

UBright Optronics Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
UBright Optronics Corporation

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter of the Company's financial statements for the year ended December 31, 2022 is as follows:

Provisions - Sales Returns and Discounts

As of December 31, 2022, the balance of provisions - sales returns and discounts amounted to \$249,437 thousand. The Company estimated provisions - sales returns and discounts based on historical data and the overall market conditions of the previous year. Since the Company is facing fierce price cutting competition, and the setting of prices is subject to management's judgment, the estimation of provisions - sales returns and discounts has been identified as the key audit matter for the year ended December 31, 2022.

The Company's provisions - sales returns and discounts are estimated according to the monthly sales specifications and sales amounts of the goods.

We understood the effectiveness of internal controls as follows:

1. Whether provisions - sales returns and discounts were regularly recognized based on the Company's policy.
2. Whether the assessment of provisions - sales returns and discounts was reviewed by responsible personnel.

We evaluated the reasonableness of provisions - sales returns and discounts with reference to the ratio of historical sales returns and discounts on the balance sheet date, and recalculated the amount of provisions - sales returns and discounts according to the Company's policy, and compared it to the recognized amount based on the data. We also reviewed the sales returns and discounts in the subsequent period.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Hsiang Chen and Wen-Yea Shyu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the 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 financial statements shall prevail.

UBRIGHT OPTRONICS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 26 and 27)	\$ 2,082,438	50	\$ 1,881,663	44
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 26)	283,005	7	297,462	7
Financial assets at amortized cost - current (Notes 4, 9 and 26)	110,000	2	110,000	3
Notes receivable, net (Notes 4, 10, 20 and 26)	-	-	17	-
Trade receivables, net (Notes 4, 10, 20 and 26)	372,227	9	452,826	10
Inventories (Notes 4 and 11)	371,067	9	465,424	11
Other current assets (Note 28)	<u>72,820</u>	<u>2</u>	<u>65,199</u>	<u>1</u>
Total current assets	<u>3,291,557</u>	<u>79</u>	<u>3,272,591</u>	<u>76</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 26)	79,853	2	85,700	2
Investments accounted for using the equity method (Notes 4 and 12)	-	-	3,658	-
Property, plant and equipment (Notes 4, 13 and 27)	397,033	9	489,795	11
Right-of-use assets (Notes 4, 14 and 27)	335,111	8	365,328	9
Other intangible assets (Notes 4 and 15)	1,468	-	1,311	-
Deferred tax assets (Notes 4 and 22)	70,027	2	80,821	2
Refundable deposits (Note 27)	4,251	-	5,490	-
Other non-current assets (Notes 4 and 18)	<u>2,811</u>	<u>-</u>	<u>2,145</u>	<u>-</u>
Total non-current assets	<u>890,554</u>	<u>21</u>	<u>1,034,248</u>	<u>24</u>
TOTAL	<u>\$ 4,182,111</u>	<u>100</u>	<u>\$ 4,306,839</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables to unrelated parties (Notes 16 and 26)	\$ 77,570	2	\$ 167,633	4
Trade payables to related parties (Notes 16, 26 and 27)	6,017	-	5,699	-
Other payables (Notes 26 and 27)	156,068	4	171,449	4
Current tax liabilities (Notes 4 and 22)	29,875	1	68,041	2
Lease liabilities - current (Notes 4, 14, 26 and 27)	25,441	-	26,396	1
Current refund liabilities (Notes 4, 17 and 20)	249,437	6	230,909	5
Other current liabilities (Note 17)	<u>4,292</u>	<u>-</u>	<u>4,147</u>	<u>-</u>
Total current liabilities	<u>548,700</u>	<u>13</u>	<u>674,274</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 4, 14, 26 and 27)	329,301	8	354,742	8
Deferred tax liabilities (Notes 4 and 22)	8,671	-	36	-
Other non-current liabilities (Notes 12 and 17)	<u>7,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>345,497</u>	<u>8</u>	<u>354,778</u>	<u>8</u>
Total liabilities	<u>894,197</u>	<u>21</u>	<u>1,029,052</u>	<u>24</u>
EQUITY (Notes 19 and 24)				
Share capital				
Ordinary shares	801,777	19	799,447	19
Capital surplus	1,004,384	24	993,529	23
Retained earnings				
Legal reserve	322,774	8	293,591	7
Special reserve	2,477	-	5,514	-
Unappropriated earnings	1,183,924	28	1,188,183	27
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(352)	-	(443)	-
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	<u>(27,070)</u>	<u>-</u>	<u>(2,034)</u>	<u>-</u>
Total equity	<u>3,287,914</u>	<u>79</u>	<u>3,277,787</u>	<u>76</u>
TOTAL	<u>\$ 4,182,111</u>	<u>100</u>	<u>\$ 4,306,839</u>	<u>100</u>

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

UBRIGHT OPTRONICS CORPORATION

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 2,292,251	100	\$ 2,962,247	100
OPERATING COSTS (Notes 11, 21 and 27)	<u>1,767,907</u>	<u>77</u>	<u>2,231,750</u>	<u>76</u>
GROSS PROFIT	<u>524,344</u>	<u>23</u>	<u>730,497</u>	<u>24</u>
OPERATING EXPENSES (Notes 4, 10, 18, 21 and 27)				
Selling and marketing expenses	85,724	4	91,826	3
General and administrative expenses	92,589	4	101,264	3
Research and development expenses	<u>133,778</u>	<u>6</u>	<u>168,501</u>	<u>6</u>
Total operating expenses	<u>312,091</u>	<u>14</u>	<u>361,591</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>212,253</u>	<u>9</u>	<u>368,906</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 21 and 27)				
Interest revenue	26,705	1	11,803	1
Other income	7,159	-	6,294	-
Finance costs	(3,687)	-	(3,949)	-
Other gains and losses	92,834	4	(20,874)	(1)
Share of profit of subsidiaries	<u>(138)</u>	<u>-</u>	<u>(5,857)</u>	<u>-</u>
Total non-operating income and expenses	<u>122,873</u>	<u>5</u>	<u>(12,583)</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	335,126	14	356,323	12
INCOME TAX EXPENSE (Notes 4 and 22)	<u>47,674</u>	<u>2</u>	<u>64,624</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>287,452</u>	<u>12</u>	<u>291,699</u>	<u>10</u>

(Continued)

UBRIGHT OPTRONICS CORPORATION

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ 214	-	\$ -	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(13,900)	(1)	1,129	-
Share of other comprehensive income of subsidiaries accounted for using the equity method	(11,136)	-	2,266	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	(43)	-	-	-
	<u>(24,865)</u>	<u>(1)</u>	<u>3,395</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	91	-	(229)	-
Other comprehensive income (loss) for the year, net of income tax	<u>(24,774)</u>	<u>(1)</u>	<u>3,166</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 262,678</u>	<u>11</u>	<u>\$ 294,865</u>	<u>10</u>
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	<u>\$ 3.59</u>		<u>\$ 3.66</u>	
Diluted	<u>\$ 3.57</u>		<u>\$ 3.63</u>	

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

(Concluded)

UBRIGHT OPTRONICS CORPORATION

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

	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT DECEMBER 31, 2021	\$ 794,577	\$ 986,417	\$ 273,633	\$ -	\$ 1,096,634	\$ (214)	\$ (5,300)	\$ 3,145,747
Appropriation of 2020 earnings								
Legal reserve	-	-	19,958	-	(19,958)	-	-	-
Special reserve	-	-	-	5,514	(5,514)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(174,807)	-	-	(174,807)
Other changes in capital surplus								
Donations from shareholders	-	1	-	-	-	-	-	1
Employee share options issued by the Company	-	3,052	-	-	-	-	-	3,052
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	129	-	(129)	-
Net profit for the year ended December 31, 2021	-	-	-	-	291,699	-	-	291,699
Other comprehensive income (loss) for the year ended December 31, 2021 net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229)</u>	<u>3,395</u>	<u>3,166</u>
Total comprehensive income (loss) for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,699</u>	<u>(229)</u>	<u>3,395</u>	<u>294,865</u>
Issuance of ordinary shares under employee share options	<u>4,870</u>	<u>4,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,929</u>
BALANCE AT DECEMBER 31, 2021	799,447	993,529	293,591	5,514	1,188,183	(443)	(2,034)	3,277,787
Appropriation of 2021 earnings								
Legal reserve	-	-	29,183	-	(29,183)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(265,736)	-	-	(265,736)
Special reserve reversed	-	-	-	(3,037)	3,037	-	-	-
Other changes in capital surplus								
Employee share options issued by the Company	-	7,991	-	-	-	-	-	7,991
Net profit for the year ended December 31, 2022	-	-	-	-	287,452	-	-	287,452
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>91</u>	<u>(25,036)</u>	<u>(24,774)</u>
Total comprehensive income (loss) for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,623</u>	<u>91</u>	<u>(25,036)</u>	<u>262,678</u>
Issuance of ordinary shares under employee share options	<u>2,330</u>	<u>2,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,194</u>
BALANCE AT DECEMBER 31, 2022	<u>\$ 801,777</u>	<u>\$ 1,004,384</u>	<u>\$ 322,774</u>	<u>\$ 2,477</u>	<u>\$ 1,183,924</u>	<u>\$ (352)</u>	<u>\$ (27,070)</u>	<u>\$ 3,287,914</u>

