

Actron Technology
Corporation and Subsidiaries

Consolidated Financial
Statements with Independent
Auditors' Report

For the Years Ended December 31, 2022 and 2021

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

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Declaration of consolidation of financial statements of affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022(From January 1, 2022 to December 31, 2022) are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Hereby declare

Company Name: Actron Technology Corporation

Responsible person: Dang-Liang Yao

March 8, 2023

Independent Auditors' Report

To the Board of Directors and Shareholders of Actron Technology Corporation:

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based

on our audits and reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the Group's 2022 consolidated financial statements. The matter was addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on the matter.

Key audit matter for the Group's 2022 consolidated financial statements is stated as follows:

Sales revenue

Description of key audit matter

Manufacturing and sales of automotive diodes constitute the majority of the Group's sales revenue, which fluctuates with the sales to some particular customers. In consideration of the significant impact of particular sales revenue on the Group's financial performance, we focused on the occurrence of its sales revenue from some particular customers as the key audit matter of our annual audit of this year.

The audit procedures for the matter included:

1. We understood and evaluated the accounting policies in recognition of sales revenue.
2. We understood and evaluated the effectiveness of internal control relevant to the occurrence of sales revenue.
3. We conducted the sample testing on the said particular sales revenue by examining relevant internal and external documents to prove the fact of shipping and testing for any irregularity of subsequent cash receipts to confirm the actual occurrence of the year's sales revenue.

Other Matters

We did not audit the financial statements of Biggest Solutions, Inc., included in the consolidated financial statements, which were audited by other auditors. Therefore, the amounts related to Biggest Solutions, Inc.'s financial statements in our opinion expressed herein, are based solely on the reports of the other auditors. The total assets of Biggest Solutions, Inc. amounted to \$356,043 thousand and \$337,545 thousand, representing 4% and 3% of the related consolidated totals as of December 31, 2022 and

2021, respectively, and total operating revenues amounted to \$329,575 thousand and \$160,513 thousand, constituting 8% and 4% of the related consolidated totals for the years then ended, respectively. As disclosed in Note 12, We did not audit the financial statements of investments accounted for under the equity method included in the consolidated financial statements, which were audited by other auditors. Therefore, the related investment amounts and share of profit of associates accounted for under the equity method in the aforementioned companies in our opinion expressed herein, are recognized based solely on the reports of the other auditors. The total investments in aforementioned associates accounted for using the equity method audited by other auditors amounted to \$1,311,702 thousand and \$479,255 thousand, representing 13% and 5% of the related consolidated totals as of December 31, 2022 and 2021, respectively. The related share of profit of the aforementioned associates accounted for using the equity method amounted to \$99,537 thousand and \$43,782 thousand, constituting (32)% and 4% of the consolidated total comprehensive income for the years then ended, respectively.

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Actron Technology Corporation as of and for the years ended December 31, 2022 and 2021.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

Partner Ming Hsien Liu

Partner Meng Chieh Chiu

Financial Supervisory Commission Certificate
Jin-Guan-Zheng-Shen-Zi No. 1100356048

Financial Supervisory Commission Certificate
Jin-Guan-Zheng-Shen-Zi No. 1020025513

March 8, 2023

Notice to Readers

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

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

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)

Actron Technology Corporation and Subsidiaries

Consolidated balance sheets

December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current asset				
1100	Cash and cash equivalents (Note 6)	\$ 784,443	8	\$ 1,196,337	13
1136	Financial assets at amortized cost - current (Note 8 and 29)	57,346	1	72,922	1
1150	Notes receivable (Note 9)	-	-	6,950	-
1170	Trade receivables (Note 9)	823,935	8	597,469	6
1200	Other receivables	27,460	-	36,055	-
130X	Inventories (Note 10)	800,048	8	735,123	8
1470	Other current assets (Note 16 and 28)	166,421	2	112,188	1
11XX	Total current assets	<u>2,659,653</u>	<u>27</u>	<u>2,757,044</u>	<u>29</u>
	non-current assets				
1517	Financial assets at fair value through other comprehensive income -non-current (Note 7)	626,125	6	699,746	7
1535	Financial assets at amortized cost - non-current (Note 8 and 29)	501	-	500	-
1550	Investments accounted for using the equity method (Note 12)	2,223,415	23	2,117,268	22
1600	Property, Plant and Equipment (Note 13 and 29)	3,212,069	33	2,866,804	30
1755	Right-of-use assets (Note 14)	36,273	-	39,098	-
1821	Intangible assets (Note 15)	11,479	-	20,011	-
1840	Deferred tax assets (Note 22)	38,681	-	21,296	-
1915	Prepayments for equipment	589,305	6	819,863	9
1990	Other non-current assets (Note 16, 19 and 28)	470,762	5	326,917	3
15XX	Total non-current assets	<u>7,208,610</u>	<u>73</u>	<u>6,911,503</u>	<u>71</u>
1XXX	Total assets	<u>\$ 9,868,263</u>	<u>100</u>	<u>\$ 9,668,547</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 17)	\$ 1,700,010	17	\$ 1,408,225	15
2110	Short-term notes and bills payable (Note 17)	-	-	100,000	1
2150	Notes payable	267	-	161	-
2170	Trade payables	298,897	3	256,374	3
2180	Trade payables - related parties (Note 28)	166,976	2	118,114	1
2200	Other payables (Note 18)	373,293	4	327,694	3
2230	Current tax liabilities (Note 22)	109,677	1	83,363	1
2280	Lease liabilities - current (Note 14)	5,311	-	5,682	-
2320	Current liabilities -current portion (Note 17 and 29)	192,099	2	436,469	5
2399	Other current liabilities	37,802	-	38,401	-
21XX	Total current liabilities	<u>2,884,332</u>	<u>29</u>	<u>2,774,483</u>	<u>29</u>
	non-current liabilities				
2540	Long-term borrowings (Note 17 and 29)	1,179,412	12	421,488	4
2570	Deferred tax liabilities (Note 22)	19,925	-	16,727	-
2580	Lease liabilities - non-current (Note 14)	1,788	-	4,030	-
2670	Other non-current liabilities	-	-	1,100	-
25XX	Total non-current liabilities	<u>1,201,125</u>	<u>12</u>	<u>443,345</u>	<u>4</u>
2XXX	Total liabilities	<u>4,085,457</u>	<u>41</u>	<u>3,217,828</u>	<u>33</u>
	Equity attributable to owners of the parent company (Note 20)				
	Share capital				
3110	Ordinary shares	914,470	9	914,570	9
3200	Capital surplus	1,747,491	18	1,747,150	18
	Retained earnings				
3310	Legal reserve	706,576	7	659,284	7
3350	Undistributed earnings	1,590,158	16	1,429,165	15
3300	Total retained earnings	<u>2,296,734</u>	<u>23</u>	<u>2,088,449</u>	<u>22</u>
	Other equity				
3410	Exchange difference on translating foreign operations	(15,365)	-	(21,587)	-
3420	Unrealized gain (loss) of financial assets at fair value through other comprehensive income	554,876	6	1,450,903	15
3460	Estimated employee compensation	-	-	(1,688)	-
3400	Total other equity	<u>539,511</u>	<u>6</u>	<u>1,427,628</u>	<u>15</u>
31XX	Total equity attributable to owners of the parent company	<u>5,498,206</u>	<u>56</u>	<u>6,177,797</u>	<u>64</u>
36XX	Non-controlling interests	<u>284,600</u>	<u>3</u>	<u>272,922</u>	<u>3</u>
3XXX	Total equity	<u>5,782,806</u>	<u>59</u>	<u>6,450,719</u>	<u>67</u>
	Total liabilities and equity	<u>\$ 9,868,263</u>	<u>100</u>	<u>\$ 9,668,547</u>	<u>100</u>

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

(With Deloitte & Touche Auditors' Report dated March 8, 2023)

Chairman: Dang-Liang Yao

Manager: Hsien-Chung Wu

Accountant: Mei-Ying Chiu

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)

Actron Technology Corporation and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2022 and 2021

Unit: In thousands of New Taiwan Dollars, except that Earnings Per Share are stated in NT\$

Code		2022		2021	
		Amount	%	Amount	%
4000	Net operating revenue	\$ 4,197,839	100	\$ 3,795,908	100
5000	Cost of sales (Note 10, 21 and 28)	(2,992,803)	(71)	(2,664,178)	(70)
5900	Gross profit	1,205,036	29	1,131,730	30
	Operating expenses (Note 21 and 28)				
6100	Selling and marketing expenses	(88,384)	(2)	(84,748)	(2)
6200	Administrative expenses	(321,559)	(8)	(294,146)	(8)
6300	Research and Development expenses	(397,804)	(9)	(329,421)	(9)
6450	Expected credit losses	(1,316)	-	(609)	-
6000	Total operating expenses	(809,063)	(19)	(708,924)	(19)
6900	Operating income	395,973	10	422,806	11
	Non-operating income and expenses (Note 21)				
7100	Interest income	6,172	-	2,751	-
7190	Other income	42,459	1	37,857	1
7020	Other gains and losses	77,830	2	(20,915)	(1)
7050	Finance costs	(32,092)	(1)	(18,372)	-
7060	Share of profit of investment in associates and joint ventures accounted for using equity method	158,024	4	109,993	3
7000	Total non-operating income and expenses	252,393	6	111,314	3
7900	Profit before tax	648,366	16	534,120	14
7950	Income tax expense (Note 22)	(76,190)	(2)	(66,153)	(2)
8200	Net profit for the year	572,176	14	467,967	12

(to be continued)

(continued)

Code		2022		2021	
		Amount	%	Amount	%
8310	Other comprehensive income				
	Items not reclassified				
	subsequently to profit or				
	loss:				
8311	Remeasurement of				
	defined benefit plan	\$ 5,425	-	\$ 979	-
8316	Unrealized gain (loss) on				
	investments in equity				
	instruments				
	designated as at fair				
	value through other				
	comprehensive				
	income	(174,821)	(4)	72,577	2
8320	Share of other				
	comprehensive				
	income of associates				
	and joint ventures				
	accounted for using				
	the equity method	(715,734)	(17)	437,412	12
8349	Income tax relating to				
	items that will not be				
	reclassified	(1,085)	-	(196)	-
8360	Items that may be reclassified				
	subsequently to profit or				
	loss:				
8361	Exchange difference on				
	translating foreign				
	operations	<u>6,222</u>	<u>-</u>	<u>(3,256)</u>	<u>-</u>
8300	Other comprehensive				
	income for the year,				
	net of income tax	<u>(879,993)</u>	<u>(21)</u>	<u>507,516</u>	<u>14</u>
8500	Total comprehensive income for the				
	year	<u>(\$ 307,817)</u>	<u>(7)</u>	<u>\$ 975,483</u>	<u>26</u>
	Net profit attributable to:				
8610	Owners of the parent company	\$ 560,552	14	\$ 478,436	12
8620	Non-controlling interests	<u>11,624</u>	<u>-</u>	<u>(10,469)</u>	<u>-</u>
8600		<u>\$ 572,176</u>	<u>14</u>	<u>\$ 467,967</u>	<u>12</u>
	Total comprehensive income (loss)				
	attributable to:				
8710	Owners of the parent company	(\$ 319,441)	(7)	\$ 985,952	26
8720	Non-controlling interests	<u>11,624</u>	<u>-</u>	<u>(10,469)</u>	<u>-</u>
8700		<u>(\$ 307,817)</u>	<u>(7)</u>	<u>\$ 975,483</u>	<u>26</u>
	Earnings per share (Note 23)				
9710	Basic	<u>\$ 6.14</u>		<u>\$ 5.25</u>	
9810	Diluted	<u>\$ 6.08</u>		<u>\$ 5.22</u>	

