listed in Security Top 50 in A&S International 2019 in both global and Asian surveillance companies.

##### b) Competition Niche

- We have our own R&D department to focus on what the market needs and develop suitable products in advance.
- Based on many years experiences as the agent of electronic components, we're capable of knowing the market trend is turning to which direction and getting the best sources to reduce the production cost. Moreover, we control the R&D, sales and production sources well to maximize the efficiency of product innovation, marketing and production.
- We have complete product lines to satisfy different demands and applications. The product production is also well organized to reach the maximum financial benefits and reduce the production cost. We also have close relationship with our upstream suppliers and SMT subcontractors to speed up product manufacturing and reach the short delivery deadline.
- We also provide ODM / OEM / OBM services.

#### 2.1.3 Future Industry Supply & Demand and Growth

According to the research report conducted by MarketsandMarkets, the scale of the global security market will increase throughout the forecast period at a CAGR of 10% from an estimated USD 65.4 billion in 2015 to USD 105.3 in 2020. The main factor for market growth is the demands from the Asian merging markets.

#### 2.1.4 Business Development Advantages, Disadvantages and Countermeasures

##### a) Disadvantages and Countermeasures

- Competitive because the security industry is really going places  
Countermeasures: Establish a strategic partnership with our customers.
- New products keep going out and the lifecycle of each product is short  
Countermeasures: Keep releasing new products with niche to add more values to our products.

a) Advantages

- Professional business management group  
We've been in this industry for over 25 years and we're aware of how this industry will go in the future. By well organizing and managing our own R&D, marketing and manufacturing capabilities, our management group is confident that our sales revenue will keep growing.
- International sales & marketing channels  
We're having close relationship with many leading suppliers of information, communication, consumer electronics and more cooperations are expected to see based on the principle of mutual benefit.
- Others  
We will increase the diversity of our products to attract more medium- / large-sized OEM cases in the future.

**2.2 Core Products, Main Applications, and Manufacturing Process**

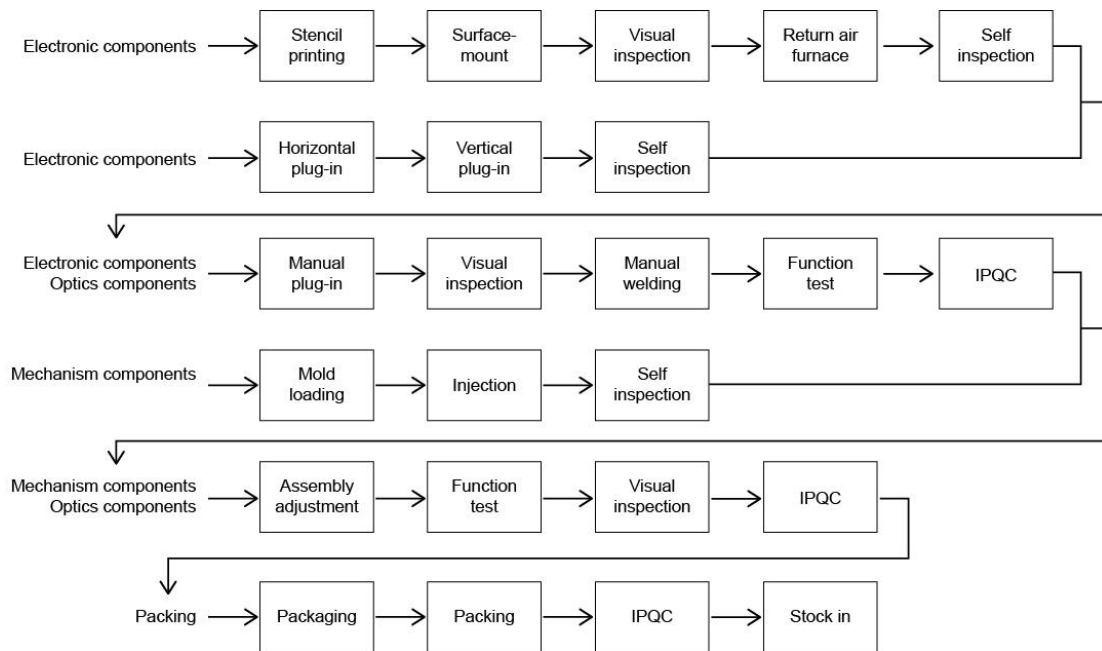
2.2.1 Core Products and Main Applications

Core Products: IP (network) camera, digital storage equipment, surveillance software solution, digital integration peripheral

Main Applications: Safety secured by video transmitting and data processing

2.2.1 Manufacturing Process of Core Products

Core Products: Cameras, Back-end Storage Equipment



**2.3 Status of Core Material Suppliers**

The core materials of our products are integrated circuits, IC integrated circuits, passive components, PCBs, cables and wires, mechanism, resistor, capacitor, inductor, detectors, etc. Most of them are purchased domestically. The sources and supply are reliable.