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

UBRIGHT OPTRONICS CORPORATION

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 335,126	\$ 356,323
Adjustments to:		
Depreciation expenses	130,019	157,345
Amortization expense	624	1,319
Net loss on fair value changes of financial assets at fair value through profit or loss	11,542	4,636
Finance costs	3,687	3,949
Interest income	(26,705)	(11,803)
Dividend income	(3,600)	(1,448)
Compensation cost of employee share options	7,991	3,052
Share of profit of subsidiaries	138	5,857
Gain on disposal of property, plant and equipment	(7,256)	(2,686)
Property, plant and equipment transferred to expenses	15,442	3,845
Write-down of inventories and reversal of write-down of inventories	(10,403)	(2,136)
Net (gain) loss on foreign currency exchange	(88,464)	23,587
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	181	(1,299)
Notes receivable	17	1,209
Trade receivables	75,590	11,047
Inventories	104,760	(76,307)
Other current assets	(4,744)	2,606
Other items of operating activities	(334)	(415)
Trade payables	(89,005)	(63,258)
Other payables	(15,381)	34,922
Other current liabilities	145	(41,006)
Current refund liabilities	18,528	92,461
Cash generated from operations	457,898	501,800
Interest received	23,828	11,220
Dividends received	3,600	1,448
Interest paid	(3,687)	(3,949)
Income tax paid	(66,454)	(60,890)
Net cash generated from operating activities	415,185	449,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(8,053)	(924)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	1,053
Proceeds from sale of financial assets at amortized cost	-	28,489
Purchase of financial assets at fair value through profit or loss	-	(137,041)
Proceeds from sale of financial assets at fair value through profit or loss	2,734	39,047

(Continued)

UBRIGHT OPTRONICS CORPORATION

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

	2022	2021
Payments for property, plant and equipment	\$ (51,375)	\$ (89,646)
Proceeds from disposal of property, plant and equipment	35,542	2,686
Decrease in refundable deposits	1,239	814
Increase in other receivables from related parties	-	(41,520)
Payments for intangible assets	(781)	(746)
Increase in prepayments for equipment	<u>(118)</u>	<u>-</u>
Net cash used in investing activities	<u>(20,812)</u>	<u>(197,788)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(25,789)	(25,465)
Dividends paid to owners of the Company	(265,736)	(174,807)
Exercise of employee share options	<u>5,194</u>	<u>8,929</u>
Net cash used in financing activities	<u>(286,331)</u>	<u>(191,343)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>92,733</u>	<u>(21,540)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	200,775	38,958
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,881,663</u>	<u>1,842,705</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,082,438</u>	<u>\$ 1,881,663</u>

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

(Concluded)

UBRIGHT OPTRONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

UBright Optronics Corporation (the “Company”) was established by Shinkong Synthetic Fibers Corporation, Po Ruei Corporation and others in the Republic of China (ROC) on January 6, 2004. The Company is mainly engaged in the manufacture and sale of precision chemical materials and wholesale of molds.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since July 2011.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 9, 2023.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

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

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

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

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

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

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “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 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the 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 the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. 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 period; 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 period.

Current liabilities include:

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

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

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including structured entities) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the financial statements of the invested company as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

Except for freehold land which is not depreciated, 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 reporting period, 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.

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

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right-of-use assets, and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated 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 dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

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

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

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; Breach of contract, such as a default; It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of 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.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default:

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 60 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either 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 Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

k. Revenue recognition

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

l. Leasing

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are 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, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. 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 Company uses the lessee's incremental borrowing rate.

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, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company 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.

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. 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 current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. 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.

o. Share-based payment arrangements [Employee share options]

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

p. Taxation

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

1) Current tax

According to the Income Tax Act, an additional tax on unappropriated earnings is provided for as income tax 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 pandemic and its economic environment implications, the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 150	\$ 150
Checking accounts and demand deposits	717,438	737,033
Cash equivalents (investments with original maturities not exceeding 3 months)		
Time deposits	<u>1,364,850</u>	<u>1,144,480</u>
	<u>\$ 2,082,438</u>	<u>\$ 1,881,663</u>

The market rate intervals of bank deposits and commercial papers at the end of the reporting period were as follows:

	December 31	
	2022	2021
Time deposits	0.43%-4.88%	0.07%-0.34%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial liabilities at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 181
Non-derivative financial assets		
Mutual funds	74,950	85,616
Bonds	<u>208,055</u>	<u>211,665</u>
	<u>283,005</u>	<u>297,281</u>
	<u>\$ 283,005</u>	<u>\$ 297,462</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/NTD	2022.01.03-2022.01.17	USD2,330/NTD64,676

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Non-current</u>		
Investments in equity instruments at FVTOCI	<u>\$ 79,853</u>	<u>\$ 85,700</u>

Investments in equity instruments at FVTOCI

	December 31	
	2022	2021
<u>Non-current</u>		
Domestic listed shares and emerging market shares		
Shin Kong Financial Holding Co., Ltd. Preferred Stock B	\$ 71,800	\$ 85,700
Domestic unlisted shares		
OMVO TECHNOLOGY INC.	<u>8,053</u>	<u>-</u>
	<u>\$ 79,853</u>	<u>\$ 85,700</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	<u>\$ 110,000</u>	<u>\$ 110,000</u>

The market rates of financial assets at amortized cost at the end of the reporting period were as follows:

	December 31	
	2022	2021
Time deposits with original maturities of more than 3 months	1.07%	0.53%

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 17
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 17</u>

Trade receivables

At amortized cost		
Gross carrying amount	\$ 406,658	\$ 487,257
Less: Allowance for impairment loss	<u>(34,431)</u>	<u>(34,431)</u>
	<u>\$ 372,227</u>	<u>\$ 452,826</u>

At amortized cost

The Company's credit period for the sale of goods to major customers is 60 to 120 days, and no interest is charged on trade receivables. The Company uses other publicly available financial information or its own trading records to rate its major customers. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company 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 Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. Therefore, the Company uses provision matrixes based on the expected credit loss rate by reference to the past due days of accounts receivable.

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

The following table details the loss allowance of trade receivables based on the Company's provision matrix:

December 31, 2022

	<u>Up to 60 Days</u> <u>Credit</u> <u>Classification</u>	<u>60 Days or</u> <u>More</u> <u>Credit</u> <u>Classification</u>	<u>Total</u>
Expected credit loss rate	0.16%-44.85%	100%	
Gross carrying amount	\$ 387,701	\$ 18,957	\$ 406,658
Loss allowance (Lifetime ECLs)	<u>(15,474)</u>	<u>(18,957)</u>	<u>(34,431)</u>
Amortized cost	<u>\$ 372,227</u>	<u>\$ -</u>	<u>\$ 372,227</u>

December 31, 2021

	<u>Up to 60 Days</u> <u>Credit</u> <u>Classification</u>	<u>60 Days or</u> <u>More</u> <u>Credit</u> <u>Classification</u>	<u>Total</u>
Expected credit loss rate	0.31%-31.4%	100%	
Gross carrying amount	\$ 479,016	\$ 8,241	\$ 487,257
Loss allowance (Lifetime ECLs)	<u>(26,190)</u>	<u>(8,241)</u>	<u>(34,431)</u>
Amortized cost	<u>\$ 452,826</u>	<u>\$ -</u>	<u>\$ 452,826</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 34,431	\$ 34,431
Add: Net remeasurement of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 34,431</u>	<u>\$ 34,431</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 178,321	\$ 227,510
Materials	12,493	15,141
Semi-finished goods	127,055	164,900
Finished goods	<u>53,198</u>	<u>57,873</u>
	<u>\$ 371,067</u>	<u>\$ 465,424</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 amounted to \$1,767,907 thousand and \$2,231,750 thousand, respectively.