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

(With Deloitte & Touche Auditors' Report dated March 8, 2023)

Chairman: Dang-Liang Yao Manager: Hsien-Chung Wu Accountant: Mei-Ying Chiu

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
Actron Technology Corporation and Subsidiaries
Consolidated statements of changes in equity
For the years ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		Equity attributable to owners of the parent company							Total equity	
		Ordinary shares	Capital surplus	Retained earnings		Exchange difference on translating foreign operations	Other equity			
				Legal reserve	Undistributed earnings		Unrealized gain (loss) of financial assets at fair value through other comprehensive income	Estimated employee compensation		Non-controlling interests
A1	Balance on January 1, 2021	\$ 914,830	\$ 1,813,037	\$ 631,133	\$ 1,194,811	(\$ 18,331)	\$ 934,611	(\$ 6,832)	\$ 283,234	\$ 5,746,493
B1	Appropriation of 2020 earnings									
	Legal reserve	-	-	28,151	(28,151)	-	-	-	-	-
B5	Cash dividends	-	-	-	(210,411)	-	-	-	-	(210,411)
C15	Cash dividends from capital surplus	-	(64,038)	-	-	-	-	-	-	(64,038)
C7	Changes in equity of investment in associates and joint ventures accounted for using equity method	-	(12)	-	-	-	-	-	-	(12)
N1	Share-based payment transactions	-	-	-	-	-	-	4,347	157	4,504
Q1	Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	(2,718)	-	2,718	-	-	-
T1	Cancellation of restricted shares	(260)	(1,837)	-	-	-	-	797	-	(1,300)
D1	Net income for the year ended December 31, 2021	-	-	-	478,436	-	-	-	(10,469)	467,967
D3	Other comprehensive income for the year ended December 31, 2021	-	-	-	(2,802)	(3,256)	513,574	-	-	507,516
D5	Total comprehensive income for the year ended December 31, 2021	-	-	-	475,634	(3,256)	513,574	-	(10,469)	975,483
Z1	Balance on December 31, 2021	914,570	1,747,150	659,284	1,429,165	(21,587)	1,450,903	(1,688)	272,922	6,450,719
B1	Appropriation of 2021 earnings									
	Legal reserve	-	-	47,292	(47,292)	-	-	-	-	-
B5	Cash dividend	-	-	-	(365,828)	-	-	-	-	(365,828)
C7	Changes in equity of investment in associates and joint ventures accounted for using equity method	-	(3,995)	-	(860)	-	4,609	246	-	-
C17	Exercise of right of disgorgement	-	1,024	-	-	-	-	-	-	1,024
N1	Share-based payment transactions	-	4,032	-	-	-	-	1,122	54	5,208
T1	Cancellation of restricted shares	(100)	(720)	-	-	-	-	320	-	(500)
D1	Net income for the year ended December 31, 2022	-	-	-	560,552	-	-	-	11,624	572,176
D3	Other comprehensive income for the year ended December 31, 2022	-	-	-	14,421	6,222	(900,636)	-	-	(879,993)
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	574,973	6,222	(900,636)	-	11,624	(307,817)
Z1	Balance on December 31, 2022	\$ 914,470	\$ 1,747,491	\$ 706,576	\$ 1,590,158	(\$ 15,365)	\$ 554,876	\$ -	\$ 284,600	\$ 5,782,806

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche Auditors' Report dated March 8, 2023)

Chairman: Dang-Liang Yao

Manager: Hsien-Chung Wu

Accountant: Mei-Ying Chiu

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)

Actron Technology Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		2022	2021
	Cash flows from operating activities		
A00010	Profit before tax	\$ 648,366	\$ 534,120
A20010	Adjustments for:		
A20100	Depreciation expenses	319,795	273,831
A20200	Amortization expenses	9,271	10,969
A20300	Expected credit losses	1,316	609
A20900	Finance costs	32,092	18,372
A21200	Interest income	(6,172)	(2,751)
A21300	Dividend income	(18,396)	(18,000)
A21900	Compensation cost related to share-based payment	5,096	3,850
A22300	Share of profit of investment in associates and joint ventures accounted for using equity method	(158,024)	(109,993)
A22500	Loss on disposal of property, plant and equipment	27,287	5,744
A23700	Impairment loss and obsolescence on inventory	9,555	10,898
A24100	Net loss (gain) on foreign currency exchange	(4,417)	50
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	6,950	9,901
A31150	Trade receivables	(237,502)	(3,260)
A31180	Other receivables	9,295	(11,337)
A31200	Inventory	(74,480)	(270,110)
A31240	Other current assets	(48,949)	(8,264)
A31990	Other non-current assets	(979)	-
A32130	Notes payable	106	75
A32150	Trade payables	43,151	24,995
A32160	Trade payables to related parties	51,490	33,683
A32180	Other payables	54,051	57,060
A32230	Other current liabilities	(599)	3,902
A32240	Net defined benefit liabilities	-	(958)
A33000	Net cash generated from operating activities	668,303	563,386
A33100	Interest received	5,472	2,751
A33200	Dividend received	91,950	64,076
A33300	Interest paid	(30,612)	(18,372)
A33500	Income tax paid	(65,148)	(32,300)
AAAA	Net cash inflows from operating activities	669,965	579,541

(to be continued)

(continued)

Code		2022	2021
	Cash flows from investing activities		
B00010	Purchases of financial assets at fair value through other comprehensive income	(\$ 101,200)	\$ -
B00050	Disposal of financial assets at amortized cost	15,575	97,969
B01800	Acquisition of investments accounted for using the equity method	(737,299)	-
B02700	Purchases of property, plant and equipment	(338,174)	(410,758)
B02800	Proceeds from disposal of property, plant and equipment	3,876	13,613
B03700	Increase in refundable deposits	-	(144,900)
B03800	Decrease in refundable deposits	39,541	-
B04500	Purchases of intangible assets	(740)	(4,462)
B02000	Increase in prepayments for investments	(171,385)	-
B07100	Increase in prepayments for equipment	(<u>125,314</u>)	(<u>755,457</u>)
BBBB	Net cash outflows from investing activities	(<u>1,415,120</u>)	(<u>1,203,995</u>)
	Cash flows from financing activities		
C00100	Proceeds from short-term borrowings	291,785	549,125
C00500	Increase in short-term notes and bills payable	-	100,000
C00600	Decrease in short-term notes and bills payable	(100,000)	-
C01600	Proceeds from long-term borrowings	1,800,000	700,000
C01700	Repayments of long-term borrowings	(1,286,446)	(579,768)
C04020	Repayments of the principal portion of lease liabilities	(6,720)	(7,404)
C03000	Receipt of guarantee deposits	(1,100)	-
C04500	Dividend payments	(365,828)	(274,451)
C05400	Cancellation of restricted shares	(500)	(1,300)
C09900	Exercise of right of disgorgement	<u>1,024</u>	<u>-</u>
CCCC	Net cash inflows from financing activities	<u>332,215</u>	<u>486,202</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>1,046</u>	(<u>445</u>)
EEEE	Decrease in cash and cash equivalents	(411,894)	(138,697)
E00100	Cash and cash equivalents at the beginning of the year	<u>1,196,337</u>	<u>1,335,034</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 784,443</u>	<u>\$ 1,196,337</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche Auditors' Report dated March 8, 2023)

Chairman: Dang-Liang Yao Manager: Hsien-Chung Wu Accountant: Mei-Ying Chiu

Actron Technology Corporation and Subsidiaries
Notes to consolidated financial statements
For the years ended December 31, 2022 and 2021
(Unless otherwise stated, in thousands of New Taiwan Dollars)

1. History

Actron Technology Corporation (the "Company") was established in November, 1998 in accordance with the Company Act of the Republic of China. The Company's main businesses are (1) manufacture of power generation, transmission and distribution machinery; (2) wholesale of electronic materials; (3) retail sale of electronic materials; (4) manufacture export; (5) international trade; (6) manufacture of electronic components.

The Company's shares have been listed on the Taipei Exchange since April, 2006.

The consolidated financial statements of the Company and its subsidiaries, hereto forth collectively referred to as the Group, are presented in the Company's functional currency, the New Taiwan Dollar.

2. Date and procedures for approval of financial statements

The consolidated financial statements were approved by the Company's board of directors on March 8, 2023.

3. Application of new, amended and revised standards and interpretations

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

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

- (2) IFRSs endorsed by the FSC for application starting from 2023

<u>New, amended and revised standards and interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)

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

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

Note 3: Except recognition of deferred tax for temporary differences related to leases and decommissioning obligations on January 1, 2022, the amendments are applicable to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on its assessment.

(3) New IFRS in issue by IASB but not yet endorsed and issued into effect by the FSC

<u>New, amended and revised standards and interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
Amendments to IFRS 16 "Lease Liability in A Sale-and-Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee applies the amendments to IFRS16 retrospectively to sale and leaseback transactions entered into after the date of initial application.

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

4. Summary of significant accounting policies

(1) Statement of compliance

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

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1. Assets held primarily for the purpose of trading;

2. Assets expected to be realized within 12 months after the reporting date; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current liabilities includes:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting date, and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

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

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (the “subsidiaries”). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions or up to the effective dates of disposals. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by

which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Please refer to Note 11 and Table 6 for detailed information on subsidiaries, percentage of ownership and main business activity.

(5) Foreign currencies

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

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

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

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

In preparation of the consolidated financial statements, The assets and liabilities of foreign operations (including subsidiaries that operate in countries or have a functional currency different from those of the Company), are translated into New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses are translated into New Taiwan Dollars at the average rate of the reporting period. Exchange differences are

recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

(6) Inventories

Inventories consist of raw materials, finished goods and work in progress and are measured at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Inventory cost is determined using the weighted-average method.

(7) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and which is not a subsidiary or a joint venture. A Joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

Any excess of the costs of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When an associate or a joint venture issues new shares and the Group subscribes for additional new shares of the associate or joint venture at a

percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate or joint venture. The Group records such a difference as an adjustment to capital surplus - changes in equity of investment in associates and joint ventures accounted for using equity method and investment accounted for using the equity method. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture at a percentage different from its existing ownership percentage, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate or a joint venture (which includes any carrying amount of the investment in associates and joint ventures accounted for using equity method and other long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), equals or exceeds its interest in that associate and joint venture, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the difference between the fair value and proceeds from disposal, and the carrying amount of the associate and joint venture attributable to the retained interest is recognized in profit or loss for the current period. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate and joint venture had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

Profits and losses resulting from the upstream or downstream transactions between the Group and a associate or joint venture, or sidestream transactions are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture of entities that are not related to the Group.

(8) Property, plant and equipment

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

Property, plant and equipment under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are

reviewed at the end of each fiscal year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

(9) Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the acquisition date and subsequently measured at cost less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current fiscal year, that unit shall be tested for impairment before the end of the current fiscal year. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversible in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

(10) Intangible assets

1. Intangible assets acquired separately

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

2. Derecognition

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

(11) Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised

estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit, less amortization or depreciation. A reversal of an impairment loss is recognized in profit or loss.