## 2.4 Production and Sales Status

### 2.4.1 Key accounts in the past two years

Unit: NTD 1,000; %

Item	2021				2022				Up to 1st quarter of 2023			
	Account	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Account	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Account	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer
1	Account A	12,111	100	Subsidiary	Account B	35,575	17	None	Account B	10,770	19.6	None
	Total Net Purchase	12,111	100		Total Net Purchase	35,575	100		Total Net Purchase	10,770	100	

### 2.4.2 Key vendors in the past two years

Unit: NTD 1,000; %

Item	2021				2022				Up to 1st quarter of 2023			
	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer
1	Vendor A	2,593	54%	None	None			None	None			
2	Vendor B	2,217	46%	None				None				
	Total Net Purchase	4,810	100%									

## 2.5 Production Value in the Most Recent 2 Years

Unit: NTD 1,000

Quantity & Value	2021			2022		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Major Product						
Video Surveillance Systems	4,500	3,551	125,000	2,500	1,500	250,000
Total	4,500	3,551	125,000	2,500	1,500	250,000

## 2.6 Sales Value in the Most Recent 2 Years

Unit: NTD 1,000

Quantity & Value	2021				2022			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	量	值
Major Product								
Video Surveillance Systems	541	79,387	212	98,433	902	156,788	165	52,262
Total	541	79,387	212	98,433	902	156,788	165	52,262

### 3. Employee Data during the Past Two Years

Year		2021	2022	Up to Apr. 30 <sup>th</sup> , 2023
Employee Number	Factory	58	69	69
	R&D	25	26	26
	Sales	5	6	6
	Administration	12	12	12
	Total	100	113	113
Average Age		43	43	43
Average Seniority		9.5	10	11
Education Distribution %	PhD	-	-	-
	Master	10%	7%	7%
	Bachelor	46%	41%	41%
	Associate	12%	12%	12%
	Senior High School	32%	40%	40%
	Below Senior High School	0%	0%	0%

### 4. Information on Environmental Protection Costs

**4.1 If a permit to be recognized as pollutant equipment or a permit to be allowed to discharge pollutants should be applied, or a fee should be paid for environmental protection, or an environmental protection supervisor should be hired according to the applicable laws and regulations**

None

**4.2 Investment of the equipment to prevent environmental pollution, how it works and any possible benefits**

None

**4.3 Any disputes occurred during the period of improving environmental pollution in the most recent fiscal year and up to the annual report publication date should be stated here.**

None

**4.4 Disbursements for environmental protection: Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.**

None

**4.5 Current pollution status, the influence of improvement on the Company's earnings, competitive position and capital expenditure, estimated major expenditure on environmental protection in the following two years**

None

## 5. Labor Relations

### 5.1 Welfare Measures and Retirement System for Employees, and Labor Agreement and Implementation

#### 5.1.1 Welfare Measures

The Employee Welfare Committee is founded in March 2000 to deal with a lot of welfare measures such as organizing employee travel and recreational activities.

#### 5.1.2 Retirement System

The Company has formulated the retirement and pension plans for employees according to the Labor Standards Act and the Labor Pension Act. The retirement pension is calculated by the employee's years of service and his or her monthly wage at the time when his or her retirement is approved. For the employees who are qualified for the Labor Pension Act (new system), 6% of the employee's monthly wage should be granted to his/her personal pension fund account.

#### 5.1.3 Labor Agreement and Implementation

None

### 5.2 Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report

None

## 6. Cyber Security Management

### 6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

#### 6.1.1 Information and Cyber Security Risk Management Framework

The Information and Cyber Security Risk Management team is responsible for establishing the information and cyber security policy, review regularly and implement the policy strictly to minimize the security risk and improve the security measures.

#### 6.1.2 Information and Cyber Security Policy

- Maintain and ensure every information system working well.
- Prevent attacks from hackers and malicious viruses.
- Prevent intentional and unauthorized access and usage
- Protect confidential information
- Ensure the safety of physical environments
- Review and audit the information and cyber security process regularly to make sure the security policy is strictly enforced.

### 6.1.3 Concrete Management Programs

Information and cyber security is one of the main items for yearly auditing. The company will check the enforcement of the Information and Cyber Security policy based on the company's internal control system every year and report the result to the board of directors for review. A statement of internal control system will be issued later based on the review result.

### 6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

	2022	Up to Mar. 31th, 2023
Important Information and Cyber Security Events	None	None

### 7. Other Important Agreements (still valid and will be expired within a year)

None

## VI Financial Standing

### 1. Most Recent 5-Year Concise Financial Information

#### 1.1 Concise Stand-alone Balance Sheet of Comprehensive Income

Unit: NTD 1,000

Item \ Year		Financial Information for the Most Recent 5 Years (Note1)				
		2018	2019	2020	2021	2022
Current Assets		1,254,776	1,032,037	981,270	995,219	1,019,253
Net property, Plant and Equipment		703,584	701,809	695,097	688,497	682,022
Intangible Assets						
Other Assets		428,974	494,097	518,809	524,721	585,470
Total Assets		2,387,334	2,227,943	2,195,176	2,208,437	2,286,745
Current Liabilities	Before Distribution	40,692	13,867	8,938	10,417	16,400
	After Distribution	80,692	29,867	24,938	38,417	Note2
Non-current Liabilities		2,321	2,355	4,677	6,116	
Total Liabilities	Before Distribution	43,013	16,222	13,615	16,533	26,243
	After Distribution	83,013	32,222	29,615	44,533	Note2
Equity Attributed to Owners of Parent		2,344,321	2,211,721	2,181,561	2,191,904	2,260,502
Share Capital		800,000	800,000	800,000	800,000	800,000
Capital Surplus		17,461	17,461	17,461	17,444	17,722
Retained Earnings	Before Distribution	1,529,990	1,397,722	1,370,083	1,383,266	1,451,795
	After Distribution	1,489,990	1,381,722	1,354,083	1,355,266	Note2
Other Equity Interests			-	-	-	-
Treasury Shares			-	-	-	-
Non-Controlling Interests			-	-	-	-
Total Equity	Before Distribution	2,344,321	2,211,721	2,181,561	2,191,904	2,260,502
	After Distribution	2,304,321	2,195,721	2,165,561	2,163,904	Note2

Note1: All audited by CPA

Note2: 2021 Earnings Distribution hasn't been submitted to the shareholders' meeting for resolution.