The cost of goods sold included reversals of write-down of \$10,403 thousand and \$2,136 thousand for the years ended December 31, 2022 and 2021, respectively, as a result of increased selling prices in certain markets.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ (7,525)	\$ 3,658
Add: Investments accounted for using the equity method transferred to non-current liabilities	<u>7,525</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,658</u>

	December 31	
Name of Subsidiaries	2022	2021
Rise Concept Enterprises Limited	100%	100%

The share of profit or loss and other comprehensive income of the investments accounted for using the equity method was calculated based on the subsidiaries' financial statements which have been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property under Constriction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 85,420	\$ 902,698	\$ 1,720,442	\$ 39,746	\$ 18,787	\$ 46,565	\$ 7,674	\$ 2,821,332
Additions	-	2,041	26,539	-	1,020	-	21,775	51,375
Disposals	(24,500)	(14,402)	(23,067)	(470)	(2,496)	-	-	(64,935)
Reclassifications	-	4,070	(9,121)	660	-	11,615	(22,666)	(15,442)
Balance at December 31, 2022	<u>\$ 60,920</u>	<u>\$ 894,407</u>	<u>\$ 1,714,793</u>	<u>\$ 39,936</u>	<u>\$ 17,311</u>	<u>\$ 58,180</u>	<u>\$ 6,783</u>	<u>\$ 2,792,330</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 625,933	\$ 1,611,476	\$ 36,012	\$ 17,883	\$ 40,233	\$ -	\$ 2,331,537
Disposals	-	(10,699)	(23,067)	(470)	(2,413)	-	-	(36,649)
Depreciation expense	-	61,110	30,860	1,369	683	6,387	-	100,409
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 676,344</u>	<u>\$ 1,619,269</u>	<u>\$ 36,911</u>	<u>\$ 16,153</u>	<u>\$ 46,620</u>	<u>\$ -</u>	<u>\$ 2,395,297</u>
Carrying amount at December 31, 2022	<u>\$ 60,920</u>	<u>\$ 218,063</u>	<u>\$ 95,524</u>	<u>\$ 3,025</u>	<u>\$ 1,158</u>	<u>\$ 11,560</u>	<u>\$ 6,783</u>	<u>\$ 397,033</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 32,754	\$ 883,193	\$ 1,690,498	\$ 39,116	\$ 18,787	\$ 45,636	\$ 3,455	\$ 2,713,439
Additions	-	217	23,331	-	-	-	89,144	112,692
Disposals	-	(128)	(826)	-	-	-	-	(954)
Reclassifications	52,666	19,416	7,439	630	-	929	(84,925)	(3,845)
Balance at December 31, 2021	<u>\$ 85,420</u>	<u>\$ 902,698</u>	<u>\$ 1,720,442</u>	<u>\$ 39,746</u>	<u>\$ 18,787</u>	<u>\$ 46,565</u>	<u>\$ 7,674</u>	<u>\$ 2,821,332</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 556,003	\$ 1,561,365	\$ 34,760	\$ 17,072	\$ 36,108	\$ -	\$ 2,205,308
Disposals	-	(128)	(826)	-	-	-	-	(954)
Depreciation expense	-	70,058	50,937	1,252	811	4,125	-	127,183
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 625,933</u>	<u>\$ 1,611,476</u>	<u>\$ 36,012</u>	<u>\$ 17,883</u>	<u>\$ 40,233</u>	<u>\$ -</u>	<u>\$ 2,331,537</u>
Carrying amount at December 31, 2022	<u>\$ 85,420</u>	<u>\$ 276,765</u>	<u>\$ 108,966</u>	<u>\$ 3,734</u>	<u>\$ 904</u>	<u>\$ 6,332</u>	<u>\$ 7,674</u>	<u>\$ 489,795</u>

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

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

Buildings	1-43.5 years
Machinery equipment	1-9 years
Transportation equipment	1-7 years
Office equipment	1-10 years
Other equipment	1-6 years

The material components of buildings primarily include the main plant, air-conditioning equipment, engineering and fire protection engineering equipment, which are depreciated on a straight-line basis over their estimated useful lives of 11 to 43.5 years, 2.5 to 9 years and 6 years, respectively.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 334,899	\$ 363,201
Buildings	-	1,664
Machinery	170	228
Office equipment	<u>42</u>	<u>235</u>
	<u>\$ 335,111</u>	<u>\$ 365,328</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 4,140</u>
Depreciation charge for right-of-use assets		
Land	\$ 28,302	\$ 28,246
Buildings	1,057	1,664
Machinery	58	59
Office equipment	<u>193</u>	<u>193</u>
	<u>\$ 29,610</u>	<u>\$ 30,162</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 25,441</u>	<u>\$ 26,396</u>
Non-current	<u>\$ 329,301</u>	<u>\$ 354,742</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1%	1%
Buildings	1%	1%
Machinery	1%	1%
Office equipment	1%	1%

c. Material lease activities and terms (the Company is lessee)

The Company leases certain machinery and office equipment for the use of operating activities with lease terms of 5 to 6 years. The Company does not have bargain purchase options to acquire the leasehold equipment at the end of the lease terms.

The Company also leases land and buildings for the use of plants and offices with lease terms of 3 to 20 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	<u>\$ 3,478</u>	<u>\$ 3,726</u>
Total cash outflow for leases	<u>\$ 32,924</u>	<u>\$ 33,110</u>

15. OTHER INTANGIBLE ASSETS

	Computer Software	Patents	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 12,662	\$ 7,660	\$ 20,322
Additions	781	-	781
Disposals	<u>(11,070)</u>	<u>-</u>	<u>(11,070)</u>
Balance at December 31, 2022	<u>\$ 2,373</u>	<u>\$ 7,660</u>	<u>\$ 10,033</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	\$ 11,351	\$ 7,660	\$ 19,011
Additions	624	-	624
Disposals	<u>(11,070)</u>	<u>-</u>	<u>(11,070)</u>
Balance at December 31, 2022	<u>\$ 905</u>	<u>\$ 7,660</u>	<u>\$ 8,565</u>
Carrying amount at December 31, 2022	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 1,468</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 11,916	\$ 7,660	\$ 19,576
Additions	<u>746</u>	<u>-</u>	<u>746</u>
Balance at December 31, 2021	<u>\$ 12,662</u>	<u>\$ 7,660</u>	<u>\$ 20,322</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ 10,032	\$ 7,660	\$ 17,692
Amortization expenses	<u>1,319</u>	<u>-</u>	<u>1,319</u>
Balance at December 31, 2021	<u>\$ 11,351</u>	<u>\$ 7,660</u>	<u>\$ 19,011</u>
Carrying amount at December 31, 2021	<u>\$ 1,311</u>	<u>\$ -</u>	<u>\$ 1,311</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	5 years
Computer software	1-5 years

16. TRADE PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Trade payables</u>		
Operating	\$ <u>83,587</u>	\$ <u>173,332</u>

The average credit period on purchases of raw material and material was one month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other liabilities		
Refund liabilities (Note 20)	\$ 249,437	\$ 230,909
Others	<u>4,292</u>	<u>4,147</u>
	\$ <u>253,729</u>	\$ <u>235,056</u>
<u>Non-current</u>		
Investments accounted for using the equity method transferred to non-current liabilities	\$ <u>7,525</u>	\$ <u>-</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. 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 6% 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, the Company assesses the balance in the pension fund. 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ -	\$ 426
Fair value of plan assets	<u>(2,693)</u>	<u>(2,571)</u>
Retained contributions	<u>(2,693)</u>	<u>(2,145)</u>
Net defined benefit liabilities	<u>\$ (2,693)</u>	<u>\$ (2,145)</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 392	\$ (2,122)	\$ (1,730)
Interest expense (income)	<u>1</u>	<u>(4)</u>	<u>(3)</u>
Recognized in profit or loss	<u>1</u>	<u>(4)</u>	<u>(3)</u>
Remeasurement			
Actuarial loss			
Changes in financial assumptions	<u>33</u>	<u>(33)</u>	<u>-</u>
Recognized in other comprehensive income	<u>33</u>	<u>(33)</u>	<u>-</u>
Contributions from the employer	<u>-</u>	<u>(412)</u>	<u>(412)</u>
Balance at December 31, 2021	<u>426</u>	<u>(2,571)</u>	<u>(2,145)</u>
Interest expense (income)	<u>1</u>	<u>(11)</u>	<u>(10)</u>
Recognized in profit or loss	<u>1</u>	<u>(11)</u>	<u>(10)</u>
Remeasurement			
Actuarial gain			
Experience adjustments	<u>(22)</u>	<u>(192)</u>	<u>(214)</u>
Recognized in other comprehensive income	<u>(22)</u>	<u>(192)</u>	<u>(214)</u>
Contributions from the employer	<u>-</u>	<u>(324)</u>	<u>(324)</u>
Benefits paid	<u>(405)</u>	<u>405</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (2,693)</u>	<u>\$ (2,693)</u>

Through the defined benefit plans under the Labor Standards Act, the Company 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 government 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 salaries 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 used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	-	0.3706%
Expected rate(s) of salary increase	-	1.5000%
Average duration of the defined benefit obligation	-	7 years

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 would increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ -	\$ (9)
0.25% decrease	\$ -	\$ 9
Expected rate of salary increase/decrease		
0.25% increase	\$ -	\$ 8
0.25% decrease	\$ -	\$ (8)

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.