(12) Financial instruments

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

On initial recognition of a financial asset or a financial liability, if the financial asset or financial liability is not measured at fair value through profit or loss, it is measured at fair value plus any transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

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

(1) Measurement category

The Group's financial assets are classified into the following categories: financial assets at fair value through profit or loss ("FVTPL"), financial assets at amortized cost and equity instruments at fair value through other comprehensive income ("FVTOCI").

A. Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividend or interest earned on the financial assets are recognized as other income and interest income. Any gains or losses arising on remeasurement are recognized in other profit or loss. Fair value is determined in the manner described in Note 27.

B. Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of

the financial asset from the second reporting period after the impairment.

A financial asset is credit impaired when: there are significant financial difficulty of the issuer or borrower or a breach of contract; it is probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a financial asset due to financial difficulties.

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

C. Equity instruments at FVTOCI

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

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

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

(2) Impairment of Financial assets

The Group measures the impairment loss based on expected credit losses (“ECLs”) on financial assets at amortized cost (including trade receivables) on each balance sheet date.

The Group measures a loss allowance at an amount equal to lifetime ECLs on trade receivables. For other financial assets, the Group recognizes the loss allowance for 12 months ECLs if there has not been a significant increase in credit risk since initial recognition or recognizes the loss allowance for the lifetime ECLs if such credit risk has significantly increased since initial recognition.

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2. Equity instruments

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

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

The Group's all financial liabilities are measured at amortized cost using the effective interest method.

(2) Derecognition of financial Liabilities

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

(13) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

According to contracts, sales of goods and trade receivables are recognized as revenue on shipment or when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over setting price and rights of use, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(14) Leases

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

1. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Group as lessee

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

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

liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in the amounts expected to be payable, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(15) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the costs of these assets, until the time when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, borrowing costs are recognized in profit or loss in the period in which they are incurred.

(16) Government Grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

(17) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including service costs for current period) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense on occurrence. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(18) Share-based payment agreement

Restricted shares granted to employees

The fair value at the grant date of the restricted shares is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options and other equity (unearned employee compensation). It is recognized as an expense in full at the grant date if vested immediately.

When the Group issues restricted shares, it recognizes in other equity (unearned employee compensation) with a corresponding increase in capital surplus - restricted shares.

The Group adjusts its estimation of the number of restricted shares that are expected to ultimately vest on each balance sheet date. The effect of any change to the estimation is recognized in profit or loss where the accumulated expenses ultimately reflects the overall adjustment to its estimation with a corresponding change in capital surplus - restricted shares.

Employee stock warrants granted to employees

The fair value of equity instrument at the grant date of employee stock warrants is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding adjustment to capital surplus - employee stock warrants. It is recognized as an expense in full at the grant date if vested immediately.

The Company adjusts its estimation of the number of employee stock warrants expected to vest on each balance sheet date. The effect of any change to the estimation is recognized in profit or loss where the accumulated expenses ultimately reflects the overall adjustment to its

estimation with a corresponding change in capital surplus - employee stock warrants.

(19) Taxation

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

1. Current income tax

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

According to the Income Tax Act in the R.O.C, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences.

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

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

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

3. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. The current and deferred taxes arising from business combination, the effect to income taxes are treated using the accounting for business combinations.

5. Critical accounting judgments and key sources of estimation uncertainty

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

The Group considers the economic implications of COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 800	\$ 1,323
Checking accounts and demand deposits	660,803	1,126,885
Cash equivalents		
Bonds sold under repurchase agreement	122,840	41,529
Time deposits with original maturity within three months	-	26,600
	<u>\$ 784,443</u>	<u>\$ 1,196,337</u>

The interest rate ranges for demand deposits, bonds sold under repurchase agreement and time deposits with original maturity within three months on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0% ~ 3.8%	0% ~ 0.3%
Cash equivalents		
Bonds sold under repurchase agreement	4.10% ~ 4.35%	0.06%
Time deposits with original maturity within three months	-	0.003% ~ 0.082%

7. Financial assets at fair value through other comprehensive income -non-current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic investments	\$ 493,750	\$ 613,855
Foreign investments	132,375	85,891
	<u>\$ 626,125</u>	<u>\$ 699,746</u>

The above investments are held for medium to long-term strategic purposes and expected to generate return over the long run. Accordingly, the management elected to designate these investments as at financial assets at fair value through other comprehensive income as it believes that recognizing the short-term fluctuations of fair value in profit or loss would not be consistent with the Group's long-term investment strategy.

8. Financial assets at amortized cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits with original maturity over three months and restrictions on use	\$ <u>57,847</u>	\$ <u>73,422</u>
Current	\$ 57,346	\$ 72,922
Non-current	<u>501</u>	<u>500</u>
	<u>\$ 57,847</u>	<u>\$ 73,422</u>

(1) As of December 31, 2022 and 2021, the market annual interest rate ranges for the aforementioned time deposits were 0.975% ~ 1.75% and 0.35% ~ 1.75%, respectively.

(2) Please refer to Note 29 for information related to parts of investments in financial assets at amortized cost pledged as security.

9. Notes receivable and trade receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 6,950
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 6,950</u>
 <u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 780,279	\$ 568,291
Less: Allowance for impairment loss	(<u>2,083</u>)	(<u>767</u>)
	778,196	567,524
At fair value through profit or loss	<u>45,739</u>	<u>29,945</u>
	<u>\$ 823,935</u>	<u>\$ 597,469</u>

(1) Notes receivable

The aging of notes receivable was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ -	\$ 6,950
Past due	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 6,950</u>

(2) Trade receivables

1. Trade receivables at amortized cost

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The lifetime expected credit losses are estimated by reference to the past default history of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the overall economic condition and industry outlook. As of December 31, 2022 and 2021, the expected credit loss rates on trade receivables were both 0.01% ~ 100%.

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

The aging of trade receivables was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 653,200	\$ 483,945
Past due within 60 days	126,124	84,282
Past due 61 to 90 days	908	-
Past due 91 to 120 days	-	54
Past due over 121 days	47	10
Total	<u>\$ 780,279</u>	<u>\$ 568,291</u>

The aging of trade receivables above was based on number of past due days.

The movements of the loss allowance of trade receivables were as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 767	\$ 158
Add: Impairment loss for the period	<u>1,316</u>	<u>609</u>
Ending balance	<u>\$ 2,083</u>	<u>\$ 767</u>

2. Trade receivables at fair value through profit or loss

The Group will sell its trade receivables at fair value through profit or loss to banks without recourse, and the risk and return associated to these trade receivables are mostly transferred to banks upon the sale resulting in the derecognition of these trade receivables from the balance sheet. The objective of the Group's business model is not to hold these trade receivables to collect the contractual cash flows or achieve objective by both collecting contractual cash flows and selling financial assets, so these trade receivables are measured at fair value.

10. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished good	\$ 309,459	\$ 303,280
Work in progress	164,390	95,581
Raw materials	<u>326,199</u>	<u>336,262</u>
	<u>\$ 800,048</u>	<u>\$ 735,123</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were NT\$2,992,803 thousand and NT\$2,664,178 thousand, respectively. The impairment and obsolescence losses on inventories included in cost of goods sold were NT\$9,555 thousand and NT\$10,898 thousand, respectively.

11. Subsidiaries

(1) Subsidiaries included in consolidated financial statements

The entities included in these consolidated financial statements are as follows:

Investor	Subsidiary	Main business activity	% of Ownership		Remark
			December 31, 2022	December 31, 2021	
The Company	Ding-Wei Technology Co., Ltd.	Manufacture of electronic components and motor parts	100%	100%	-
The Company	Smooth International Limited Corporation	Investment	100%	100%	-
Smooth International Limited Corporation	Smooth Autocomponent Limited	Investment	100%	100%	-
Smooth Autocomponent Limited	Smooth Autocomponent Limited	Manufacture of motor parts	100%	100%	-
The Company	Rec Technology Corporation	Manufacture of motor parts	49%	49%	1
The Company	Bigbest Solutions, Inc.	Manufacture of motors	28%	28%	2, 3

Note 1: The Group holds 49% equity of the investee and is the single shareholder holding the largest portion of equity and had the ability to direct the relevant activities by directing and monitoring investee's strategies on finance, operation and human resource. Thus, the investee is deemed as a subsidiary of the Company.

Note 2: The Group holds 28% equity of the investee and is the single shareholder holding the largest portion of equity and had the ability to direct the relevant activities by directing and monitoring investee's strategies on finance, operation and human resource. Thus, the investee is deemed as a subsidiary of the Company.

Note 3: The investee is a subsidiary with a material non-controlling interest.

- (2) Subsidiaries not included in consolidated financial statements: None.
- (3) Information on subsidiaries with a material non-controlling interest.

Subsidiary	Main business location	% of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31, 2022	December 31, 2021
Bigbest Solutions, Inc.	Taichung City, R.O.C.	72%	72%

Please refer to Table 6 for information of main business location and countries of incorporation.

Subsidiary	Income attributed to non-controlling interests		Non-controlling interests	
	2022	2021	2022	2021
	December 31	December 31	December 31	December 31
Bigbest Solutions, Inc.	\$ 9,382	(\$ 22,978)	\$ 208,696	\$ 199,260

The summarized financial information below represents amounts before intragroup eliminations:

Biggest Solutions, Inc.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current asset	\$ 319,502	\$ 287,845
non-current assets	36,541	49,700
Current liabilities	(67,821)	(62,355)
Equity	<u>\$ 288,222</u>	<u>\$ 275,190</u>
Equity attributable to:		
Owners of the parent company	\$ 79,526	\$ 75,930
Non-controlling interests	<u>208,696</u>	<u>199,260</u>
	<u>\$ 288,222</u>	<u>\$ 275,190</u>
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 329,575</u>	<u>\$ 160,513</u>
Net profit (loss) for the year	\$ 12,957	(\$ 31,735)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ 12,957</u>	<u>(\$ 31,735)</u>
Net profit (loss) attributable to:		
Owners of the parent company	\$ 3,575	(\$ 8,757)
Non-controlling interests	<u>9,382</u>	<u>(22,978)</u>
	<u>\$ 12,957</u>	<u>(\$ 31,735)</u>
Total comprehensive profit (loss) attributable to:		
Owners of the parent company	\$ 3,575	(\$ 8,757)
Non-controlling interests	<u>9,382</u>	<u>(22,978)</u>
	<u>\$ 12,957</u>	<u>(\$ 31,735)</u>
Cash flows from		
Operating activities	\$ 34,925	\$ 21,480
Investing activities	(7,242)	(4,403)
Financing activities	<u>-</u>	<u>(4,000)</u>
Net cash inflows	<u>\$ 27,683</u>	<u>\$ 13,077</u>

12. Investments accounted for using the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in Associates	\$ 1,311,702	\$ 479,255
Investments in Joint Ventures	<u>911,713</u>	<u>1,638,013</u>
	<u>\$ 2,223,415</u>	<u>\$ 2,117,268</u>

(1) Investments in Associates

Material Associates

<u>Company Name</u>	<u>Main business activity</u>	<u>Main business location</u>	<u>% of Ownership and Voting Rights</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mosel Vitelic Inc.	Semiconductors	Hsinchu City	30%	18%

In consideration of its long-term operational development, the Group has increased its involvement in supply chain by acquiring 19,000 thousand ordinary shares of Mosel Vitelic Inc. on November 28, 2022.