## 1.2 Concise Balance Sheet and Statement of Comprehensive Income

Unit: NTD 1,000

Item	Year	Financial Information for the Most Recent 5 Years (Note1)					Up to March 31th, 2023 (Note3)
		2018	2019	2020	2021	2022	
Current Assets		1,708,803	1,601,279	1,617,474	1,748,474	1,709,693	1,651,544
Net property, Plant and Equipment		734,575	732,414	725,464	719,686	713,282	711,459
Intangible Assets		-	-	-	-	-	-
Other Assets		96,271	104,634	157,134	122,125	111,018	187,802
Total Assets		2,539,649	2,438,327	2,500,072	2,590,285	2,533,993	2,550,805
Current Liabilities	Before Distribution	137,820	146,756	227,087	279,896	137,245	222,269
	After Distribution	177,820	162,756	243,087	307,896	Note2	Note2
Non-current Liabilities		2,507	25,355	27,677	27,742	31,549	31,277
Total Liabilities	Before Distribution	140,327	172,111	254,764	307,638	168,794	253,546
	After Distribution	180,327	188,111	270,764	335,638	Note2	Note2
Equity Attributed to Owners of Parent		2,344,321	2,211,721	2,181,561	2,191,904	2,260,502	2,190,380
Share Capital		800,000	800,000	800,000	800,000	800,000	800,000
Capital Surplus		17,461	17,461	17,461	17,444	17,722	17,772
Retained Earnings	Before Distribution	1,529,990	1,397,722	1,370,083	1,383,266	1,451,795	1,381,621
	After Distribution	1,489,990	1,381,722	1,354,083	1,355,266	Note2	Note2
Other Equity Interests		-3,130	-3,462	-5,983	-8,806	-9,015	-8,963
Treasury Shares		-	-	-	-	-	-
Non-Controlling Interests		55,001	54,495	63,747	90,743	104,697	106,879
Total Equity	Before Distribution	2,399,322	2,266,216	2,245,308	2,282,647	2,365,199	2,297,259
	After Distribution	2,359,322	2,250,216	2,229,308	2,254,647	Note2	Note2

Note1: All audited by CPA

Note2: Earnings Distribution hasn't been submitted to the shareholders' meeting for resolution.

Note3: Financial statement due March 31th, 2023 is reviewed by CPA.

### 1.3 Concise Stand-alone Statement of Comprehensive Income

Unit: NTD 1,000

Item \ Year	Financial Information for the Most Recent 5 Years (Note1)				
	2018	2019	2020	2021	2022
Operating Revenue	276,714	159,874	43,001	12,111	6,266
Gross Profit (Loss) from Operations	41,854	4,099	-2,211	-1,451	-488
Net Operating Income	-91,922	-77,711	-38,529	-45,141	-57,014
Non-Operating Income and Expenses	71,692	-15,392	24,135	79,617	157,308
Profit (Loss) from Continuing Operations Before Tax	-20,230	-93,103	-14,394	34,476	100,294
Profit (Loss) from Continuing Operations	-20,230	-93,103	-14,394	34,476	100,294
Net Income (Loss)	-19,633	-92,421	-12,152	30,974	94,571
Other Comprehensive Income (Income After Tax)	94	-179	-2,008	-1,565	1,749
Total Comprehensive Income	-19,669	-92,600	-14,160	29,409	96,320
Earnings Per Share	-0.25	-1.16	-0.15	0.39	1.18

Note1: All audited by CPA

### 1.4 Concise Consolidated Statement of Comprehensive Income

Unit: NTD 1,000

Year Item	Financial Information for the Most Recent 5 Years (Note1)					Up to March 31th, 2023 (Note2)
	2018	2019	2020	2021	2022	
Operating Revenue	866,792	804,056	1,222,174	1,355,756	1,231,209	259,763
Operating Profit (Loss) from operations	140,046	79,309	169,340	226,394	223,402	46,682
Net Operating Income	-43,880	-96,595	2,883	32,775	26,859	1,955
Non-Operating Income and Expenses	40,442	7,577	-3,699	30,585	104,062	11,962
Profit (Loss) from Continuing Operations Before Tax	-3,438	-89,018	-816	63,360	130,921	13,917
Profit (Loss) from Continuing Operations	-12,842	-87,894	-3,395	43,310	106,005	11,930
Net Income (Loss)	-12,842	-87,894	-3,395	43,310	106,005	11,930
Other Comprehensive Income (Income After Tax)	-68	-349	-1,903	-2,905	2,198	130
Total Comprehensive Income	-12,910	-88,243	-5,298	40,405	108,203	12,060
Profit (loss), attributable to owners of parent	-19,633	-92,421	-12,152	30,974	94,571	9,826
Profit (loss), attributable to non- controlling interests	6,791	4,527	8,757	12,336	11,434	2,104
Comprehensive income, attributable to owners of parent	-19,669	-92,600	-14,160	29,409	96,320	9,878
Comprehensive income, attributable to noncontrolling interests	6,759	4,357	8,862	10,996	11,883	2,182
Earnings Per Share	-0.25	-1.16	-0.15	0.39	1.18	0.12

Note1: All audited by CPA

Note2: Financial statement due March 31th, 2023 is reviewed by CPA.

