

English Translation of Financial Statements and a Report Originally Issued in Chinese

**Ticker: 6155**

**KING CORE ELECTRONICS INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AS AT DECEMBER 31, 2022 AND 2021  
AND FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

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*The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.*

English Translation of Financial Statements and a Report Originally Issued in Chinese

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**MANAGEMENT REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of King Core Electronics Inc. as of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, King Core Electronics Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

King Core Electronics Inc.

By

Yang, Cheng-Li

Chairman

February 20<sup>th</sup>, 2023

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**INDEPENDENT AUDITORS' REPORT**

To: The Board of Directors and Shareholders of  
King Core Electronics Inc.

**Opinion**

We have audited the accompanying consolidated balance sheets of King Core Electronics Inc. (the “Company”) and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred to “the consolidated financial statements”).

In our opinion, based on the results of our audits and the report of other auditor (please refer to the Other Matter—Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

## Key Audit Matters

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

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT\$770,147 thousand for the year ended December 31, 2022 is a significant account to the Company's consolidated financial statements. The Group has conducted these sale activities in multi-marketplace, including Taiwan, China, and Europe, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including checking the revenue recognition from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Notes 4 and 6 to the consolidated financial statements.

### **Other Matter – Making Reference to the Audit of a Component Auditor**

We did not audit the financial statements of Allied Biotech Corp., an invested associate accounted for under the equity method by the Group. The financial statements of Allied Biotech Corp as of December 31, 2022 and 2021, and for the years then ended were audited by other auditor, whose report thereon has been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT\$258,238 thousand and NT\$239,112 thousand as of December 31, 2022 and 2021 representing 11.07% and 8.06% of the consolidated total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT\$27,660 thousand and NT\$2,468 thousand representing 11.85% and 2.29% of the Group's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT\$417 thousand and NT\$(753) thousand representing (5.74)% and 6.76% of the other comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

## **Others**

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent-company-only financial statements of the Company as of December 31, 2022 and 2021, and for the years then ended.



/s/Lin, Cheng-Wei

/s/Chen, Kuo-Shuai

Ernst & Young, Taiwan, R.O.C

February 20<sup>th</sup>, 2023

Notice to Readers

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

*Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.*

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Balance Sheets

As at December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As at Dec.31, 2022		As at Dec.31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$568,347	24	\$706,206	24
1110	Financial assets at fair value through profit or loss	4, 6(2)	46,767	2	57,210	2
1120	Financial assets at fair value through other comprehensive income	4, 6(3)	56,219	3	45,541	2
1136	Financial assets measured at amortized cost	4, 6(4), 8	505,033	22	949,386	32
1150	Notes receivable, net	4, 6(5)	8,557	-	11,617	-
1170	Accounts receivable, net	4, 6(6)	183,073	8	218,513	7
1180	Accounts receivable-related parties, net	4, 6(6), 7	-	-	5,462	-
1200	Other receivables		2,632	-	16,664	1
1310	Inventories, net	4, 6(7)	211,623	9	202,890	7
1410	Prepayments		8,970	-	11,828	-
1470	Other current assets		206	-	212	-
11xx	Total current assets		<u>1,591,427</u>	<u>68</u>	<u>2,225,529</u>	<u>75</u>
	Non-current assets					
1510	Financial assets at fair value through profit or loss	4, 6(2)	13,881	1	17,558	1
1517	Financial assets at fair value through other comprehensive income	4, 6(3)	105,805	5	130,864	4
1550	Investments accounted for under equity method	4, 6(8)	291,828	13	261,116	9
1600	Property, plant and equipment, net	4, 6(9), 8	305,702	13	307,831	10
1755	Right-of-use assets	4, 6(20)	5,734	-	6,295	-
1780	Intangible assets, net	4, 6(10)	205	-	43	-
1840	Deferred tax assets	4, 6(24)	8,691	-	17,344	1
1900	Other non-current assets	4, 6(11)	10,684	-	173	-
15xx	Total non-current assets		<u>742,530</u>	<u>32</u>	<u>741,224</u>	<u>25</u>
1xxx	Total Assets		<u>\$2,333,957</u>	<u>100</u>	<u>\$2,966,753</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)