The Level 1 fair value of associate with open market price is as follow:

<u>Company Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mosel Vitelic Inc.	<u>\$ 1,740,935</u>	<u>\$ 1,386,499</u>

Mosel Vitelic Inc. is a listed company in Taiwan, and relevant financial information can be found on the TWSE Market Observation Post System. Hence, the summarized financial information is not disclosed herein.

(2) Investments in Joint Ventures

Material Joint Ventures

<u>Company Name</u>	<u>Main business activity</u>	<u>Main business location</u>
Hong Wang Investment Co., Ltd.	Investment	New Taipei City
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
% of Ownership	30%	30%
% of Voting Rights	37%	37%

The Group uses the equity method to account for its investments in joint ventures above.

The summarized financial information below was prepared using the joint ventures' consolidated financial statements under IFRSs with adjustments for using the equity method.

Hong Wang Investment Co., Ltd.

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ <u>1,405</u>	\$ <u>1,382</u>
Current asset	\$ 1,405	\$ 1,382
non-current assets	3,494,475	5,911,800
Current liabilities	(<u>456,837</u>)	(<u>453,137</u>)
Equity	\$ <u>3,039,043</u>	\$ <u>5,460,045</u>
The Group's percentage of ownership	30%	30%
Equity attributable to the Group	\$ <u>911,713</u>	\$ <u>1,638,013</u>
Carrying amount	\$ <u>911,713</u>	\$ <u>1,638,013</u>
	2022	2021
Operating revenue	\$ <u>200,400</u>	\$ <u>225,450</u>
Net profit for the period	\$ 194,957	\$ 220,704
Other comprehensive income	(<u>2,417,325</u>)	<u>1,465,425</u>
Total comprehensive income	(\$ <u>2,222,368</u>)	\$ <u>1,686,129</u>

13. Property, plant and equipment

	Freehold Land	Building	Machinery Equipment	Transportation Equipment	Other Equipment	Property under construction	Total
<u>Cost</u>							
Balance on January 1, 2022	\$ 405,764	\$ 1,589,216	\$ 1,849,952	\$ 8,033	\$ 481,908	\$ 677,005	\$ 5,011,878
Additions	-	7,124	450,328	4,400	65,178	157,084	684,114
Disposals	-	-	(68,991)	(4,675)	(2,827)	-	(76,493)
Reclassifications	-	6,505	-	-	-	(6,505)	-
Net exchange differences	-	3,249	1,805	6	1,446	-	6,506
Balance on December 31, 2022	\$ <u>405,764</u>	\$ <u>1,606,094</u>	\$ <u>2,233,094</u>	\$ <u>7,764</u>	\$ <u>545,705</u>	\$ <u>827,584</u>	\$ <u>5,626,005</u>
<u>Accumulated depreciation</u>							
Balance on January 1, 2022	\$ -	\$ 648,430	\$ 1,184,813	\$ 7,005	\$ 304,826	\$ -	\$ 2,145,074
Disposals	-	-	(39,065)	(4,532)	(1,733)	-	(45,330)
Depreciation expenses	-	66,296	189,907	847	55,380	-	312,430
Net exchange differences	-	166	1,088	4	504	-	1,762
Balance on December 31, 2022	\$ -	\$ <u>714,892</u>	\$ <u>1,336,743</u>	\$ <u>3,324</u>	\$ <u>358,977</u>	\$ -	\$ <u>2,413,936</u>
Net balance on December 31, 2022	\$ <u>405,764</u>	\$ <u>891,202</u>	\$ <u>896,351</u>	\$ <u>4,440</u>	\$ <u>186,728</u>	\$ <u>827,584</u>	\$ <u>3,212,069</u>
<u>Cost</u>							
Balance on January 1, 2021	\$ 405,764	\$ 1,518,141	\$ 1,676,741	\$ 12,865	\$ 459,030	\$ 415,541	\$ 4,488,082
Additions	-	72,750	227,849	-	34,745	270,494	605,838
Disposals	-	-	(57,743)	(4,829)	(16,176)	-	(78,748)
Reclassifications	-	-	4,021	-	5,009	(9,030)	-
Net exchange differences	-	(1,675)	(916)	(3)	(700)	-	(3,294)
Balance on December 31, 2021	\$ <u>405,764</u>	\$ <u>1,589,216</u>	\$ <u>1,849,952</u>	\$ <u>8,033</u>	\$ <u>481,908</u>	\$ <u>677,005</u>	\$ <u>5,011,878</u>
<u>Accumulated depreciation</u>							
Balance on January 1, 2021	\$ -	\$ 586,414	\$ 1,076,118	\$ 9,479	\$ 267,315	\$ -	\$ 1,939,326
Disposals	-	-	(40,504)	(3,565)	(15,322)	-	(59,391)
Depreciation expenses	-	62,061	149,648	1,093	53,023	-	265,825
Net exchange differences	-	(45)	(449)	(2)	(190)	-	(686)
Balance on December 31, 2021	\$ -	\$ <u>648,430</u>	\$ <u>1,184,813</u>	\$ <u>7,005</u>	\$ <u>304,826</u>	\$ -	\$ <u>2,145,074</u>
Net balance on December 31, 2021	\$ <u>405,764</u>	\$ <u>940,786</u>	\$ <u>665,139</u>	\$ <u>1,028</u>	\$ <u>177,082</u>	\$ <u>677,005</u>	\$ <u>2,866,804</u>

The Group's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plants	48~51 years
Mechanical and electrical equipment and engineering systems	10~11 years
Machinery Equipment	2~10 years
Transportation Equipment	3~6 years
Other Equipment	2~15 years

Please refer to Note 29 for information related to the property, plant and equipment pledged as security.

14. Lease arrangements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying Amount		
Land	\$ 29,376	\$ 29,598
Building	5,963	9,126
Transportation Equipment	<u>934</u>	<u>374</u>
	<u>\$ 36,273</u>	<u>\$ 39,098</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 4,069</u>	<u>\$ 300</u>
Depreciation expenses for right-of-use assets		
Land	\$ 655	\$ 648
Building	6,006	6,148
Transportation Equipment	<u>704</u>	<u>1,210</u>
	<u>\$ 7,365</u>	<u>\$ 8,006</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying Amount		
Current	<u>\$ 5,311</u>	<u>\$ 5,682</u>
Non-current	<u>\$ 1,788</u>	<u>\$ 4,030</u>

Ranges of discount rate for lease liabilities were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Building	1.51%-4.35%	1.51%
Transportation Equipment	0.85%-1.81%	1.14%-1.81%

(3) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 10,390</u>	<u>\$ 9,416</u>
Expenses relating to low-value asset leases	<u>\$ 201</u>	<u>\$ 226</u>
Total cash (outflow) for leases	<u>(\$ 17,525)</u>	<u>(\$ 17,257)</u>

The Group applies a recognition exemption for some asset leases that were short-term and low-value and does not recognize right-of-use assets and lease liabilities for such leases.

15. Other intangible assets

	<u>Software</u>	<u>Patents</u>	<u>Total</u>
<u>Cost</u>			
Balance on January 1, 2022	\$ 76,198	\$ 16,394	\$ 92,592
Additions	740	-	740
Net exchange differences	<u>9</u>	<u>-</u>	<u>8</u>
Balance on December 31, 2022	<u>\$ 76,947</u>	<u>\$ 16,394</u>	<u>\$ 93,340</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2022	\$ 57,297	\$ 15,284	\$ 72,581
Amortization expenses	8,161	1,110	9,271
Net exchange differences	<u>10</u>	<u>-</u>	<u>9</u>
Balance on December 31, 2022	<u>\$ 65,468</u>	<u>\$ 16,394</u>	<u>\$ 81,861</u>
Net balance on December 31, 2022	<u>\$ 11,479</u>	<u>\$ -</u>	<u>\$ 11,479</u>
<u>Cost</u>			
Balance on January 1, 2021	\$ 71,741	\$ 16,394	\$ 88,135
Additions	4,462	-	4,462
Net exchange differences	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance on December 31, 2021	<u>\$ 76,198</u>	<u>\$ 16,394</u>	<u>\$ 92,592</u>
<u>Accumulated amortization</u>			
Balance on January 1, 2021	\$ 49,112	\$ 12,505	\$ 61,617
Amortization expenses	8,190	2,779	10,969
Net exchange differences	<u>(5)</u>	<u>-</u>	<u>(5)</u>
Balance on December 31, 2021	<u>\$ 57,297</u>	<u>\$ 15,284</u>	<u>\$ 72,581</u>
Net balance on December 31, 2021	<u>\$ 18,901</u>	<u>\$ 1,110</u>	<u>\$ 20,011</u>

The intangible assets with limited useful lives above are amortized on a straight-line basis over 1~6 years.

16. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Overpaid sales tax	\$ 47,345	\$ 43,188
Refundable deposits	53,551	48,267
Prepayments	64,232	18,811
Others	<u>1,293</u>	<u>1,922</u>
	<u>\$ 166,421</u>	<u>\$ 112,188</u>
<u>Non-current</u>		
Refundable deposits	\$ 67,116	\$ 101,060
Prepayments for investments	171,385	-
Net defined benefit assets	7,119	715
Goodwill	<u>225,142</u>	<u>225,142</u>
	<u>\$ 470,762</u>	<u>\$ 326,917</u>

17. Borrowings

(1) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 1,700,010</u>	<u>\$ 1,408,225</u>

The interest rate ranges for the revolving bank loans as of December 31, 2022 and 2021 were 1.25% ~ 2.05% and 0.65% ~ 3.85%, respectively.

(2) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	<u>\$ -</u>	<u>\$ 100,000</u>

Outstanding short-term notes and bills were as follows:

December 31, 2021

<u>Guarantee/ Acceptance</u>	<u>Face amount</u>	<u>Discounted amount</u>	<u>Carrying amount</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>Carrying amount of collateral</u>
<u>Commercial</u>						
<u>paper payable</u>						
Mega Bills	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	0.65%	-	<u>\$ -</u>

(3) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured borrowings</u>		
Bank loans	\$ 150,000	\$ -
<u>Unsecured borrowings</u>		
Bank loans	1,220,000	850,000
Other borrowings	<u>1,511</u>	<u>7,957</u>
Subtotal	<u>1,221,511</u>	<u>857,957</u>
Less: portion with maturity less than 1 year	(<u>192,099</u>)	(<u>436,469</u>)
Long-term borrowings	<u>\$ 1,179,412</u>	<u>\$ 421,488</u>
Interest rates	1.48%-10%	0.8%-10%
Maturity	June 6, 2023 - January 25, 2029	September 27, 2022 - December 30, 2024

1. The bank loans were secured by the Company's freehold land and buildings. Please refer to Note 29 for the details. The use of the fund is to replenish mid-to-long-term operating capital.
2. The Group signed an asset sale-leaseback finance agreement with Hua Nan International Leasing Co., Ltd. in June 2019, amounting to CNY 7,500 thousand. After 4 years of the lease period, ownership of assets will be returned to the Company without consideration where, pursuant to the agreement, the implied interest rate is 10% based on the lease payments.

18. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries and bonuses	\$ 231,900	\$ 169,389
Payables for annual leaves	19,169	19,489
Payables for equipment	19,706	29,368
Others	<u>102,518</u>	<u>109,448</u>
	<u>\$ 373,293</u>	<u>\$ 327,694</u>

19. Retirement benefit plans

(1) Defined contribution plan

The Company of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan.

Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Employees of the Group's subsidiaries in Mainland China are covered as participants of the state-managed pension plan. Such subsidiaries have to contribute a certain percentage of salaries to the pension plan as fund. The Group is only responsible to contribute certain amount of fund to the state-managed pension plan.

(2) Defined benefit plan

The Company of the Group adopted the defined benefit plan under the Labor Standards Act, which is a state-managed defined contribution plan. Under this plan, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, if the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 25,274	\$ 29,877
Fair value of plan assets	(<u>32,393</u>)	(<u>30,592</u>)
Net defined benefit liabilities (assets)	(<u>\$ 7,119</u>)	(<u>\$ 715</u>)

Movement in net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
	<u>\$ 29,877</u>	<u>(\$ 30,592)</u>	<u>(\$ 715)</u>
Balance on January 1, 2022			
Service cost			
Service cost for the period	-	-	-
Interest expense (income)	<u>149</u>	<u>(155)</u>	<u>(6)</u>
Recognized in profit or loss	<u>149</u>	<u>(155)</u>	<u>(6)</u>
Remeasurement			
Return on plan assets (net of amount included in net interests)	-	<u>(2,497)</u>	<u>(2,497)</u>
Actuarial loss - changes in demographic assumptions	171	-	171
Actuarial gain - changes in financial assumption	<u>(3,377)</u>	-	<u>(3,377)</u>
Actuarial gain- experience adjustments	<u>(278)</u>	<u>-</u>	<u>(278)</u>
Recognized in other comprehensive income	<u>(\$ 2,928)</u>	<u>(\$ 2,497)</u>	<u>(\$ 5,425)</u>
Benefits paid	<u>(1,824)</u>	<u>1,824</u>	<u>-</u>
Contributions from employer	<u>-</u>	<u>(973)</u>	<u>(973)</u>
Balance on December 31, 2022	<u>\$ 25,274</u>	<u>(\$ 32,393)</u>	<u>(\$ 7,119)</u>
Balance on January 1, 2021	<u>\$ 35,746</u>	<u>(\$ 34,524)</u>	<u>\$ 1,222</u>
Service cost			
Service cost for the period	-	-	-
Interest expense (income)	<u>168</u>	<u>(165)</u>	<u>3</u>
Recognized in profit or loss	<u>168</u>	<u>(165)</u>	<u>3</u>
Remeasurement			
Return on plan assets (net of amount included in net interests)	-	<u>(424)</u>	<u>(424)</u>
Actuarial loss - changes in demographic assumptions	783	-	783
Actuarial gain - changes in financial assumption	<u>(963)</u>	-	<u>(963)</u>
Actuarial gain- experience adjustments	<u>(375)</u>	<u>-</u>	<u>(375)</u>
Recognized in other comprehensive income	<u>(555)</u>	<u>(424)</u>	<u>(979)</u>
Benefits paid	<u>(5,482)</u>	<u>5,482</u>	<u>-</u>
Contributions from employer	<u>-</u>	<u>(961)</u>	<u>(961)</u>
Balance on December 31, 2021	<u>\$ 29,877</u>	<u>(\$ 30,592)</u>	<u>(\$ 715)</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in the treasury bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on the valuation date were as follows:

The mortality rates for the year 2022 and 2021 were based on the sixth and fifth Taiwan Standard Ordinary Experience Mortality Table, respectively. The disabled rate is 10% of estimated mortality rate.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.5%	0.5%
Expected growth rate of salary	3.0%	3.0%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$ <u>762</u>)	(\$ <u>975</u>)
0.25% decrease	<u>\$ 794</u>	<u>\$ 1,017</u>
Expected growth rate of salary		
0.25% increase	<u>\$ 769</u>	<u>\$ 977</u>
0.25% decrease	(\$ <u>742</u>)	(\$ <u>941</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The expected contributions to the plan for the next year	<u>\$ 971</u>	<u>\$ 981</u>
The average duration of the defined benefit obligation	12.3 years	13.2 years

20. Equity

(1) Share capital

Ordinary shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousand shares)	<u>300,000</u>	<u>300,000</u>
Authorized share capital	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>91,447</u>	<u>91,457</u>
Share capital issued	<u>\$ 914,470</u>	<u>\$ 914,570</u>

Change to the Company's share capital was mainly due to employee resignation, and restricted shares were recalled and canceled.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Available for offsetting deficits, distributing cash or transferring to share capital (1)</u>		
Additional paid-in capital	\$ 1,711,680	\$ 1,670,040
Treasury Shares	27,193	27,193
Difference between consideration and carrying amount of subsidiaries acquired or disposed	3,562	3,562
<u>Limited to offsetting deficits</u>		
Changes in equity of investment in associates and joint ventures accounted for using equity method	-	3,785
Exercise of right of disgorgement	1,024	-
<u>May not be used for any purpose</u>		
Employee stock warrants	4,032	-
Restricted shares	-	42,570
	<u>\$ 1,747,491</u>	<u>\$ 1,747,150</u>

1. Capital surplus in this category may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash or transferred to share capital, limited to a certain percentage of the Company's paid-in capital each year.

(3) Retained earnings and dividend policy

The amendment to the Company's Articles of Incorporation approved by resolution of the shareholders' meeting on May 29, 2019 provides that the Company's board of directors is authorized to appropriate the distributable dividend and bonuses in the form of cash by a special resolution that shall be reported to the shareholders' meeting.

In accordance with the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside 10% of the remaining profit as legal reserve, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed retained earnings from prior years

shall be used by the board of directors as the basis for proposing a distribution plan for the resolution in a shareholders' meeting. In the event that whole or part of the dividend and bonus is paid in cash, the distribution can be made by a majority vote at a board of directors' meeting attended by over two-thirds of the directors and reported to the shareholders' meeting.

The Company's dividend policy is based on the Company's earnings and considerations of the future funding needs and impact of taxation on the Company and its shareholders, as well as the Company's sustainable development and the steady growth of earnings per share. The cash dividend shall not be less than 50% of the total dividend, and the distribution shall be made after the resolution by a shareholders' meeting. Please refer to Note 21 (6) Employee compensation and director remuneration for the distribution policy for employee and director remuneration as provided in the Company's Articles of Incorporation.

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

The amendment to the Company's Articles of Incorporation was approved by its Shareholders' Meeting on May 27, 2022. It has expressly stipulated that when the Company appropriated the special capital reserve lawfully, it shall allocate an amount of special reserve for any difference between the amount it has already allocated and the amount of special reserve equal to the "cumulative amount of net increase in fair value of investment property in a preceding period" and the "cumulative net amount of other deductions from equity in a preceding period" it is required to allocate. If there remains any insufficiency, the Company shall allocate the special reserve from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

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

	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 47,292	\$ 28,151
Cash dividends	<u>\$ 365,828</u>	<u>\$ 210,411</u>
Cash dividends per share (NT\$)	\$ 4	\$ 2.3

The appropriations for cash dividends above had been resolved by the Company's board of directors' meeting on March 9, 2022 and March 10, 2021, respectively; the other proposed appropriations had been resolved by the shareholders' meeting on May 27, 2022 and July 28, 2021.

The Company's appropriation of earnings for 2022 is proposed for resolution in the board of directors' meeting on March 8, 2023.

	<u>2022</u>
Legal reserve	<u>\$ 57,411</u>
Cash dividends	<u>\$ 365,788</u>
Cash dividends per share (NT\$)	\$ 4

The appropriations for cash dividends above had been resolved by the Company's board of directors' meeting and pended for the resolution by the shareholders' meeting to be held on May 26, 2023.

(4) Non-controlling interests

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Beginning balance	\$ 272,922	\$ 283,234
Net profit (loss) for the period	11,624	(10,469)
Restricted shares	<u>54</u>	<u>157</u>
Ending balance	<u>\$ 284,600</u>	<u>\$ 272,922</u>

21. Profit before tax

(1) Other income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 18,396	\$ 18,000
Others	<u>24,063</u>	<u>19,857</u>
	<u>\$ 42,459</u>	<u>\$ 37,857</u>

(2) Other gains and losses		
	<u>2022</u>	<u>2021</u>
Gain (loss) on disposal of property, plant and equipment	(\$ 27,287)	(\$ 5,744)
Net loss (gain) on foreign currency exchange	106,082	(11,590)
Others	(965)	(3,581)
	<u>\$ 77,830</u>	<u>(\$ 20,915)</u>
(3) Finance costs		
	<u>2022</u>	<u>2021</u>
Interest on bank loans	\$ 31,878	\$ 18,161
Interest on lease liabilities	214	211
	<u>\$ 32,092</u>	<u>\$ 18,372</u>
(4) Depreciation and amortization		
	<u>2022</u>	<u>2021</u>
Depreciation expenses by function		
Operating cost	\$ 186,645	\$ 173,853
Operating expense	133,150	99,978
	<u>\$ 319,795</u>	<u>\$ 273,831</u>
Amortization expenses by function		
Operating cost	\$ 960	\$ 926
Operating expense	8,311	10,043
	<u>\$ 9,271</u>	<u>\$ 10,969</u>
(5) Employee benefit expenses		
	<u>2022</u>	<u>2021</u>
Post-employment benefits		
Defined contribution plan	\$ 29,142	\$ 22,017
Defined benefit plan	(6)	3
	<u>29,136</u>	<u>22,020</u>
Share-based Payment	5,096	3,850
Others employee benefits	<u>869,511</u>	<u>784,158</u>
Total employee benefit expenses	<u>\$ 903,743</u>	<u>\$ 810,028</u>
Summary by function		
Operating cost	\$ 487,404	\$ 451,973
Operating expense	<u>416,339</u>	<u>358,055</u>
	<u>\$ 903,743</u>	<u>\$ 810,028</u>

(6) Employees' compensation and directors' remuneration

According to the Articles of Incorporation, if there is profit in a fiscal year, the Company shall accrue employees' compensation and directors' remuneration as follows; however, if there is a deficit, the Company shall set aside the amount for offsetting the deficit before the appropriation. The aforementioned profit is the net profit before taxes net of employees' compensation and directors' remuneration.

1. Employees' compensation shall not be less than 5% in the form of share dividend or cash dividend by the resolution in a board of directors' meeting. The recipients include certain qualified employees of the Company's affiliates.
2. Directors' remuneration shall be no more than 3%.

The appropriation of employees' compensation and directors' remuneration shall be reported to the shareholders' meeting.