## 1.5 CPAs and Their Opinions for Most Recent 5-Years

### 1.5.1 CPAs and Their Opinions for Most Recent 5-Years

Year	Accounting Firm	Name of CPA	Auditor's Opinion
2018	Deloitte Taiwan	Chen-Ming Lee Wen-Chi Kuo	Unqualified opinion
2019	Deloitte Taiwan	Chen-Ming Lee Wen-Chi Kuo	Unqualified opinion
2020	Deloitte Taiwan	Chen-Ming Lee Wen-Chi Kuo	Unqualified opinion
2021	Deloitte Taiwan	Yu-Ling Tsai Chien-Liang Liu	Unqualified opinion
2022	Deloitte Taiwan	Yu-Ling Tsai Chien-Liang Liu	Unqualified opinion

### 1.5.2 Reason for Changing CPA

- a) Because of the internal administrative organizational changes of Deloitte Taiwan, the auditors, Chen-Ming Lee and Wen-Chi Kuo, were changed to Wen-Chin Lin and Chien-Liang Liu since the 1<sup>st</sup> quarter of 2021.
- b) Because of the internal administrative organizational changes of Deloitte Taiwan, the auditor, Wen-Chin Lin was changed to Yu-Ling Tsai since the 4<sup>th</sup> quarter of 2021.

## 2. Most Recent 5-Year Financial Analysis

### 2.1 Financial Analysis on Consolidated Financial Statements

Item (Note)		Year	Financial Information for the Most Recent 5 Years (Note1)					Up to March 31th, 2023 (Note1)
		2018	2019	2020	2021	2022		
Financial Ratio (%)	Total liabilities to total assets	5.53	7.06	10.19	11.88	6.66	9.94	
	Long-term capital to PP&E	326.97	312.88	313.31	321.03	336.02	327.29	
Ability to Pay off Debt (%)	Current ratio	1239.88	1091.12	712.27	624.69	1,245.73	743.04	
	Quick ratio	1103.5	990.3	624.29	505.55	1,073.81	656.19	
	Interest protection	-	-	-	-	-	-	
Ability to Operate	A/R turnover (times)	4.91	4.23	5.06	4.90	4.61	4.08	
	A/R turnover days	74.38	86.26	72.07	74.42	79.17	89.38	
	Inventory turnover (times)	3.8	4.45	6.59	4.59	3.89	3.51	
	Account payable turnover (times)	8.66	8.74	9.27	6.85	8.06	7.43	
	Days sales outstanding	96.18	82.04	55.37	79.53	93.83	103.9	
	Fixed assets turnover (times)	1.18	1.1	1.68	1.88	1.73	1.46	
	Total assets turnover (times)	0.34	0.33	0.49	0.52	0.49	0.41	
Earning Ability	Return on assets (%)	-0.5	-3.53	-0.14	1.7	4.13	1.86	
	Return on equity (%)	-0.53	-3.77	-0.15	1.91	4.28	2.09	
	PBT to pay-in capital %	-0.43	-11.13	-0.1	7.92	16.37	0.98	
	Net margin (%)	-1.48	-18.00	-0.28	3.19	8.61	4.59	
	EPS (Note2)	-0.25	-1.16	-0.15	0.39	1.18	0.12	
Cash Flow	Cash flow ratio (%)	-25.29	-34.88	-14.31	0.59	40.92	-39.15	
	Cash flow adequacy ratio (%)	15.16	52.87	-13.68	-20.98	-41.21	-103.51	
	Cash reinvestment ratio (%)	-3.44	-3.95	-2.15	-0.65	1.23	-5.34	
Leverage	Operating leverage	-2.94	-0.82	58.74	6.91	8.32	23.88	
	Financial leverage	1	1	1	1	1	1	

The reasons for all financial ratio changes over 20% within the most recent 2 years are as follows:  
 Operating ability: The operating leverage was getting better because of the increase of the earning.  
 Earning ability: The net margin was increased because of the growth of demands for electronic materials in consumer 3C products, communication, memory modules, network storage, automotive, battery protection, and CCTV products.  
 Cash flow: The operational business performed well in 2022, and there were no concerns regarding cash flow from operating activities.

Note1: The financial statements from 2018 to 2022 are audited by CPA and the financial statement of the 1<sup>st</sup> quarter of 2023 is reviewed by CPA.

Note2: The EPS for each year has been calculated by adjusting the weighted average shares.