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Shares authorized (in thousands of shares)	<u>150,000</u>	<u>150,000</u>
Shares authorized (in thousands of dollars)	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>80,178</u>	<u>79,945</u>
Shares issued and fully paid (in thousands of dollars)	<u>\$ 801,777</u>	<u>\$ 799,447</u>

For the years ended December 31, 2022 and 2021, the Company's authorized shares include 487 thousand and 233 thousand shares, respectively, which are allocated for the exercise of employee share options.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares (3)	\$ 840,910	\$ 836,906
Capital surplus -expired employee share options	151,622	151,622
Donations	1	1
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interests in subsidiaries (2)	209	209
<u>May not be used for any purpose</u>		
Employee share options	<u>11,642</u>	<u>4,791</u>
	<u>\$ 1,004,384</u>	<u>\$ 993,529</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.
- 3) For the years ended December 31, 2022 and 2021, the number of ordinary shares issued was 2,864 thousand and 4,059 thousand, respectively, and the number of ordinary shares reclassified to capital surplus - employee share options was 1,140 thousand and 3,745 thousand, respectively.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, 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 as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The aforementioned distribution of dividends and bonuses from the legal reserve or capital surplus shall be authorized by the board of directors in their meeting attended by at least two-thirds of all directors and resolved by more than half of the directors present, and reported to the shareholders in their meeting.

For the policies on the distribution of employees' compensation and remuneration of directors and after the amendment, refer to employees' compensation and remuneration of directors in Note 21-h.

The Company's Articles also stipulate a dividend policy whereby the issuance of stock dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 10% of the total dividends distributed.

Appropriation of earnings to the 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.

When a special reserve is appropriated for cumulative net debit balance reserves from the prior period, the special reserve is only appropriated from the prior unappropriated earnings.

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

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 29,183	\$ 19,958
Special reserve	\$ (3,037)	\$ 5,514
Cash dividends	\$ 265,736	\$ 174,807
Cash dividends per share (NT\$)	\$ 3.324	\$ 2.2

The above appropriations for cash dividends were resolved by the Company's board of directors on March 14, 2022 and March 16, 2021; the other proposed appropriations were resolved by the shareholders in their meetings on June 6, 2022 and July 7, 2021.

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 9, 2023, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 28,762
Special reserve	\$ 24,945
Cash dividends	\$ 233,918
Cash dividends per share (NT\$)	\$ 2.9175

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 7, 2023.

d. Special reserve

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 5,514	\$ -
Appropriation in respect of:		
Debit to other equity items	-	5,514
Reversals:		
Reversal of the debits to other equity items	<u>(3,037)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,477</u>	<u>\$ 5,514</u>

20. REVENUE

	<u>For the Year Ended December 31</u>	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 2,292,251</u>	<u>\$ 2,962,247</u>

a. Contract information

The Company's customary business practices allow major customers to return the goods purchased or offer a discount on the goods. The amount of returns and allowances is estimated using the most likely amount, taking into account the transaction records with the customers in the past and the Company's historical records. The refund liability is recorded accordingly. Refer to Note 17 for the related information.

b. Contract balances

	<u>December 31</u>	
	2022	2021
Trade receivables (Note 10)	<u>\$ 372,227</u>	<u>\$ 452,843</u>

c. Disaggregation of revenue

	<u>Reportable Segments</u>	
	Electronic Equipment - Direct Sales	Total
<u>For the year ended December 31, 2022</u>		
Type of goods or services		
Sale of goods	<u>\$ 2,292,251</u>	<u>\$ 2,292,251</u>

(Continued)

	Reportable Segments	
	Electronic Equipment - Direct Sales	Total
<u>For the year ended December 31, 2021</u>		
Type of goods or services		
Sale of goods	<u>\$ 2,962,247</u>	<u>\$ 2,962,247</u> (Concluded)

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 14,463	\$ 6,112
Financial assets at FVTPL	11,808	5,465
Others	<u>434</u>	<u>226</u>
	<u>\$ 26,705</u>	<u>\$ 11,803</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Dividends	\$ 3,600	\$ 1,448
Others	<u>3,559</u>	<u>4,846</u>
	<u>\$ 7,159</u>	<u>\$ 6,294</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gains (losses)	\$ 97,309	\$ (18,916)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	(11,542)	(4,636)
Gain on disposal of property, plant and equipment	7,256	2,686
Others	<u>(189)</u>	<u>(8)</u>
	<u>\$ 92,834</u>	<u>\$ (20,874)</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on lease liabilities	\$ 3,657	\$ 3,919
Other finance costs	<u>30</u>	<u>30</u>
	<u>\$ 3,687</u>	<u>\$ 3,949</u>

There was no capitalized interest for the years ended December 31, 2022 and 2021.

e. Impairment losses recognized (reversed)

	For the Year Ended December 31	
	2022	2021
Inventories (included in operating costs)	<u>\$ 10,403</u>	<u>\$ 2,136</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 100,409	\$ 127,183
Right-of-use assets	29,610	30,162
Other intangible assets	<u>624</u>	<u>1,319</u>
	<u>\$ 130,643</u>	<u>\$ 158,664</u>
An analysis of depreciation by function		
Operating costs	\$ 116,152	\$ 146,211
Operating expenses	<u>13,867</u>	<u>11,134</u>
	<u>\$ 130,019</u>	<u>\$ 157,345</u>
An analysis of amortization by function		
Operating costs	\$ 146	\$ 339
Operating expenses	<u>478</u>	<u>980</u>
	<u>\$ 624</u>	<u>\$ 1,319</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 394,459	\$ 424,502
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 13,953	\$ 14,697
Defined benefit plans	(10)	(3)
	<u>13,943</u>	<u>14,694</u>
Share-based payments		
Equity-settled (Note 24)	<u>7,991</u>	<u>3,052</u>
Total employee benefits expense	<u>\$ 416,393</u>	<u>\$ 442,248</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 323,329	\$ 337,202
Operating expenses	<u>93,064</u>	<u>105,046</u>
	<u>\$ 416,393</u>	<u>\$ 442,248</u>

h. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by the Company's board of directors on March 9, 2023 and March 14, 2022, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Employees' compensation	1%	1%
Remuneration of directors	0.054%	0.076%

Amount

	For the Year Ended December 31			
	2022		2021	
	Cash	Share	Cash	Share
Employees' compensation	\$ 3,385	\$ -	\$ 3,599	\$ -
Remuneration of directors	180	-	275	-

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

The compensation of employees and remuneration of directors paid for 2021 and 2020 differed from the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2022 and 2021, respectively.