The appropriations of employees' compensation and directors' remuneration for 2022 and 2021, which were approved by the Company's board of directors on March 8, 2023 and March 9, 2022, respectively, were as follows:

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	<u>\$ 85,238</u>	<u>\$ 60,601</u>
Directors' remuneration	<u>\$ 20,748</u>	<u>\$ 13,949</u>

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

There was no difference between the actual amounts of employees' compensation and directors' remuneration paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors' meeting is

available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. Taxation

(1) Major components of income tax recognized in profit or loss are as follows:

	<u>2022</u>	<u>2021</u>
Current income tax		
In respect of the current year	\$ 106,125	\$ 84,174
Tax surcharge on surplus retained earnings	617	4
Adjustment for prior year	(15,280)	(19,413)
	<u>91,462</u>	<u>64,765</u>
Deferred tax		
In respect of the current year	(15,272)	<u>1,388</u>
Income tax recognized in profit or loss	<u>\$ 76,190</u>	<u>\$ 66,153</u>

A reconciliation of accounting profit and income tax recognized in profit or loss is as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax	<u>\$ 648,366</u>	<u>\$ 534,120</u>
Income tax calculated using the income before income tax at the statutory rate (20%)	\$ 129,673	\$ 106,824
Net deductible benefits	(29,603)	(17,689)
Non-taxable income	(3,200)	(3,720)
Tax surcharge on surplus retained earnings	617	4
Loss carryforwards used/unrecognized deductible temporary differences	(4,474)	(512)
Effects of different tax rate applied by subsidiaries in other tax jurisdictions	(317)	185
Adjustment for current income tax from prior years	(15,280)	(19,413)
Elimination of investment profit by foreign operating units	(1,226)	<u>474</u>
Income tax recognized in profit or loss	<u>\$ 76,190</u>	<u>\$ 66,153</u>

(2) Deferred tax assets and liabilities

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

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Book-tax differences of sales revenue	\$ 8,264	\$ 7,871	\$ -	\$ 16,135
Unrealized inventory loss	3,545	1	-	3,546
Payables for annual leaves	3,748	(64)	-	3,684
Others	5,739	9,577	-	15,316
	<u>\$ 21,296</u>	<u>\$ 17,385</u>	<u>\$ -</u>	<u>\$ 38,681</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 142	\$ 3,143	\$ -	\$ 3,285
Defined benefit plan	143	196	1,085	1,424
Investment return by foreign operating units	16,442	(1,226)	-	15,216
	<u>\$ 16,727</u>	<u>\$ 2,113</u>	<u>\$ 1,085</u>	<u>\$ 19,925</u>

2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Book-tax differences of sales revenue	\$ 9,914	(\$ 1,650)	\$ -	\$ 8,264
Unrealized inventory loss	3,567	(22)	-	3,545
Payables for annual leaves	3,338	410	-	3,748
Defined benefit plan	244	(191)	(53)	-
Others	5,208	531	-	5,739
	<u>\$ 22,271</u>	<u>(\$ 922)</u>	<u>(\$ 53)</u>	<u>\$ 21,296</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 150	(\$ 8)	\$ -	\$ 142
Defined benefit plan	-	-	143	143
Investment return by foreign operating units	15,968	474	-	16,442
	<u>\$ 16,118</u>	<u>\$ 466</u>	<u>\$ 143</u>	<u>\$ 16,727</u>

(3) Information on unused loss carryforwards

As of December 31, 2022, the loss carryforwards of subsidiaries were as follows:

<u>Unused balance</u>	<u>Expiry year</u>
\$ 173,599	2023
131,191	2024
151,983	2025
202,114	2026
163,239	2027
163,873	2028
141,361	2029
78,107	2030
30,384	2031
<u>\$ 1,235,851</u>	

The loss carryforwards above were not recognized in deferred tax assets.

(4) Income tax assessments

The income tax returns of the Company and its domestic subsidiaries through 2020 have been assessed by the tax authorities.

23. Earnings per share

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

Net profit for the year

	<u>2022</u>	<u>2021</u>
Net profit attributable to owners of the parent company	\$ 560,552	\$ 478,436
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 560,552</u>	<u>\$ 478,436</u>

Shares Unit:

thousands of shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	91,310	91,119
Effect of potentially dilutive ordinary shares:		
Employee stock warrants	90	-
Employees' compensation	<u>746</u>	<u>494</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>92,146</u>	<u>91,613</u>

If the Group settles the employees' compensation in shares or cash, the Group presumed that the entire amount of employees' compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. Share-based payment agreement

Restricted shares

The issuance of restricted shares was resolved by the Company's shareholders' meeting on May 30, 2018 with an actual issuance of 648 thousand shares at the issue price of NT\$50 per share. The Company received the approval by the FSC on December 14, 2018 with the certificate Jin-Guan-Zheng-Fa-Zi No. 1070121188 and set October 22, 2019 as the capital increase record date for the issuance of restricted shares.

Employees who have received or subscribed the restricted shares and yet fulfilled the vesting conditions are bound by the following restrictions:

- (1) Employees shall not sell, pledge, transfer, grant, set guarantee or dispose of the restricted shares in any other ways.
- (2) The restricted shares are eligible for the dividend distribution without any restriction within the vesting period.
- (3) Prior to the fulfillment of vesting conditions, the restricted shareholders are entitled the same rights as those of common stock holders including propose, speak, and vote in a shareholders' meeting and other shareholder's rights.
- (4) After issuance, restricted shares shall be immediately delivered to be under custody of trust institution. Before fulfillment of vesting conditions, employees shall not request for return of such restricted shares by any reason or method.

For those employees who fail to fulfill the vesting conditions, the Company will recall or purchase back and cancel their shares.

Information of the Group's restricted shares is as follows:

	Number of shares (in thousand shares)	Number of shares (in thousand shares)
	2022	2021
Beginning balance	193	412
Cancellation due to employee resignation for the period	(10)	(26)
Vested for the period	(183)	(193)
Ending balance	<u> -</u>	<u> 193</u>

The compensation costs recognized for the years ended December 31, 2022 and 2021 were \$1,064 thousand and \$3,850 thousand, respectively.

Employee stock warrant plan of the Company

The Company granted 3,000 thousand units of employee warrants, of which, each unit is eligible to subscribe to 1 ordinary share, in December 2022. Employees of the Company are entitled to the warrants. The term of all employee stock warrants is 6 years, and the warrant holders can exercise a specific portion of the warrants granted after 2 years after the issuance date. The exercise price of the stock warrants is 75% of the closing price of the Company's ordinary shares on the date of issuance. If any changes are made to the Company's ordinary shares, the exercise price shall be correspondingly adjusted using the specific formula.

Information on employee stock warrants is as follows:

	2022	
	Unit (thousand)	Weighted average exercise price (NT\$)
<u>Employee stock warrants</u>		
Outstanding at the beginning of the year	-	\$ -
Number of stock warrants granted in the year	3,000	115.10
Number of stock warrants exercised in the year	-	-
Number of stock warrants expired in the year	<u> -</u>	-
Outstanding at the end of the year	<u> 3,000</u>	
Number of stock warrants exercisable at the end of the year	<u> -</u>	
Weighted average fair value of the stock warrants granted in the year (NT\$)	<u> \$ 68.09</u>	

Information on outstanding employee stock warrants is as follows:

	<u>December 31, 2022</u>
Range of exercise prices (NT\$)	\$ 115.10
Weighted average remaining term (year)	6 years

The employee stock warrants granted in December 2022 were valued using the Black-Scholes model, and the inputs used in the said model were as follows:

	<u>December, 2022</u>
Stock price on the grant date	NT\$153.50
Exercise price	NT\$115.10
Expected volatility	0%
Term	6 years
Expected dividend yield	37.72% ~ 42.48%
Risk-free rate	1.07% ~ 1.10%

The compensation cost recognized for the year ended December 31, 2022 was NT\$4,032 thousand.

25. Non-cash transactions

For the years ended December 31, 2022 and 2021, the Group has conducted the following non-cash transactions from finance activities:

- (1) Addition of lease liabilities from lease agreements.
- (2) Reclassifications of long-term borrowings with maturity within one year.

26. Capital management

The Group manages its capital to ensure its ability to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group's key management reviews its capital structure on a quarter basis. As part of this review, the key management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management, the Group may balance its overall capital structure by the means of dividend payment, issuance of new shares, shares buyback, issuance of new debts or repayment of existing debts. The Group is not subject to any externally imposed capital requirements.

27. Financial instruments

(1) Fair value of financial instruments not measured at fair value

Management of the Group considers the carrying amounts of the Group's financial assets and financial liabilities that are not measured at fair value as close to their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	Fair value			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic listed shares	\$ 279,000	\$ -	\$ -	\$ 279,000
Domestic and foreign unlisted shares and investments	-	-	347,125	347,125
	<u>\$ 279,000</u>	<u>\$ -</u>	<u>\$ 347,125</u>	<u>\$ 626,125</u>

December 31, 2021

	Fair value			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic listed shares	\$ 472,000	\$ -	\$ -	\$ 472,000
Domestic and foreign unlisted shares and investments	-	-	227,746	227,746
	<u>\$ 472,000</u>	<u>\$ -</u>	<u>\$ 227,746</u>	<u>\$ 699,746</u>

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

2. Valuation techniques and inputs of measuring Level 3 fair value

Class of financial instruments	Valuation techniques and inputs
Domestic and foreign securities	Using the asset-based approach that assesses the fair value by totaling the value of each asset and liability of the target of evaluation. Using the market approach that derives the value of target from the product of the active market price of a comparable company that operates in the similar industry with similar operation and financial performance and a corresponding market multiplier.

(3) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial asset</u>		
Financial assets mandatorily classified at fair value through profit or loss	\$ 45,739	\$ 29,945
Financial assets at amortized cost (Note 1)	1,767,913	2,006,915
Financial assets at fair value through other comprehensive income	626,125	699,746
<u>Financial liability</u>		
At amortized cost (Note 2)	3,658,405	2,872,343

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term notes and bills payable, notes payable, trade payables, other payables and long-term borrowings, including those with maturity within one year.

(4) Financial risk management objectives and policies

The Group's major financial instruments include equity and debt instrument investments, trade receivables, trade payables, borrowings and lease liabilities. The Group's Finance Department provides services to the business, coordinates access to domestic and international financial markets,

monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using financial derivatives to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written guidelines on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below). The Group engaged in a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts and currency swaps to hedge the exchange rate risk arising from trading.

- (1) Foreign currency risk

The Group engaged in sales and purchases denominated in foreign currencies, which exposed the Group to foreign currency risk. The Group hedged such foreign currency risk using the forward exchange contracts and currency swaps to the extent approved by policy.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in nonfunctional currencies (including the monetary items denominated in nonfunctional

currencies eliminated in the consolidated financial statements) on the balance sheet date are provided in Note 32.

Sensitivity analysis

The Group was mainly exposed to the risk of exchange rate fluctuation of the U.S. Dollar and Euro.

The following table details the Group’s sensitivity to a 1% increase and decrease in New Taiwan dollar (the functional currency) against each foreign currency. 1% increase or decrease is used when reporting foreign currency risk internally to key management and represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A 1% foreign exchange rate change is adjusted to the translation at the end of period. In the following table, a positive number below indicates an increase in pre-tax profit due to a 1% depreciation of the New Taiwan dollar against the foreign currency. For a 1% appreciation of the New Taiwan dollar against the foreign currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	Impact of USD		Impact of EUR	
	2022	2021	2022	2021
Profit or loss	\$ 9,447 (i)	\$ 8,205 (i)	\$ 727 (ii)	\$ 1,517 (ii)

- i. It was mainly due to the Company’s trade receivables and payables denominated in the U.S. Dollar that were outstanding and yet mitigated by a cash flow hedge at the end of the reporting period.
- ii. It was mainly due to the Company’s trade receivables and payables denominated in the Euro that were outstanding and yet mitigated by a cash flow hedge at the end of the reporting period.

The management believed the sensitivity analysis did not reflect existing foreign currency risk because the exposure to the foreign currency risk at the end of the reporting period does not fairly represent the risk exposure during the reporting period.