## 2.2 Financial Analysis on Stand-alone Financial Statements

Year		Financial Information for the Most Recent 5 Years (Note1)				
		2018	2019	2020	2021	2022
Financial Ratio (%)	Total liabilities to total assets	1.8	0.73	0.62	0.75	1.15
	Long-term capital to PP&E	333.53	315.48	314.52	319.25	332.88
Ability to Pay off Debt (%)	Current ratio	3083.59	7442.4	10978.63	9553.8	6214.96
	Quick ratio	2809.91	7174.66	10810.45	9496.52	6200.02
	Interest protection	-	-	-	-	-
Ability to Operate	A/R turnover (times)	11.06	8.66	4.55	3.99	2.07
	A/R turnover days	32.99	42.14	84.62	91.44	176.15
	Inventory turnover (times)	2.19	2.19	1.74	1.29	1.61
	Account payable turnover (times)	11.25	38.26	135.77	82.95	127.43
	Days sales outstanding	166.36	166.68	210.26	282.56	227.11
	Fixed assets turnover (times)	0.39	0.23	0.62	0.02	0.01
	Total assets turnover (times)	0.12	0.07	0.02	0.01	0.00
Earning Ability	Return on assets (%)	-0.81	-4.01	-0.55	1.41	4.2
	Return on equity (%)	-0.83	-4.06	-0.55	1.42	4.25
	PBT to pay-in capital %	-2.53	-11.64	-1.8	4.31	7.13
	Net margin (%)	-7.1	-57.81	-28.26	255.75	1,509.27
	EPS (Note2)	-0.25	-1.16	-0.15	0.39	1.18
Cash Flow	Cash flow ratio (%)	-256.14	-28.27	228.71	226.97	88.76
	Cash flow adequacy ratio (%)	6.32	7.45	-29.96	-67.72	-34.15
	Cash reinvestment ratio (%)	-7.35	-2.34	0.24	0.46	-0.8
Leverage	Operating leverage	-0.52	-0.52	0.06	0.03	-0.01
	Financial leverage	1	1	1	1	1
<p>The reasons for all financial ratio changes over 20% within the most recent 2 years are as follows:                      Ability to operate: The decrease of each leverage was due to the sales decrease of CCTV products from OEM customers.                      Ability to pay off debt: The large decrease of the debt ratio was due to the strong control of the company assets and debt quality                      Cash flow: The slow inflow ratio in cash was due to the sales decrease of CCTV products in 2022</p>						

Note1: All audited by CPA

Note2: The EPS for each year has been calculated by adjusting the weighted average shares.

**Formula:****(a) Financial Ratio**

1. Total liabilities to Total assets = Total liabilities / Total assets
2. Long-term debts to fixed assets = (Net equity + Long-term debts) / Net fixed assets

**(b) Ability to Pay off Debt**

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

**(c) Ability to Operate**

1. Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance
2. A/R turnover day = 365 / account receivable turnover
3. Inventory turnover = Cost of Goods Sold / the average of inventory
4. Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance
5. Inventory turnover day = 365 / Inventory turnover
6. Fixed assets turnover = Net sales / Net Fixed Assets
7. Total assets turnover = Net sales / Total assets

**(d) Earning Ability**

1. Return on assets = [PAT + Interest expense × (1 - interest rate)] / the average of total assets
2. Return on equity = PAT / the average of net equity
3. Net income ratio = PAT / Net sales
4. EPS = (PAT - Dividend from prefer stock) / weighted average outstanding shares

**(e) Cash Flow**

1. Cash flow ratio = Cash flow from operating activities / Current liability
2. Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + the increase of inventory + cash dividend)
3. Cash investment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + long-term investment + other assets + working capital)

**(f) Leverage**

1. Operating leverage = (Net revenue - variable cost of goods sold and operating expense) / operating income
2. Financial leverage = Operating income / (Operating income - interest expenses)

**3. Up to the Printing Date of this Annual Report, has the Company or Related Companies Experienced Financial Turnover Difficulties**

None

#### **4. Audit Committee's Review Report**

AVTECH Corporation  
Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements, 2022 Business Report and proposal for distribution of 2022 earnings. Of which, the Financial Statements have been audited by Deloitte Taiwan. The Financial Statements, Business Report and proposal for distribution of 2022 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

#### **AVTECH Corporation**

Chairman of the Audit Committee: Chih-Ming Wang

Member of the Audit Committee: I-Chen Tsai

Member of the Audit Committee: Chia-Wei Lai

Member of the Audit Committee: Chin-Ling Chung

On the date of March 29<sup>th</sup>, 2023

**5. 2022 Financial Statements**

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Independent Auditors' Report

**6. 2022 Consolidated Financial Statements with Subsidiaries Audited by CPA**

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## VII Review and Analysis of Financial Position and Financial Performance, and Risks Assessment

### 1. Financial position

Unit: NTD 1000

Item \ Year	2021	2022	Difference	
			Amount	%
Current Assets	1,752,055	1,709,693	-638	-0.04%
Property, Plant and Equipment	719,686	713,282	-6,404	-0.89%
Other Assets	30,089	33,431	3,342	11.11%
Total Assets	2,593,866	2,533,993	-59,873	-2.31%
Current Liabilities	283,477	137,245	-146,232	-51.59%
Non-current Liabilities	27,742	31,549	3,807	13.72%
Total Liabilities	311,129	168,794	-142,335	-45.75%
Equity attributable to shareholders of the parent	2,191,904	2,260,502	68,598	3.13%
Share Capital	800,000	800,000	0	0.00%
Retained Earnings	1,383,266	1,451,795	68,529	4.95%
Other Equity	-8,806	-9,015	-209	2.37%
Non-controlling Interest	90,743	104,697	13,954	15.38%
Total Equity	2,282,647	2,365,199	82,552	3.62%
Note:				
1. Current Liabilities: It was mainly due to the decrease in operational activities that led to an decrease in liabilities				
2. Total Liabilities: It was mainly due to the decrease in operational activities that led to an decrease in accounts payable				