As at December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As at Dec.31, 2022		As at Dec.31, 2021	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12),8	\$582,000	25	\$1,319,000	45
2120	Financial liabilities at fair value through profit or loss		433	-	170	-
2130	Contract liabilities	4, 6(13)	564	-	1,117	-
2150	Notes payable, net	4, 6(18)	404	-	546	-
2170	Accounts payable		76,768	3	100,428	3
2200	Other payables	6(14)	78,001	3	70,301	2
2230	Current income tax liabilities	4, 6(24)	36,974	2	10,554	-
2280	Lease liabilities	4, 6(20)	-	-	460	-
2300	Other current liabilities		4,477	-	4,316	-
21xx	Total current liabilities		<u>779,621</u>	<u>33</u>	<u>1,506,892</u>	<u>50</u>
	Non-current liabilities					
2570	Deferred tax liabilities	4, 6(24)	9,133	-	21,993	1
2600	Other non-current liabilities	6(15), 6(16)	11,067	1	15,730	1
25xx	Total non-current liabilities		<u>20,200</u>	<u>1</u>	<u>37,723</u>	<u>2</u>
2xxx	Total liabilities		<u>799,821</u>	<u>34</u>	<u>1,544,615</u>	<u>52</u>
31xx	Equity attributable to shareholders of the parent					
3100	Capital					
3110	Common stock	6(17)	871,477	37	869,204	29
3200	Capital surplus	6(17)	200,654	9	198,157	7
3300	Retained earnings	6(17)				
3310	Legal reserve		274,507	12	266,256	9
3320	Special reserve		6,584	-	6,584	-
3350	Unappropriated earnings		196,750	9	86,833	3
3400	Other components of equity		(15,836)	(1)	(4,896)	-
3xxx	Total equity		<u>1,534,136</u>	<u>66</u>	<u>1,422,138</u>	<u>48</u>
	Total liabilities and equity		<u>\$2,333,957</u>	<u>100</u>	<u>\$2,966,753</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
King Core Electronics Inc. and Subsidiaries  
Consolidated Statements Of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(18), 7	\$770,147	100	\$799,566	100
5000	Operating costs	6(7)	(565,133)	(73)	(548,899)	(69)
5900	Gross profit		205,014	27	250,667	31
6000	Operating expenses					
6100	Sales and marketing		(52,224)	(7)	(50,590)	(6)
6200	General and administrative		(68,353)	(9)	(57,208)	(7)
6300	Research and development		(14,320)	(2)	(15,187)	(2)
6450	Expected credit impairment losses	6(19)	-	-	(34)	-
	Total operating expenses		(134,897)	(18)	(123,019)	(15)
6900	Operating income		70,117	9	127,648	16
7000	Non-operating income and expenses					
7100	Interest income	6(22)	15,196	2	5,835	-
7010	Other income		17,819	2	31,389	4
7020	Other gains and losses		119,328	16	(47,262)	(6)
7050	Finance costs		(7,692)	(1)	(7,908)	(1)
7060	Share of profit or loss of associates and joint ventures		18,683	2	(1,929)	-
	Total non-operating income and expenses		163,334	21	(19,875)	(3)
7900	Income before income tax		233,451	30	107,773	13
7950	Income tax expense	4, 6(24)	(42,835)	(5)	(26,975)	(3)
8200	Net income		190,616	25	80,798	10
8300	Other comprehensive income (loss)	6(23)				
8310	Item that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		3,062	-	1,577	-
8316	Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(17,457)	(2)	(11,293)	(1)
8321	Remeasurements of defined benefit plans of associates and joint ventures		607	-	132	-
8326	Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income of associates and joint ventures		(352)	-	(607)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		7,605	1	(915)	-
8371	Exchange differences on translation of foreign operations of associates and joint ventures		(736)	-	(37)	-
	Total other comprehensive income (loss), net of tax		(7,271)	(1)	(11,143)	(1)
8500	Total comprehensive income (loss)		\$183,345	24	\$69,655	9
9750	Earnings per share - basic (in NTD)	6(25)	\$2.19		\$0.93	
9850	Earnings per share - diluted (in NTD)	6(25)	\$2.17		\$0.93	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements of Change in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Equity attributable to owners of the parent							
		Capital 3100	Capital Surplus 3200	Retained Earnings			Other Components of equity		Total Equity 3XXX
				Legal Reserve 3310	Special Reserve 3320	Unappropriated Earnings 3350	Exchange differences arising on translation of foreign operations 3410	Unrealized gains of losses on financial assets at fair value through other comprehensive income (loss) 3420	
A1	Balance as at January 1, 2021	\$868,427	\$196,753	\$262,482	\$22,585	\$57,231	\$(23,459)	\$31,415	\$1,415,434
	Appropriation and distribution of 2020 earnings:								
B1	Legal reserve			3,774		(3,774)			-
B3	Special reserve				(16,001)	16,001			-
B5	Cash dividends - common shares					(65,132)			(65,132)
C7	Share of changes in net assets of associates and joint ventures accounted for using equity method		191						191
D1	Net income for 2021					80,798			80,798
D3	Other comprehensive income (loss) for 2021					1,709	(952)	(11,900)	(11,143)
D5	Total comprehensive income (loss)	-	-	-	-	82,507	(952)	(11,900)	69,655