(2) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
- Financial assets	\$ 300,853	\$ 226,193
- Financial liabilities	8,609	25,794
Cash flow interest rate risk		
- Financial assets	798,129	1,189,911
- Financial liabilities	3,070,010	2,350,100

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole reporting period. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 10 basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have

decreased/increased by NT\$2,272 thousand and NT\$1,160 thousand, respectively.

(3) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than for trading purposes. The Group does not actively trade these investments. In addition, the Group designated specific team to monitor the price risk and establish the responding strategy.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk due to the failure of a counterparty to perform its obligations was the carrying amount of financial assets recognized in the consolidated financial statements.

Among the trade receivables as of December 31, 2022 and 2021, the total of trade receivables from major customers were NT\$526,894 thousand and NT\$299,955 thousand, respectively for more than 64% and 49%, respectively, of total trade receivables of the respective period. The trade receivables from other customers did not exceed 10% of total trade receivables.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support its operation and minimize the impact of cash flow volatility. The Group's management monitors the use of bank loan facilities and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2022 and 2021, the Group's unused bank facilities were set out in (2) borrowing facilities below.

(1) Liquidity and interest rate risk table

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities, in which the payment terms were set, based on the earliest repayment date. The table was prepared with the undiscounted cash flows of financial liabilities that include the cash flows of interests and principles.

December 31, 2022

	On demand or less than 1 month	1~3 months	3 months~ 1 year	1~5 years	Over 5 years
<u>Non derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 300,543	\$ 318,358	\$ 220,532	\$ -	\$ -
Lease liabilities	573	1,147	3,813	1,833	-
Bank loans	<u>605,381</u>	<u>855,855</u>	<u>458,862</u>	<u>1,084,827</u>	<u>125,844</u>
	<u>\$ 906,497</u>	<u>\$ 1,175,360</u>	<u>\$ 683,207</u>	<u>\$ 1,086,660</u>	<u>\$ 125,844</u>

Maturity profile of lease liabilities is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	Over 20 years
Lease liabilities	<u>\$ 5,533</u>	<u>\$ 1,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	On demand or less than 1 month	1~3 months	3 months~ 1 year	1~5 years	Over 5 years
<u>Non derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 279,646	\$ 304,654	\$ 118,043	\$ -	\$ -
Lease liabilities	553	1,015	4,213	4,050	-
Bank loans	<u>1,151,921</u>	<u>253,028</u>	<u>547,937</u>	<u>427,313</u>	<u>-</u>
	<u>\$ 1,432,120</u>	<u>\$ 558,697</u>	<u>\$ 670,193</u>	<u>\$ 431,363</u>	<u>\$ -</u>

Maturity profile of lease liabilities is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	Over 20 years
Lease liabilities	<u>\$ 5,781</u>	<u>\$ 4,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(2) borrowing facilities

	December 31, 2022	December 31, 2021
Unsecured bank facility		
-Drawn	\$ 2,921,521	\$ 2,358,225
-Undrawn	<u>2,653,479</u>	<u>1,188,495</u>
	<u>\$ 5,575,000</u>	<u>\$ 3,546,720</u>
Secured bank facility		
-Drawn	\$ 150,000	\$ -
-Undrawn	<u>-</u>	<u>150,000</u>
	<u>\$ 150,000</u>	<u>\$ 150,000</u>

(5) Transfers of financial assets

The Group's factored trade receivables are as follows:

<u>Counterparty</u>	<u>Sales amount</u>	<u>Available advance amount</u>	<u>Advance amount used</u>	<u>Annual interest rate on advances received (%)</u>
<u>2022</u>				
Citibank	USD 5,628	USD -	USD 5,628	5.687-6.337
	EUR 1,463	EUR -	EUR 1,463	1.05-1.3
<u>2021</u>				
Citibank	USD 2,964	USD -	USD 2,964	1.25-1.90
	EUR 1,690	EUR -	EUR 1,690	1.05-1.30

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

28. Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

(1) Related parties and relationship

<u>Related parties</u>	<u>Relationship with the Group</u>
GlobalWafers Co., Ltd.	Related party in substance
Sustainable Energy Solution Co., Ltd.	Related party in substance
San Chih Semiconductor Co., Ltd.	Related party in substance, not a related party since December 21, 2021
Mosel Vitelic Inc.	Associate

(2) Business transactions

<u>Financial Statement Account</u>	<u>Related parties category/name</u>	<u>2022</u>	<u>2021</u>
Purchases of goods	Related party in substance		
	GlobalWafers Co., Ltd.	\$ 273,968	\$ 292,743
	Others	-	19,523
	Mosel Vitelic Inc.	<u>353,016</u>	<u>265,831</u>
		<u>\$ 626,984</u>	<u>\$ 578,097</u>

Transactions above mainly comprise purchases of wafers, and the purchase price of flat wafers was indifferent from the price of other suppliers. The Group did not purchase diffusion wafer from other suppliers, so there is not comparable purchases price. The payment terms were 30~90 days end of month for related party, 90 days end of month for domestic non-related parties, and T/T 50~60 days for foreign parties.

Financial Statement Account	Related parties category/name	December 31, 2022	December 31, 2021
Trade payables	Related party in substance		
	GlobalWafers Co., Ltd.	\$ 75,383	\$ 65,610
	Others	-	5,953
	Mosel Vitelic Inc.	<u>91,593</u>	<u>46,551</u>
		<u>\$ 166,976</u>	<u>\$ 118,114</u>

(3) Others

Financial Statement Account	Related parties	December 31, 2022	December 31, 2021
Refundable deposits (Note)	Mosel Vitelic Inc.	\$ 107,101	\$ 144,801
	Sustainable Energy Solution Co., Ltd.	<u>10,000</u>	-
		<u>117,101</u>	<u>144,801</u>

Note: recognized as other current assets and other non-current assets.

(4) Compensation of key management personnel

	2022	2021
Short-term employee benefits	\$ 71,527	\$ 67,742
Post-employment benefits	108	216
Share-based Payment	<u>465</u>	<u>1,290</u>
	<u>\$ 72,100</u>	<u>\$ 69,248</u>

The remuneration of directors and key executives was determined by the remuneration committee taking into account the performance of individuals and market trends.

29. Assets pledged as collateral or for security

The following assets were pledged as collateral for borrowings:

	December 31, 2022	December 31, 2021
Freehold Land	\$ 107,843	\$ 107,843
Building	147,339	151,559
Machinery Equipment	24,080	27,570
Pledged time deposits (classified as financial assets at amortized cost)	<u>14,751</u>	<u>15,258</u>
	<u>\$ 294,013</u>	<u>\$ 302,230</u>

30. Significant contingent liabilities and unrecognized contract commitments

Except described in other notes of this financial statements, the Group had the following significant contingent liabilities and unrecognized commitments as of the end of the reporting period:

(1) Commitments related to agreements

The Company entered a contract with Mosel Vitelic Inc. ("Mosel") to secure manufacturing capacity in July 2021 and paid a deposit of US\$5.49 million. As agreed, the Company is committed to provide a certain number of orders monthly to Mosel for the following three years, and Mosel is committed to reserve its manufacturing capacity for the Company. Pursuant to the contract, in the event that the Company fails to fulfill the agreed number of orders, Mosel may refund the deposit in part.

(2) As of December 31, 2022 and 2021, the Group had the contract commitments that was not recognized as property, plant and equipment amounting to NT\$64,267 thousand and NT\$274,505 thousand, respectively.

31. Significant subsequent events

In the Company's board of directors' meeting held on January 11, 2023, the subscription to the ordinary shares of cash capital increase through private placement of Excelliance MOS Corporation at NT\$99.45 per share, totaling NT\$1,491,750 thousand, was approved. By the completion of the above investment, the Company will hold 15,000 thousand shares of Excelliance MOS Corporation.

In the Company's board of directors' meeting held on March 8, 2023, the proposal to raise capital by issuing no more than 15,000 thousand shares through either cash capital increase or private placement of ordinary shares in cash was approved.

32. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign currency	Exchange rate		Carrying amount
<u>Financial asset</u>				
<u>Monetary items</u>				
USD	\$ 106	6.9646	(USD:CNY)	\$ 3,258
USD	38,907	30.71	(USD:NTD)	1,194,847
EUR	2,234	32.72	(EUR:NTD)	73,096
CNY	1,327	4.408	(CNY:NTD)	5,848
<u>Non-monetary items</u>				
Foreign investments in securities				
USD	4,169	30.71	(USD:NTD)	132,375
<u>Financial liability</u>				
<u>Monetary items</u>				
USD	\$ 8,213	30.71	(USD:NTD)	\$ 252,225
USD	40	6.9646	(USD:CNY)	1,217
EUR	14	32.72	(EUR:NTD)	446
CNY	17	4.408	(CNY:NTD)	77
JPY	24,851	0.2324	(JPY:NTD)	5,775

December 31, 2021

	Foreign currency	Exchange rate		Carrying amount
<u>Financial asset</u>				
<u>Monetary items</u>				
USD	\$ 35,011	27.68	(USD:NTD)	\$ 969,110
USD	109	6.3757	(USD:CNY)	3,027
EUR	4,860	31.32	(EUR:NTD)	152,220
CNY	26	4.344	(CNY:NTD)	114
<u>Non-monetary items</u>				
Foreign investments in securities				
USD	3,103	27.68	(USD:NTD)	85,891
<u>Financial liability</u>				
<u>Monetary items</u>				
USD	\$ 5,478	27.68	(USD:NTD)	\$ 151,644
EUR	16	31.32	(EUR:NTD)	512
JPY	15,993	0.2415	(JPY:NTD)	3,846

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

Functional currency	2022		2021	
	Translation from the functional currency to the presentation currency	Net foreign exchange gains or losses (amount in NTD)	Translation from the functional currency to the presentation currency	Net foreign exchange gains or losses (amount in NTD)
CNY	4.397 (CNY:NTD)	(\$ 198)	4.345 (CNY:NTD)	\$ 354
NTD	1 (NTD:NTD)	106,280	1 (NTD:NTD)	(11,944)
		<u>\$ 106,082</u>		<u>(\$ 11,590)</u>

33. Separately disclosed items

(1) Information about significant transactions:

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

(2) Information on investees: Table 6.

(3) Information on investments in mainland China:

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of

investment, inward and outward remittance of funds, ownership percentage, net income for current period, return on investees recognized, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7.

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

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8.

34. Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance was focused on each type of products sold or services rendered. The Group's reportable segments were as follows:

Taiwan business segment

Mainland China Qingdao segment

(1) Segment revenue and operating result

Analysis on revenue and operating result from continuing operations of the Company and its subsidiaries by reportable segments is as follows:

	Segment revenue		Segment profit or loss	
	2022	2021	2022	2021
Taiwan business segment	\$ 4,192,545	\$ 3,836,269	\$ 383,711	\$ 428,958
Mainland China Qingdao segment	179,433	214,561	(7,637)	3,392
Others	<u>485,976</u>	<u>338,071</u>	<u>9,537</u>	<u>(10,755)</u>
Total from continuing operations	4,857,954	4,388,901	385,611	421,595
Less: eliminations between operating segments	<u>(660,115)</u>	<u>(592,993)</u>	<u>10,362</u>	<u>1,211</u>
Revenue or profit or loss from transactions between operating segments and external customers	<u>\$ 4,197,839</u>	<u>\$ 3,795,908</u>	395,973	422,806
Interest income			6,172	2,751
Other income			42,459	37,857
Other gains and losses			77,830	(20,915)
Finance costs			(32,092)	(18,372)
Share of profit of investment in associates and joint ventures accounted for using equity method			<u>158,024</u>	<u>109,993</u>
Profit before tax			<u>\$ 648,366</u>	<u>\$ 534,120</u>

Segment profit represented the profit before tax earned by each segment without other income, other gains and losses, finance costs, and share of profit or loss of associates and joint ventures accounted for using the equity method. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(2) Revenue from major products

Analysis on revenue from major products of continuing operations is as follows:

	<u>2022</u>	<u>2021</u>
Sales of Pressfit Diode	\$ 1,754,099	\$ 1,955,289
Sales of Low Loss Diode	1,425,877	1,134,010
Others	<u>1,017,863</u>	<u>706,609</u>
	<u>\$ 4,197,839</u>	<u>\$ 3,795,908</u>

(3) Geographic information

The Company operations in two major areas - Taiwan and Mainland China.

The revenue from external customers of the Company's continuing operations segmented into operating regions and the non-current assets segmented into geographical locations of the assets are as follows:

	<u>Revenue from external customers</u>		<u>non-current assets</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
China	\$ 496,315	\$ 593,401	\$ 313,330	\$ 326,537
Korea	641,434	537,393	-	-
Taiwan	485,509	462,054	3,499,522	3,380,141
Mexico	628,810	296,912	-	-
France	196,420	220,375	-	-
Czech Republic	137,224	193,251	-	-
Hungary	221,208	180,767	-	-
India	253,487	168,421	-	-
Others	<u>1,137,432</u>	<u>1,143,334</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,197,839</u>	<u>\$ 3,795,908</u>	<u>\$ 3,812,852</u>	<u>\$ 3,706,678</u>

Non-current assets are exclusive of assets classified as financial instruments and deferred tax assets.

(4) Information on Major Customers (Single customer contributing 10% or more to the Group's revenue):

	<u>2022</u>	<u>2021</u>
Customer A	\$ 490,789	\$ 390,170

Actron Technology Corporation and Subsidiaries
Marketable securities held at the end of period
December 31, 2022

Table 1

Unit: NT\$ thousand

Name of holding company	Type and name of marketable securities	Relationship with the holding company	Financial Statement Account	At the End of the Period				Remarks
				Number of shares (in thousand shares)	Carrying amount	Percentage of ownership	Fair value	
Actron Technology Corporation	Sino-American Silicon Products Inc.	Major shareholder	Financial assets at fair value through other comprehensive income -non-current	2,000	\$ 279,000	0.34%	\$ 279,000	—
	Phoenix Pioneer Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income -non-current	15,265	207,075	5.13%	207,075	—
	ANJET CORPORATION	—	Financial assets at fair value through other comprehensive income -non-current	2,000	32,813	17.52%	32,813	—
	AMED VENTURES I, L.P.	—	Financial assets at fair value through other comprehensive income -non-current	-	99,562	-	99,562	—
	Super Energy Materials Inc.	—	Financial assets at fair value through other comprehensive income -non-current	500	7,675	2.5%	7,675	—

Actron Technology Corporation and Subsidiaries

Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more

2022

Table 2

Unit: unless otherwise stated, in thousands of New Taiwan Dollars

Name of company that made the purchases or sales	Type and name of marketable securities	Financial Statement Account	Counterparty	Relationship	At the beginning of the period		Purchase		Sale				At the End of the Period	
					Shares	Amount	Shares	Amount	Shares	Sale price	Carrying amount of cost	Gain or loss on disposal	Shares	Amount
Mosel Vitelic Inc.	Ordinary shares	Investments accounted for using the equity method	Pynmax Technology Co., LTD.	Non-related party	27,925,459	\$ 442,892	19,000,000	\$ 737,299	-	\$ -	\$ -	\$ -	46,925,459	\$ 1,180,191

Actron Technology Corporation and Subsidiaries

Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

2022

Table 3

Unit: NT\$ thousand

Purchaser or seller	Counterparty	Relationship	Transaction Details				Abnormal transaction and reason		Notes/Trade receivables (payables)			Remarks
			Purchase/sale	Amount	As percentage to total purchase or sale	Payment terms	Unit price	Payment terms	Financial statement account	Ending balance	As percentage to total notes/trade receivables (payables)	
Actron Technology Corporation	GlobalWafers Co., Ltd.	Subsidiary of the Company's director, Sino-American Silicon Products Inc.	Purchases of goods	\$ 273,968	14%	60 days end of month	Note 2	Domestic 90 days end of month	Trade payables	\$ 75,383	14%	
Actron Technology Corporation	Mosel Vitelic Inc.	Associate	Purchases of goods	353,016	18%	30 days end of month	Note 2	Domestic 90 days end of month	Trade payables	91,593	16%	
Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	Subsidiary	Purchases of goods	656,057	33%	90 days end of month	Cost markup	Domestic 90 days end of month	Trade payables	182,146	33%	Note 1
Ding-Wei Technology Co., Ltd.	Actron Technology Corporation	Parent	Sale	656,057	100%	90 days end of month	Cost markup	Domestic 90 days end of month	Trade receivables	182,146	100%	Note 1

Note 1: This is a transaction between parent company and its subsidiary and has been eliminated upon consolidation.

Note 2: The purchase price of flat wafers was indifferent from the price of other suppliers. The Group did not purchase diffusion wafer from other suppliers, so there is not comparable purchases price.

Actron Technology Corporation and Subsidiaries
 Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital
 December 31, 2022

Table 4

Unit: NT\$ thousand

Company recognizes the receivables	Counterparty	Relationship	Balance of trade receivables - related party		Average turnover ratio	Overdue		Amount collected in subsequent period	Allowance for impairment loss
			Financial statement account	Ending balance		Amount	Action taken		

Note: eliminated upon consolidation.

Actron Technology Corporation and Subsidiaries
Intercompany relationships and significant intercompany transactions

2022

Table 5

Unit: NT\$ thousand

Serial No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial statement account	Amount	Transaction terms	As percentage to total revenue or total assets (Note 3)
0	Actron Technology Corporation	Smooth Autocomponent Limited	1	Other receivables	\$ 2,980	60 days end of month	-
0	Actron Technology Corporation	Smooth Autocomponent Limited	1	Other income	2,318	60 days end of month	-
0	Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	1	Trade payables	182,146	90 days end of month	2%
0	Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	1	Cost of sales	656,057	90 days end of month	16%
0	Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	1	Other income	1,685	90 days end of month	-
0	Actron Technology Corporation	Rec Technology Corporation	1	Sales revenue	3,194	60 days end of month	-
0	Actron Technology Corporation	Rec Technology Corporation	1	Other income	5,303	60 days end of month	-
0	Actron Technology Corporation	Bigbest Solutions, Inc.	1	Other income	1,560	60 days end of month	-

Note 1: Intercompany transactions between the parent company and subsidiaries shall be indicated by number as described below:

1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1".

Note 2: The relationship between the transaction parties can be classified into three categories below, and it shall be indicated by number:

1. No. 1 represents the transactions from parent company to subsidiary.
2. No. 2 represents the transactions from subsidiary to parent company.
3. No. 3 represents the transactions between subsidiaries.

Note 3: In the calculation of ratio of transaction amount to total consolidated revenue or total assets, for assets or liabilities, the ratio of ending balance to the total assets shall be used; for profit or loss, the ratio between interim accumulated amount to the total revenue shall be used.

Note 4: All transactions above were eliminated upon consolidation.

Actron Technology Corporation and Subsidiaries
Names, locations and related information of investee companies

2022

Table 6

Unit: NT\$ thousand

Investor	Investee	Location	Principle business activity	Initial investment		At the end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Remarks
				Ending balance	Beginning balance	Shares	Ratio	Carrying amount			
Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	Taoyuan City	Manufacturing and sale of auto components and parts	\$ 306,900	\$ 306,900	15,000,000	100%	\$ 383,449	\$ 60,792	\$ 64,560	Subsidiary
Actron Technology Corporation	Smooth International Limited Corporation	Samoa	Investment	363,260	363,260	12,000,000	100%	423,973	(6,131)	(6,131)	Subsidiary
Smooth International Limited Corporation	Smooth Autocomponent Limited	Hong Kong	Investment	363,260	363,260	12,000,000	100%	423,973	(6,131)	(6,131)	Subsidiary
Actron Technology Corporation	Rec Technology Corporation	Taoyuan City	Manufacturing and sale of auto components and parts	208,102	208,102	8,487,823	49%	73,949	6,503	3,149	Subsidiary
Actron Technology Corporation	Hong Wang Investment Co., Ltd.	New Taipei City	Investment	300,000	300,000	30,000,000	30%	911,713	194,957	58,487	Joint venture
Actron Technology Corporation	Mosel Vitelic Inc.	Hsinchu City	Semiconductors	1,180,191	442,892	(Note) 46,925,459	30%	1,311,702	550,228	99,537	Associate
Actron Technology Corporation	Bigbest Solutions, Inc.	Taichung City	Manufacture of motors	245,143	245,143	19,314,319	28%	168,309	12,957	3,575	Subsidiary

Note: Among which 468 thousand shares were ordinary shares and 29,532 thousand shares were preferred shares.

Actron Technology Corporation and Subsidiaries
Information on investments in mainland China

2022

Table 7

Unit: NT\$ thousand or US\$ thousand

Investee	Principle business activity	Total paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of the beginning of the period	Investment flows of the period		Accumulated outflow of investment from Taiwan as of the end of the period	Net income (loss) of investee company	The Company's direct or indirect percentage of ownership	Investment income (loss) recognized for the period (Note 2)	Carrying amount at the end of the period	Accumulated inward remittance of earnings at the end of the period
					outflow	inflow						
Smooth Autocomponent Limited	Manufacture of motor parts	Authorized and paid-in capital were both USD 12,000	Note 1	\$ 363,260 (USD 12,000)	\$ -	\$ -	\$ 363,260 (USD 12,000)	(\$ 6,131)	100%	(\$ 6,131)	\$ 423,973	\$ -

Accumulated investment in Mainland China at the end of the period	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 3)
USD 12,000	\$ 365,520 (USD 12,000)	\$ 3,298,924

Note 1: Indirectly investment in Mainland China through companies registered in a third region.

Note 2: Recognition based on the audited financial statements.

Note 3: The Company's Investment amounts authorized by Investment Commission, MOEA: 5,498,206 (net equity) ×60% =3,298,924.

Actron Technology Corporation
Information of major shareholders

December 31, 2022

Table 8

Name of major shareholder	Share	
	Number of shareholding	Percentage of ownership
Sino-American Silicon Products Inc.	20,807,340	22.75%
Ching-chao Chang	5,000,699	5.47%
Ming-kuang Lu	4,880,000	5.34%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Company's consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: For information above, if shareholders hold shares through trusts, the name of settlors for such trust accounts shall be disclosed here individually. As for the shareholding report for an insider who holds more than 10% of the Company's shares pursuant to the Securities and Exchange Act, the total shareholding includes the insider's shares held and the number of shares held through trust, of which the insider has control of the trust assets. Please refer to the Market Observation Post System website for the information regarding insider shareholding reporting.