## 2. Financial performance

Unit: NTD 1000

Item \ Year	2021	2022	Increased (Decreased) Amount	% of Change
Net Operating Revenue	1,355,756	1,231,209	-124,548	-9.19%
Operating Costs	1,129,362	1,007,807	-121,555	-10.76%
Gross Profit	226,394	223,402	-2,992	-1.32%
Operating Expenses	193,619	196,543	2,924	1.51%
Operating Income	32,775	26,859	-5,916	-18.05%
Non-operating Income and Expenses	30,585	104,062	73,477	240.24%
Profit before Income Tax for the Year	63,360	130,921	67,561	106.63%
Net Profit for the Year	43,310	106,005	62,695	144.76%
Other Comprehensive Income (Loss) for the Year (Net After Tax)	-2,905	2,198	5,103	Loss to Profit
Total Comprehensive Income (Loss) for the Year	40,405	108,203	67,798	167.80%
Net income attributable to shareholders of the parent	30,974	94,571	63,597	205.32%
Net income attributable to non-controlling interest	12,336	11,434	-902	-7.31%
<p>Analysis of deviation changes:</p> <p>The intense price competition continued and the demand has been decreased for CCTV products and IC products in the year of 2022, resulting the slight decrease of sales income, Then, the operating income was decreased.</p> <p>Furthermore, the business expense was well-controlled to help increase the profit.</p> <p>The non-operating income and expenses change largely due to the fluctuation of USD exchange rate.</p>				

### 3. Cash flow

#### 3.1 Cash flow analysis for the year of 2022

Unit: NTD 1,000

Beginning Cash Balance ①	Net Cash Flow②	Cash Outflow ③	Cash Surplus ① + ② - ③	Contingency Plan for Cash Deficit	
				Investment Plans	Financial Plans
664,166	77,988	39,158	702,996	-	-
<p>Cash liquidity analysis for the current fiscal year:</p> <p>Operating activities: A cash flow of NT 77,988 thousand is generated due to the increase in net profit and the influence in foreign exchange rate.</p> <p>Investment activities: A cash flow of NT 15,049 thousand is generated due to the gain of financial assets measured at amortized cost</p> <p>Financing activities: A cash outflow of NT 24,109 thousand is generated due to the decrease in cash dividend contribution to the company's owner.</p>					

#### 3.2 Improvement plan for illiquidity

Not applicable.

#### 3.3 Cash liquidity analysis for the coming fiscal year

Unit: NTD 1,000

Beginning Cash Flow Balance①	Estimated Net Cash Flow from Operating Activities②	Estimated Cash Outflow ③	Estimated Cash Surplus (Deficit) ① + ② - ③	Contingency Plan for Estimated Cash Deficit	
				Investment Plans	Financial Plans
702,996	100,000	150,000	652,996	-	-

### 4. The effect upon financial operations of any major capital expenditures during the most recent fiscal year

#### 4.1 Major capital expenditures and sources of funds

None

#### 4.2 Effect upon financial operations of major capital expenditures

None

#### 4.3 Expected benefits

None

**5. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving reinvestment profitability, and investment plans for the coming year**

**5.1 Reinvestment policy**

"Transaction Procedure for Specific Company, Related Party and Related Group" has been established by AVTECH. In the investment cycle, the management procedure for subsidiaries will also be established for the future and the reinvestment companies to follow.

**5.2 The main reasons for the profits/losses generated by the company which has been invested over 5% of Paid-in capital , the plan for improving reinvestment profitability, and investment plans for the coming year**

5.2.1 Main reasons for profits/losses in the year of 2022 and plan for improving

Company Being Invested	% of Shares	Profits / Losses Recognized for the most recent fiscal year	Main reasons for profits/losses	Plan for improving
Chieftron International Inc.	84.11%	64,440	The reinvestment business operates well currently.	None
AVTECH Investment Inc.	100%	(72)	Losses by investing startup companies	None
AVTECH Security Corporation	96%	2,450	The reinvestment business operates well currently.	None
Q.S.C. Industry Co., Ltd.	100%	(2,969)	Losses by investing startup companies	None

5.2.2 Investment plan for the coming year

None.

**6. The section on risks**

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

6.1.1 The effect upon the company's profits (losses) of interest rate fluctuation and response measures to be taken in the future

The company has recognized interest income of 9,573 thousand NTD (with a net profit of 94,571 thousand NTD) in 2022. Interest rate fluctuations only affect the company's investment returns as it does not have any borrowing activities from banks. Therefore, changes in interest rates will not affect the company's working capital turnover in terms of fundraising.

6.1.2 The effect upon the company's profits (losses) of exchange rate fluctuation and response measures to be taken in the future

The US dollar is the currency we use to sell products and make payment globally for natural hedges. The foreign exchange profit recognized in 2022 is 51,022 thousand dollars. Our financial department will continue to pay attention to the fluctuation in foreign currency exchange rate and also try to avoid the risk of financial impact due to exchange rate fluctuations by spot and foreign exchange

forward contracts.