	For the Year Ended December 31			
	2021		2020	
	Compensation of Employees	Remuneration of Directors and Supervisors	Compensation of Employees	Remuneration of Directors and Supervisors
Amounts approved in the board of directors' meeting	<u>\$ 3,599</u>	<u>\$ 275</u>	<u>\$ 8,495</u>	<u>\$ 200</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 3,599</u>	<u>\$ -</u>	<u>\$ 8,495</u>	<u>\$ -</u>

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- i. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains (losses)	<u>\$ 97,309</u>	<u>\$ (18,916)</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 47,845	\$ 80,620
Income tax on unappropriated earnings	-	-
Adjustments for prior years	<u>(19,557)</u>	<u>(6,905)</u>
	<u>28,288</u>	<u>73,715</u>
Deferred tax		
In respect of the current year	18,656	(9,091)
Adjustments for prior years	<u>730</u>	<u>-</u>
	<u>19,386</u>	<u>(9,091)</u>
Income tax expense recognized in profit or loss	<u>\$ 47,674</u>	<u>\$ 64,624</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	\$ 335,126	\$ 356,323
Income tax expense calculated at the statutory rate	\$ 67,025	\$ 71,265
Nondeductible expenses in determining taxable income	23	33
Tax-exempt income	(500)	(266)
Deduction of R&D investment	-	(1,111)
Unrecognized deductible temporary differences	1	1,171
Gain on disposals of offshore fund	(48)	437
Adjustments for prior years' tax	(19,557)	(6,905)
Adjustments for prior years' deferred tax	730	-
Income tax expense recognized in profit or loss	\$ 47,674	\$ 64,624

b. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	\$ 29,875	\$ 68,041

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Refund liabilities	\$ 40,795	\$ (7,971)	\$ -	\$ 32,824
Defined benefit obligation	2	-	(2)	-
Unrealized loss on foreign currency exchange loss	3,210	(3,210)	-	-
Unrealized loss on write-down of inventories	30,720	(2,080)	-	28,640
Fair value changes of financial assets	182	2,308	-	2,490
Allowance for impairment loss of receivables	5,912	161	-	6,073
	<u>\$ 80,821</u>	<u>\$ (10,792)</u>	<u>\$ (2)</u>	<u>\$ 70,027</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized gain on foreign currency exchange gain	\$ -	\$ 8,630	\$ -	\$ 8,630
Defined benefit obligation	-	-	41	41
Fair value changes of financial assets	<u>36</u>	<u>(36)</u>	<u>-</u>	<u>-</u>
	<u>\$ 36</u>	<u>\$ 8,594</u>	<u>\$ 41</u>	<u>\$ 8,671</u> (Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Refund liabilities	\$ 27,691	\$ 13,104	\$ -	\$ 40,795
Defined benefit obligation	2	-	-	2
Unrealized loss on foreign currency exchange loss	7,493	(4,283)	-	3,210
Unrealized loss on write-down of inventories	31,147	(427)	-	30,720
Fair value changes of financial assets	-	182	-	182
Allowance for impairment loss of receivables	<u>5,883</u>	<u>29</u>	<u>-</u>	<u>5,912</u>
	<u>\$ 72,216</u>	<u>\$ 8,605</u>	<u>\$ -</u>	<u>\$ 80,821</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Fair value changes of financial assets	<u>\$ 522</u>	<u>\$ (486)</u>	<u>\$ -</u>	<u>\$ 36</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2022	2021
Deductible temporary differences		
Share of loss of associates	<u>\$ 5,997</u>	<u>\$ 5,859</u>

- e. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2022	2021
Basic earnings per share		
From continuing operations	<u>\$ 3.59</u>	<u>\$ 3.66</u>
Diluted earnings per share		
From continuing operations	<u>\$ 3.57</u>	<u>\$ 3.63</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 287,452</u>	<u>\$ 291,699</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 287,452</u>	<u>\$ 291,699</u>

Weighted Average Number of Ordinary Shares Outstanding

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	80,069	79,805
Effect of potentially dilutive ordinary shares:		
Employees' compensation and share options	<u>540</u>	<u>574</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>80,609</u>	<u>80,379</u>

Since the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will 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, as 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 ARRANGEMENTS

Qualified employees of the Company were granted 2,050 options in October 2021, 880 options in January 2020, 500 options in December 2016, and 3,000 options in July 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 5 years and exercisable at certain percentages after the second year from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	The Plan of October 2021			
	2022		2021	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	2,050	\$ 31.15	-	\$ -
Options granted	-	-	2,050	31.15
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options expired	<u>-</u>	-	<u>-</u>	-
Balance at December 31	<u>2,050</u>	28.20	<u>2,050</u>	31.15
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ 9.79</u>	

The Plan of January 2020				
	2022		2021	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	880	\$ 23.00	880	\$ 24.40
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	(158)	23.00	-	-
Options exercised	(75)	20.80	-	-
Options expired	<u>-</u>	-	<u>-</u>	-
Balance at December 31	<u>647</u>	20.80	<u>880</u>	23.00
Options exercisable, end of period	<u>31</u>	20.80	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ -</u>	

The Plan of December 2016		
	2021	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	141	\$ 18.90
Options granted	-	-
Options forfeited	-	-
Options exercised	(141)	17.90
Options expired	<u>-</u>	-
Balance at December 31	<u>-</u>	-
Options exercisable, end of period	<u>-</u>	-
Weighted-average fair value of options granted (\$)	<u>\$ -</u>	

	The Plan of July 2016	
	2021	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	356	\$ 18.20
Options granted	-	-
Options forfeited	-	-
Options exercised	(346)	18.20
Options expired	<u>(10)</u>	-
Balance at December 31	<u>-</u>	-
Options exercisable, end of period	<u>-</u>	-
Weighted-average fair value of options granted (\$)	<u>\$ -</u>	

Information on outstanding options as of December 31, 2022 and 2021 is as follows:

	December 31	
	2022	2021
Range of exercise price (NT\$)	\$20.8-\$28.2	\$23-\$31.15
Weighted-average remaining contractual life (in years)	2.02-3.8 years	3.02-4.8 years

Options granted in October 2021, January 2020, December 2016 and July 2016 were priced using the binomial option pricing model and the inputs to the model are as follows:

	October 2021	January 2020	December 2016	July 2016
Grant-date share price (\$)	\$31.15	\$25.50	\$22.25	\$22.75
Exercise price (\$)	\$31.15	\$25.50	\$22.25	\$22.75
Expected volatility	35.36%	34.08%	29.03%	41.81%
Expected life (in years)	5 years	5 years	5 years	5 years
Risk-free interest rate	0.3947%	0.5526%	0.8561%	0.5020%

Expected volatility was based on the historical share price volatility over the past year. To allow for the effects of early exercise, the Company assumed that employees would exercise their options after the vesting date when the share price was higher than the exercise price.

Compensation costs recognized were \$7,991 thousand and \$3,052 thousand for the years ended December 31, 2022 and 2021, respectively.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

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

Except for financial instruments measured at fair value, the management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements which are not measured at fair value approximate their fair values.

b. Fair value of financial instruments measured at fair value

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ -	\$ -	\$ -
Mutual funds	74,950	-	-	74,950
Domestic corporate bonds	125,964	-	-	125,964
Foreign corporate bonds	<u>82,091</u>	<u>-</u>	<u>-</u>	<u>82,091</u>
	<u>\$ 283,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,005</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic investments				
- listed shares and emerging market shares	\$ 71,800	\$ -	\$ -	\$ 71,800
Domestic investments				
- unlisted shares	<u>-</u>	<u>8,053</u>	<u>-</u>	<u>8,053</u>
	<u>\$ 71,800</u>	<u>\$ 8,053</u>	<u>\$ -</u>	<u>\$ 79,853</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 181	\$ -	\$ 181
Mutual funds	85,616	-	-	85,616
Domestic corporate bonds	130,077	-	-	130,077
Foreign corporate bonds	<u>81,588</u>	<u>-</u>	<u>-</u>	<u>81,588</u>
	<u>\$ 297,281</u>	<u>\$ 181</u>	<u>\$ -</u>	<u>\$ 297,462</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic investments - listed shares and emerging market shares	<u>\$ 85,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,700</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted equity securities - ROC	Based on market observations, economic trends and industry characteristics, value multipliers that are highly relevant to the target are used as inputs for fair value calculation.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 283,005	\$ 297,462
Financial assets at amortized cost (1)	2,576,216	2,457,296
Financial assets at FVTOCI		
Equity instruments	79,853	85,700
<u>Financial liabilities</u>		
Amortized cost (2)	487,441	607,582

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable and trade receivables, refundable deposits and restricted asset.
 - 2) The balances include financial liabilities measured at amortized cost, which comprise notes payable, and trade payables, other payables and lease liabilities.
- d. Financial risk management objectives and policies

The Company's major financial instruments included trade receivables and trade payables. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency 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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and other prices (see (b) below).

The Company engages in various derivative financial instruments to manage its exposure to foreign currency exchange rate and interest rate risks, including forward foreign exchange contracts to hedge exchange rate risks arising from the export of commodities to other place or the receipt of foreign currencies.