6.1.3 The effect upon the company's profits (losses) of changes in the inflation rate and response measures to be taken in the future

At present, inflation has not had a significant impact on the company's profitability. Our video surveillance products have a closed specification and pricing in the market. Additionally, we refer to statistical data from the Ministry of Economic Affairs and economic indicators from various domestic and foreign research institutions. We periodically review and collect relevant information to provide management with reference for decision-making.

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

The company doesn't involve high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions.

**6.3 Research and development work to be carried out in the most recent year, status update for the unfinished research and development work, further expenditures expected for research and development work, estimated time for mass production, and main reasons to affect the success of research and development work**

6.3.1 Research & development work in the most recent year

Mobile app, remote surveillance system and IoT surveillance system

6.3.2 Status update for the unfinished research and development work

Ongoing as scheduled

6.3.3 Further expenditures expected for research and development work

NT 30,000 thousand for 2023, NT 30,000 thousand for 2024 and NT 40,000 thousand for 2025

6.3.4 Estimated time for mass production

Expected to be accomplished during 2023 ~ 2025

6.3.5 Main reasons to affect the success of research and development work

Recruit more employees for research and development

**6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad for the most recent year, and measures to be taken in response**

None

**6.5 Effect on the company's financial operations of developments in science and technology(Including cybersecurity risks.) as well as industrial changes for the most recent year, and measures to be taken in response**

Our company enhances the security of our monitoring products by employing military-grade AES256-bit data encryption to prevent data leaks. . During communication with clients, any technology risks related to information security and regulations that clients bring up are addressed in the product planning stage. Technological changes can be effectively managed in terms of their financial impact on the company's operations.

**6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response**

None

**6.7 Expected benefits and possible risks associated with any merger and acquisitions**

None

**6.8 Expected benefits and possible risks associated with any plant expansion**

None

**6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken**

Our company adopts a decentralized sourcing strategy by purchasing raw materials from several different suppliers to ensure production stability. Similarly, our contract manufacturers also follow a similar approach. On the sales side, we have marketing channels in various countries worldwide and maintain stable and smooth relationships with our partners. As a result, we do not face the risks associated with concentrated procurement or sales.

**6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands**

None

**6.11 Effect upon and risk to company associated with any change in governance personnel or top management**

None

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

None

**6.13 Risk assessment for cyber security**

Our company has established a cybersecurity risk management framework, organization, and system, with the main policies and measures including setting access rights based on job functions, implementing secure system development and maintenance management and supervision, establishing a data center environmental control and equipment security system, establishing firewall and internet use security policies, monitoring network traffic, automatic scanning and detection of viruses, regular backup of

system data, software compliance checks in accordance with legal regulations, ensuring the sustainability of information assets and operations, providing cybersecurity education and training, and respecting and protecting personal data, among other specific security management measures.