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The Company uses foreign exchange forward contracts to reduce foreign currency risk. It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 10% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 10%. A positive (negative) number indicates an increase (decrease) in pre-tax profit associated with the New Taiwan dollar weakening (strengthening) 10% against the relevant foreign currencies. Conversely, there would be an equal and opposite impact on pre-tax profit for a 10% strengthening (weakening) of the New Taiwan dollar against the relevant foreign currencies.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	<u>\$ 165,431</u>	<u>\$ 65,834</u>

i. This was mainly attributable to the exposure on outstanding USD bank deposits, and receivables and payables which were not hedged at the end of the reporting period.

b) Other price risk

The Company was exposed to equity price risk and commodity price risk through its investments in equity securities and mutual funds. The Company manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$28,301 thousand and \$29,728 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$7,985 thousand and \$8,570 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to investments in equity securities has not changed significantly from the prior year.

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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Company adopts a policy of only dealing with creditworthy objects and obtaining sufficient guarantees where necessary to mitigate the risk of financial loss due to default. The Company uses publicly available financial information and transaction records to rate key customers. The Company continues to monitor the credit risk and the credit rating of the counterparty, and distributes the total transaction amount to customers with qualified credit ratings, and controls the credit risk through the annual review and approval of the credit limit of the counterparty.

In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance has been made for irrecoverable amounts.

Ongoing credit evaluation is performed on the financial condition of trade receivables. Credit insurance will be purchased if necessary.

Apart from Company A, the largest customer, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Company's credit risk was mainly concentrated on their largest customer, Customer A. As of December 31, 2022 and 2021, the proportion of total trade receivables - non-related parties from Customer A was 34% and 36%, respectively.

3) Liquidity risk

The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

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

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. Specifically, the maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 71,403	\$ 61,296	\$ -	\$ -	\$ -
Lease liabilities	<u>2,086</u>	<u>4,190</u>	<u>19,165</u>	<u>110,840</u>	<u>218,461</u>
	<u>\$ 73,489</u>	<u>\$ 65,486</u>	<u>\$ 19,165</u>	<u>\$ 110,840</u>	<u>\$ 218,461</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Lease liabilities	<u>\$ 25,441</u>	<u>\$ 110,840</u>	<u>\$ 153,744</u>	<u>\$ 51,307</u>	<u>\$ 13,410</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 185,452	\$ 40,992	\$ -	\$ -	\$ -
Lease liabilities	<u>2,165</u>	<u>4,349</u>	<u>19,882</u>	<u>107,176</u>	<u>247,566</u>
	<u>\$ 187,617</u>	<u>\$ 45,341</u>	<u>\$ 19,882</u>	<u>\$ 107,176</u>	<u>\$ 247,566</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Lease liabilities	<u>\$ 26,396</u>	<u>\$ 107,176</u>	<u>\$ 155,812</u>	<u>\$ 71,740</u>	<u>\$ 20,014</u>

27. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Shinkong Synthetic Fibers Corporation, which held 56.49% and 55.1% of the ordinary shares of the Company at December 31, 2022 and 2021, respectively. The Company's ultimate parent and ultimate controlling party is Shinkong Synthetic Fibers Corporation.

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

a. Related party name and category

Related Party Name	Related Party Category
Shinkong Synthetic Fibers Corporation	The Company's parent
Shinkong Polyester Film Corp., Ltd.	Related party in substance
Tac Bright Optronics Corp.	Related party in substance
Pan Asian Plastics Industry Corp.	Related party in substance
Shin Kong Technologies Corp.	Related party in substance
Shinkong International Securities Co., Ltd.	Related party in substance
Taipei Star Bank	Related party in substance
Shin Kong International Leasing Corp.	Related party in substance
Shin Kong Textile Co., Ltd.	Other related party
Rise Concept Enterprises Limited	Subsidiary
Suzhou UBright Optronics Corp.	Subsidiary

b. Sales of goods

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2022	2021
Sales	Related party in substance/others	<u>\$ 308</u>	<u>\$ 587</u>

The Company's pricing strategy for the sale of goods to related parties is to set the selling prices at rates comparable to market rates. The period of collection of trade receivables from the related parties is 60 days.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Related party in substance/Shinkong Polyester Film Corp., Ltd.	\$ 33,476	\$ 44,581
Related party in substance/others	<u>11,674</u>	<u>9,440</u>
	<u>\$ 45,150</u>	<u>\$ 54,021</u>

Related party in substance: Prices are determined through negotiations with reference to the market prices, and the payment term is the 20th of the following month after delivery.

d. Other income

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Related party in substance/others	<u>\$ 796</u>	<u>\$ 451</u>

e. Operating expenses

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
The Company's parent/Shinkong Synthetic Fibers Corporation	\$ 751	\$ 244
Subsidiary/others	10,376	5,951
Shinkong Polyester Film Corp., Ltd./others	840	930
Other related party/others	<u>-</u>	<u>252</u>
	<u>\$ 11,967</u>	<u>\$ 7,377</u>

f. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Other receivables	Subsidiary/others	<u>\$ 274</u>	<u>\$ -</u>

The outstanding other receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized on trade receivables from related parties.

g. Payables to related parties (excluding borrowings from related parties)

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade payables	Related party in substance/others	<u>\$ 6,017</u>	<u>\$ 5,699</u>

The outstanding trade payables to related parties are unsecured.

h. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
The Company's parent/ Shinkong Synthetic Fibers Corporation	\$ 36,150	\$ -	\$ 7,256	\$ -

i. Lease agreements - the Company is lessee

Line Items	Related Party Categories/Name	December 31	
		2022	2021
Acquisition of right-of-use assets	Other related party/others	\$ -	\$ 812
Lease liabilities	Other related party/Shin Kong Textile Co., Ltd.	\$ 248,653	\$ 267,438

Related Party Categories/Name		For the Year Ended December 31	
		2022	2021
Interest expense			
Other related party/Shin Kong Textile Co., Ltd.		\$ 2,571	\$ 2,749
Lease expense			
Related party in substance/others		\$ 1,540	\$ 1,866

j. Loans to related parties

Related Party Category/Name	December 31	
	2022	2021
Subsidiary/Rise Concept Enterprises Limited	\$ 46,065	\$ 41,520

Related Party Category/Name		For the Year Ended December 31	
		2022	2021
Interest revenue			
Subsidiary/Rise Concept Enterprises Limited.		\$ 403	\$ 195

k. Others

Related Party Category/Name	December 31	
	2022	2021
Bank deposits		
Related party in substance/Taipei Star Bank	\$ 70,883	\$ 43,708
Prepayment		
Subsidiary/others	2,598	-
Refundable deposits		
Other related party/Shin Kong Textile Co., Ltd.	4,010	4,010
Related party in substance/Shin Kong International Leasing Corp.	-	550
Other payables		
The Company's parent/Shinkong Synthetic Fibers Corporation	312	17
Related party in substance/others	140	140

l. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 16,345	\$ 15,771
Share-based payments	<u>-</u>	<u>-</u>
	<u>\$ 16,345</u>	<u>\$ 15,771</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have been provided as collateral for financing loans, customs duty guarantees for imported raw materials and performance guarantees for the Ministry of Economic Affairs:

	December 31	
	2022	2021
Pledged time deposits (presented in other current liabilities)	<u>\$ 7,300</u>	<u>\$ 7,300</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2022 and 2021 were as follows:

Letters of credit

Outstanding letters of credit not reflected in the accompanying consolidated financial statements as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
USD	\$ 570	\$ 1,226

30. OTHER ITEMS

The Company considers the possible impact of the recent development of the COVID-19 pandemic and the Russia-Ukraine war and its economic environment implications, and assessed that these did not have a significant impact on the Company's ability to continue as a going concern, financial asset impairment and financing risk.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies (aggregated by the foreign currencies) other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 63,294	30.71 (USD:NTD)	\$ 1,943,745
JPY	108,997	0.2324 (JPY:NTD)	<u>25,331</u>
			<u>\$ 1,969,076</u>

Financial liabilities

Monetary items			
USD	9,425	30.71 (USD:NTD)	<u>\$ 289,432</u>

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,796	27.68 (USD:NTD)	\$ 1,101,550
JPY	128,750	0.2405 (JPY:NTD)	<u>30,964</u>
			<u>\$ 1,132,514</u>

Financial liabilities

Monetary items			
USD	12,182	27.68 (USD:NTD)	<u>\$ 337,212</u>

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$97,309 thousand and \$(18,916) thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. 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 of investees, investment income or loss, 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 5)
- 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. (Table 6)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) 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 receipt of services.
- c. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 7)

TABLE 1

UBRIGHT OPTRONICS CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	UBright Optronics Corporation	Rise Concept Enterprises Limited	Other receivables from related parties	Yes	\$ 112,530	\$ 61,420	\$ 46,065	0.8	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	Note A	Note B	

Note A: Financing limit for each borrower is 20% of the net value of the lender = \$3,287,914 thousand x 20% = \$657,583 thousand.