**6.14 Other important risks**

None

**7. Other important matters**

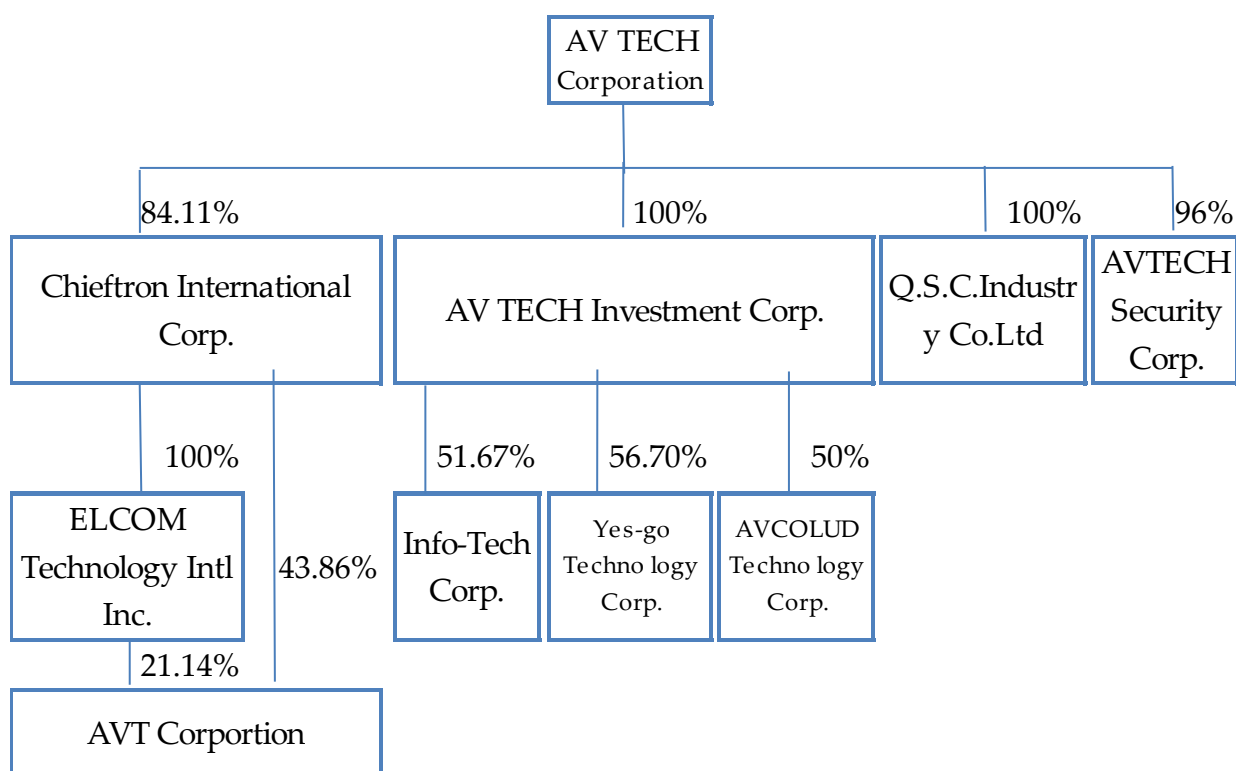
None

## VIII Affiliates Information and Other Special Items

### 1. Affiliates Information

#### 1.1 Consolidated Operational Report of Affiliated Companies

##### 1.1.1 Affiliated Companies Organizational Chart



##### 1.1.2 Basic information of affiliated companies

Unit: NTD 1000

Company	Country of Registration	Date of Incorporation	Paid-in Capital	Main Business or Production Items
Chieftron International Inc.	Taiwan	97.06.04	151,000	Semiconductors & electronic components distribution
Elcom Technology Intl Inc	BVI	83.12.20	U62,500	Foreign Holding
AVT Corporation	China	91.08.23	HKD9,459,047	Semiconductors & electronic components distribution
AVTECH Investment Inc.	Taiwan	106.11.10	80,000	Venture capital company
AVTECH Security Corporation	Taiwan	108.06.26	100,000	Sales of CCTV products
Q.S.C. Industry Co., Ltd.	Taiwan	108.12.19	30,000	Assembly, test and pack
In-Fo Tech Corp.	Taiwan	110.01.15	1,200	Information Software Services Industry
Yss-Go Technology Corp.	Taiwan	100.03.28	8,000	Electrical and Electronic Materials Sales
AVCLOUD Technology Corp.	Taiwan	108.06.21	8,000	Electrical Equipment Installation and Assembly Services

##### 1.1.3 Shareholders in common presumed to have a relationship of control and subordination

None

##### 1.1.4 The industries covered by the business operated by the affiliates overall

Manufacturing, assembling and marketing of CCTV systems, distributing of semiconductors and electronic components, and venture capital business

### 1.1.5 Information of directors, supervisors, and general manager of the affiliated companies

Company	Title	Name or Representative	Shareholding	
			Share	%
Chieftron International Inc.	Chairman	Fu-Cheng, Li, Representative of AVTECH Corporation	15,240,000	84.11%
	Director	Shih-Chung Chen, Representative of AVTECH Corporation	15,240,000	84.11%
	Director	Tsung-Hsien Wang, Representative of AVTECH Corporation	15,240,000	84.11%
	Supervisor	Yuan-Liang Tseng	-	-
AVTECH Investment Inc.	Chairman	Shih-Chung Chen, Representative of AVTECH Corporation	8,000,000	100%
	Director	Chun-Ju Huang, Representative of AVTECH Corporation	8,000,000	100%
	Director	Cheng-Ping Tien, Representative of AVTECH Corporation	8,000,000	100%
	Supervisor	Cheng-Mou Wu	-	-
AVTECH Security Corporation	Chairman	Shih-Chung Chen, Representative of AVTECH Corporation	9,600,000	96%
Q.S.C. Industry Co., Ltd.	Chairman	Tsung-Hsien Wang, Representative of AVTECH Corporation	3,000,000	100%

### 1.1.6 Operational highlights of affiliated companies (2022)

Unit: NTD 1000

Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income	Earnings per Share (NTD)
Chieftron International Inc.	181,200	505,632	77,740	427,892	674,760	126,777	73,517	4.06
AVTECH Investment Inc.	80,000	59,353	483	58,870	0	-104	-10,823	-1.35
AVTECH Security Corporation	100,000	86,977	37,924	49,053	125,251	-2,473	1,997	0.2
Q.S.C. Industry Co., Ltd.	30,000	33,555	10,619	22,936	73,316	-3,429	-2968	-0.99

### 1.2 Consolidated Financial Statements of Affiliated Companies

Please refer to page **119-186** for the consolidated financial statements.

### 1.3 Consolidated Financial Declaration Statement of Affiliated Companies

None

- 2. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report**  
None
- 3. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report**  
None
- 4. If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.**  
None
- 5. If any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities during the most recent year up to the date of publication of the annual report**  
None
- 6. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities during the most recent year up to the date of publication of the annual report**  
None
- 7. Other matters that require additional description**  
None

**AVTECH Corporation**  
**Statement of Internal Controls**

**Date: March 29, 2023**

According to the examination on internal control system done by the Company itself in 2022, we hereby state as follows:

- (1) The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- (2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process:
  - (a) control environment, (b) risk assessment and response, (c) control activities, (d) information and communication, and (e) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2022 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on March 29, 2023. Among the 7 attending Directors, to the contents of this statement.

AVTECH Corporation

Chairman: Shih-Chung Chen

President: Shih-Chung Chen