Note B: Aggregate financing limit is 40% of the net value of the financing company = \$3,287,914 thousand x 40% = \$1,315,166 thousand.

TABLE 2**UBRIGHT OPTRONICS CORPORATION****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
UBright Optronics Corp.	Mutual funds							
	Shin Kong US Harvest Balanced	Related party in substance	Financial assets at FVTPL - current	5,010,020	\$ 51,353	-	\$ 51,353	
	Nomura Funds Ireland plc - Global Dynamic Bond Fund Class TD USD	None	Financial assets at FVTPL - current	10,201	23,597	-	23,597	
	Domestic corporate bonds							
	Cathay Life Insurance subordinated debenture	None	Financial assets at FVTPL - current	50,000	50,324	-	50,324	
	Taipei Star Bank Subordinated Perpetual Bonds	Related party in substance	Financial assets at FVTPL - current	80,000	75,640	-	75,640	
	Foreign corporate bonds							
	BNP Paribas (a)	None	Financial assets at FVTPL - current	400,000	11,891	-	11,891	
	BNP Paribas (b)	None	Financial assets at FVTPL - current	450,000	13,377	-	13,377	
	Standard Chartered (a)	None	Financial assets at FVTPL - current	200,000	5,950	-	5,950	
	Standard Chartered (b)	None	Financial assets at FVTPL - current	430,000	12,796	-	12,796	
	Standard Chartered (c)	None	Financial assets at FVTPL - current	430,000	12,796	-	12,796	
	ABN AMRO	None	Financial assets at FVTPL - current	840,000	25,281	-	25,281	
	Shares							
	Shin Kong Financial Holding Co., Ltd. Preferred Stock B	Related party of the Company's chairman	Financial assets at FVTOCI - non-current	2,000,000	71,800	-	71,800	
	OMVO TECHNOLOGY INC.	None	Financial assets at FVTOCI - non-current	649,323	8,053	1.48	8,053	

TABLE 3

UBRIGHT OPTRONICS CORPORATION

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
UBright Optronics Corporation	Rise Concept Enterprises Limited	Hong Kong	Investment	\$ 7,695	\$ 7,695	(Note)	100	\$ (7,525)	\$ (138)	\$ (138)	

Note: This is a limited company, the proportion of ownership is calculated based on the amount of capital contribution.

TABLE 4

UBRIGHT OPTRONICS CORPORATION

MARKETABLE SECURITIES HELD BY THE INVESTEEs OVER WHICH THE COMPANY HAS CONTROL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Rise Concept Enterprises Limited	Shares T-E Pharma Holding, Inc.	None	Financial assets at FVTOCI - non-current	3,750,000	\$ 36,852	1.42	\$ 36,852	None

TABLE 5

UBRIGHT OPTRONICS CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, In Thousands of Foreign Currencies)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outflow	Inflow							
Suzhou UBright Optronics Corp.	Brightness enhancement film cutting process	RMB1 million	Investments through subsidiary Rise Concept Enterprises Ltd.	\$ 4,471 (RMB 1,000)	\$ -	\$ -	\$ 4,471 (RMB 1,000)	\$ 422	100.00	\$ 422	\$ (722)	\$ -	

Note: Suzhou UBright Optronics Corp. was established by Rise Concept Enterprises Limited.

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$4,471	\$4,471	\$1,972,748

TABLE 6

UBRIGHT OPTRONICS CORPORATION

**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
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Relationship	Transaction Type	Amount	Transaction Details			Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
UBright Optronics Corporation Suzhou UBright Optronics Corporation	Substantive related party	Professional service fee	\$ 10,376	Note A	Note A	Note A	Other payables	-	\$ -	

Note A: Professional service fee: According to the specifications set by both parties in the contract, the current estimated processing amount is prepaid on a quarterly basis, and then offset against the actual processing cost at the end of the month.

Note B: Financing provided to an investee company in mainland China, either directly or indirectly through a third party: None.

TABLE 7**UBRIGHT OPTRONICS CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shinkong Synthetic Fibers Corporation	45,295,828	56.49

UBRIGHT OPTRONICS CORPORATION

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Statement of trade receivables	2
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Statement of trade payables	9
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UBRIGHT OPTRONICS CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Petty cash		\$ 150
Checking accounts	Taishin International Bank, etc.	3,576
Cash deposits	Shin Kong Bank Co., Ltd., etc.	204,174
Time deposits	Yuanta Commercial Bank Co., Ltd. And Taipei Star Bank, etc.	1,364,850
Foreign currency deposits	US\$15,772 thousand @ exchange rate of 30.71	<u>509,688</u>
	JPY108,997 thousand @ exchange rate of 0.2324	
		<u>\$ 2,082,438</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF TRADE RECEIVABLES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Company A	Payment of goods	\$ 138,769
Company B	Payment of goods	74,550
Company C	Payment of goods	45,909
Company D	Payment of goods	43,749
Company E	Payment of goods	25,639
Company F	Payment of goods	22,391
Others (Note)	Payment of goods	55,651
Less: Allowance for impairment loss		<u>(34,431)</u>
		<u>\$ 372,227</u>

Note: The amounts from individual clients included in others each do not exceed 5% of the account balance.

UBRIGHT OPTRONICS CORPORATION
STATEMENT OF INVENTORIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Amount	
		Cost	Fair Value (Note)
Raw materials		\$ 279,272	\$ 178,321
Materials		15,790	12,493
Semi-finished goods		157,953	127,055
Finished goods	Brightness enhancement film	<u>61,248</u>	<u>53,198</u>
		514,263	<u>\$ 371,067</u>
Less: Allowance for loss due to market price decline and obsolete and slow-moving inventories		<u>143,196</u>	
		<u>\$ 371,067</u>	

Note: Inventories are measured at the lower of cost and net realizable value, and the Company inspects the inventories on an item-by-item basis.

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF OTHER CURRENT ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Temporary payments	Temporary payments for traveling expenses, etc.	\$ 322
Other receivables	Interest receivables, etc.	6,259
Other receivables from related parties	Financing provided to subsidiary, etc.	46,339
Other financial assets	Pledged time deposits, etc.	7,300
Net input VAT		1,676
Others	Prepaid insurance fee, etc.	<u>10,924</u>
		<u>\$ 72,820</u>

UBRIGHT OPTRONICS CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name of Investee Company	Balance, January 1, 2022		Increase in the Current Year		Decrease in the Current Year		Investment Gain (Loss)	Accumulated Exchange Differences on Translating Foreign Operations	Balance, December 31, 2022			Market Price or Net Asset Value Total Value	Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	%	Amount		
Rise Concept Enterprises Limited (Note)	1	\$ 3,658	-	<u>\$ -</u>	-	<u>\$ (11,136)</u>	<u>\$ (138)</u>	<u>\$ 91</u>	1	100	\$ (7,525)	<u>\$ (7,525)</u>	None
Add: Investment accounted for using the equity method transferred to non-current liabilities		<u>-</u>									<u>7,525</u>		
		<u>\$ 3,658</u>									<u>\$ -</u>		

Note: Decrease in the current year is due to the share of other comprehensive income of subsidiaries accounted for using the equity method of \$11,136 thousand.

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Land	Buildings	Machinery Equipment	Office Equipment	Total
Balance at January 1, 2022	\$ 440,737	\$ 3,328	\$ 326	\$ 788	\$ 445,179
Additions	-	-	-	-	-
Disposal	<u>-</u>	<u>3,328</u>	<u>-</u>	<u>706</u>	<u>4,034</u>
Balance at December 31, 2022	<u>\$ 440,737</u>	<u>\$ -</u>	<u>\$ 326</u>	<u>\$ 82</u>	<u>\$ 441,145</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Land	Buildings	Machinery Equipment	Office Equipment	Total
Balance at January 1, 2022	\$ 77,536	\$ 1,664	\$ 98	\$ 553	\$ 79,851
Additions	28,302	1,057	58	193	29,610
Disposal	<u>-</u>	<u>2,721</u>	<u>-</u>	<u>706</u>	<u>3,427</u>
Balance at December 31, 2022	<u>\$ 105,838</u>	<u>\$ -</u>	<u>\$ 156</u>	<u>\$ 40</u>	<u>\$ 106,034</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF OTHER NON-CURRENT ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Prepayments for equipment		\$ 118
Others	Net defined benefit assets	<u>2,693</u>
		<u>\$ 2,811</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF TRADE PAYABLES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Client Name	Amount
Payable for good		
Accounts payable to related parties	Shinkong Polyester Film Corp., Ltd.	\$ 4,299
	Tac Bright Optronics Corp.	1,718
Accounts payable to unrelated parties	Company A	16,335
	Company B	13,927
	Company C	8,203
	Company D	4,341
	Others (Note)	<u>34,764</u>
		<u>\$ 83,587</u>

Note: The amount from each individual vendor in others does not exceed 5% of the account balance.

UBRIGHT OPTRONICS CORPORATION

**STATEMENT OF OTHER PAYABLES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Payables for salaries or bonuses	Salaries and bonuses, etc.	\$ 106,956
Others		<u>49,112</u>
		<u>\$ 156,068</u>

UBRIGHT OPTRONICS CORPORATION

STATEMENT OF OTHER CURRENT LIABILITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Receipts under custody	Withholding of taxes, labor and health insurance, etc.	\$ 633
Temporary credits		231
Advance receipts		<u>3,428</u>
		<u>\$ 4,292</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF LEASE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Lease Term	Discount Rate (%)	Balance, End of Year
Land	2019.01-2039.12	1	\$ 354,527
Machinery equipment	2020.05-2025.11	1	172
Office equipment	2019.01-2025.07	1	<u>43</u>
			354,742
Less: Current portion			<u>(25,441)</u>
Lease liabilities - non-current			<u>\$ 329,301</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Sales revenue	Brightness enhancement film	\$ 2,374,649
Less: Sales returns		(82,255)
Less: Sales allowances		<u>(143)</u>
		<u>\$ 2,292,251</u>

UBRIGHT OPTRONICS CORPORATION

STATEMENT OF COST OF GOODS SOLD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Item	Amount
1. Raw materials	
Balance, beginning of the year	\$ 336,286
Add: Raw materials purchased	1,081,817
Less: Raw materials transferred to other segments	(55,999)
Raw materials, end of the year	<u>(279,272)</u>
Total raw materials used for the year	<u>1,082,832</u>
2. Materials	
Balance, beginning of the year	18,152
Add: Materials purchased	88,078
Less: Materials transferred to other segments	(645)
Materials, end of the year	<u>(15,790)</u>
Total materials used for the year	<u>89,795</u>
3. Direct labor	148,138
4. Manufacturing expenses	<u>431,754</u>
5. Manufacturing cost	1,752,519
6. Add: Work in process and semi-finished goods, beginning of the year	-
Work in process and semi-finished goods work in progress	14,694
Less: Work in process and semi-finished goods, end of the year	<u>-</u>
7. Cost of work in process	1,767,213
8. Add: Semi-finished good, beginning of the year	201,352
Less: Semi-finished good, end of the year	(157,953)
Transfer to other segments	<u>(18,285)</u>
9. Cost of finished goods	1,792,327
10. Add: Finished goods, beginning of the year	63,233
Less: Finished goods, end of the year	(61,248)
Transferred to other segments	<u>(10,599)</u>
	1,783,713
11. Loss due to market price decline and obsolete and slow-moving inventories	(10,403)
12. Revenue from sale of scraps	<u>(5,403)</u>
	<u>\$ 1,767,907</u>

UBRIGHT OPTRONICS CORPORATION**STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Name	Total
Salary expenses	\$ 153,262
Rental expense	395
Stationery expense	200
Traveling expense	818
Shipping expense	882
Postage expenses	102
Repair and maintenance expense	26,923
Utilities expense	67,963
Insurance expense	18,907
Taxes	2,782
Entertainment expense	20
Depreciation expense	116,152
Amortization expense	146
Meal expenses	6,045
Research expense	194
Contractor labor cost	5,862
Other expense	<u>31,101</u>
	<u>\$ 431,754</u>

UBRIGHT OPTRONICS CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Name	Selling Expense	General and Administrative Expense	Research and Development Expenses	Total
Payroll and related expenses	\$ 13,897	\$ 45,471	\$ 22,651	\$ 82,019
Rental expenses	448	2,635	-	3,083
Stationery expenses	14	117	47	178
Traveling expenses	630	3,477	74	4,181
Shipping expenses	4,002	6	60	4,068
Postage expenses	207	597	49	853
Repair and maintenance expenses	-	925	117	1,042
Advertisement expenses	2,321	61	-	2,382
Utilities expenses	-	316	-	316
Insurance expenses	3,199	2,538	2,081	7,818
Entertainment expenses	312	948	9	1,269
Taxes	-	74	-	74
Depreciation expenses	346	5,860	7,661	13,867
Amortization expense	-	478	-	478
Meal expenses	471	902	734	2,107
Employee benefits	10	2,947	19	2,976
Training expenses	5	41	13	59
Import and export expense	41,545	-	-	41,545
Internet expenses	75	2,653	-	2,728
Supplies expenses	-	-	81,822	81,822
Other expenses	<u>18,242</u>	<u>22,543</u>	<u>18,441</u>	<u>59,226</u>
	<u>\$ 85,724</u>	<u>\$ 92,589</u>	<u>\$ 133,778</u>	<u>312,091</u>
Expected credit losses				-
				<u>\$ 312,091</u>

UBRIGHT OPTRONICS CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
 (In Thousands of New Taiwan Dollars)

Classified By Function Classified By Nature	For the Year Ended December 31					
	2022			2021		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost (Note)						
Salaries and bonuses	\$ 273,179	\$ 77,704	\$ 350,883	\$ 285,807	\$ 88,732	\$ 374,539
Labor and health insurance	29,401	5,903	35,304	29,997	6,026	36,023
Pension	11,103	2,840	13,943	11,440	3,254	14,694
Board compensation	-	1,475	1,475	-	1,395	1,395
Others	9,646	5,142	14,788	9,958	5,639	15,597
Depreciation expenses	116,152	13,867	130,019	146,211	11,134	157,345
Amortization expense	146	478	624	339	980	1,319

Note:

- For the years ended December 31, 2022 and 2021, the Company had an average of 527 and 526 employees, respectively, which included 9 non-employee directors for both years.
- Average labor cost for the years ended December 31, 2022 and 2021 was \$801 thousand and \$853 thousand, respectively.
- Average salaries and bonuses for the years ended December 31, 2022 and 2021 were \$677 thousand and \$724 thousand, respectively.
- Average salaries and bonuses decreased by 6.49% year over year.
- For the years ended December 31, 2022 and 2021, the Company did not have any supervisors.

The Company's compensation of employees mainly includes the basic salary (including salary, meal allowance, overtime pay, etc.), incentives for meeting the sales target, year-end bonus and performance bonus, etc.

- Remuneration and compensation policies are as follows:
 - Formulate salary payment standards with reference to the labor market, industry, regional market conditions, and in accordance with the Company's organizational structure. It will be regularly reviewed and adjusted based on the Company's operating results, price index, market wage dynamics, government regulations, etc.
 - Remuneration and compensation of employees are based on their qualifications, professional knowledge and skills, years of experience and personal performance, regardless of age, gender, race, religion, political affiliation, marital status, or trade union affiliation.
 - The starting salary standards for foreign employees and employees with no work experience are in compliance with the requirements of government laws and regulations.
 - Bonuses are distributed based on the Company's operating results and employees' personal performance.

(Continued)

2. Policies and procedures on the determination of employees' compensation and remuneration of managers

- a. The percentage or scope of employees' compensation stated in the articles of association: If the Company makes a profit in the year, it shall allocate not less than 1% as employees' compensation. However, if the Company still has accumulated losses, it should retain the amount of compensation in advance, and then allocate employees' compensation (including directors and managers) according to the aforementioned proportion, and report the distribution status to the shareholders' meeting.
- b. The remuneration policy of the general manager, deputy general manager and managers is based on the Company's business strategy, profit status, performance and job contribution, with reference to the market salary level, and the remuneration committee shall make recommendations and implement the policies after being approval is obtained from the board of directors.

The Company's bonus is mainly to motivate employees to improve their work performance. According to the annual KPIs set by the Company, including production, business and other business performance targets, rewards, year-end bonuses and performance bonuses are given based on the personal performance of employees and the Company's profit status.

(Concluded)