N1	Issuance of common stock from compensation of employees	777	1,213						1,990
Z1	Balance as at December 31, 2021	<u>\$869,204</u>	<u>\$198,157</u>	<u>\$266,256</u>	<u>\$6,584</u>	<u>\$86,833</u>	<u>\$(24,411)</u>	<u>\$19,515</u>	<u>\$1,422,138</u>
A1	Balance as at January 1, 2022	\$869,204	\$198,157	\$266,256	\$6,584	\$86,833	\$(24,411)	\$19,515	\$1,422,138
	Appropriation and distribution of 2021 retained earnings:								
B1	Legal reserve			8,251		(8,251)			-
B5	Cash dividends-common shares					(73,883)			(73,883)
C7	Share of changes in net assets of associates and joint ventures accounted for using equity method		(618)			(2,234)			(2,852)
D1	Net income for 2022					190,616			190,616
D3	Other comprehensive income (loss) for 2022					3,669	6,869	(17,809)	(7,271)
D5	Total comprehensive income (loss)	-	-	-	-	194,285	6,869	(17,809)	183,345
N1	Issuance of common stock from compensation of employees	2,273	3,115						5,388
Z1	Balance as at December 31, 2022	<u>\$871,477</u>	<u>\$200,654</u>	<u>\$274,507</u>	<u>\$6,584</u>	<u>\$196,750</u>	<u>\$(17,542)</u>	<u>\$1,706</u>	<u>\$1,534,136</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$233,451	\$107,773	B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(3,076)	-
A20000	Adjustments:			B00040	Acquisition of financial assets measured at amortised cost	-	(305,508)
A20010	Profit or loss not effecting cash flows:			B00050	Proceeds from disposal of financial assets measured at amortised cost	444,353	-
A20100	Depreciation expenses and other losses	36,622	36,746	B01800	Acquisition of investments accounted for using equity method	(24,350)	(5,000)
A20200	Amortization	292	54	B02700	Acquisition of property, plant and equipment	(44,117)	(53,659)
A20400	Net loss (gain) of financial assets at fair value through profit or loss	9,120	640	B02800	Proceeds from disposal of property, plant and equipment	733	-
A20400	Net loss (gain) of financial liabilities at fair value through profit or loss	(390)	(3,626)	B03700	Decrease (increase) in refundable deposits	129	1
A20900	Interest expense	7,692	7,908	B04500	Acquisition of intangible assets	(454)	(97)
A21200	Interest income	(15,196)	(5,835)	B05350	Proceeds from right-of-use assets	-	17,654
A21300	Dividend income	(8,780)	(6,657)	BBBB	Net cash provided by (used in) investing activities	<u>373,218</u>	<u>(346,609)</u>
A22300	Share of profit or loss of associates and joint ventures	(18,683)	1,929				
A23100	Gain on disposal of investments	(543)	(4,400)	CCCC	Cash flows from financing activities:		
A29900	Other income	688	(17,370)	C00100	Increase in (repayment of) short-term loans	(737,000)	361,000
A30000	Changes in operating assets and liabilities:			C03100	Increase (decrease) in deposits received	442	(12)
A31115	Financial assets at fair value through profit or loss	-	19,797	C04020	Cash payments for principal portion of the lease liability	(478)	(469)
A31130	Notes receivable	4,312	(1,428)	C04500	Cash dividends paid	(73,883)	(65,132)
A31150	Accounts receivable	3,060	(30,400)	C09900	Employee bonus paid	(10)	(66)
A31160	Accounts receivable-related parties	35,415	(5,462)	CCCC	Net cash used in financing activities	<u>(810,929)</u>	<u>295,321</u>
A31180	Other receivables	5,462	(3,508)				
A31200	Inventories	3,111	(46,603)	DDDD	Effect of exchange rate changes	<u>7,093</u>	<u>(787)</u>
A31230	Prepayment	(8,733)	(5,302)				
A31240	Other current assets	2,858	1				
A32110	Financial liabilities at fair value through profit or loss	6	285	EEEE	Net increase (decrease) in cash and cash equivalents	(137,859)	38,182
A32125	Contract liabilities	653	28	E00100	Cash and cash equivalents at beginning of period	<u>706,206</u>	<u>668,024</u>
A32130	Notes payable	(553)	97	E00200	Cash and cash equivalents at end of period	<u>\$568,347</u>	<u>\$706,206</u>
A32150	Accounts payable	(142)	25,769				
A32160	Accounts payable-related parties	(23,660)	-				
A32180	Other payables	13,345	7,781				
A32230	Other current liabilities	171	516				
A32240	Net defined benefit liability	(2,043)	(2,492)				
A33000	Cash generated from(used in)operations	<u>277,535</u>	<u>76,241</u>				
A33100	Interest received	14,256	5,875				
A33200	Dividend received	17,768	21,039				
A33300	Interest paid	(7,941)	(7,521)				
A33500	Income tax paid	(8,859)	(5,377)				
AAAA	Net cash provided by(used in)operating activities	<u>292,759</u>	<u>90,257</u>				

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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1. HISTORY AND ORGANIZATION

King Core Electronics Inc. (referred to as “the Company”) was established on November 29, 1986. Its main business activities include the manufacture of soft ferrites, magnetic core Flyback converters, convergence coil, delay-line filtering, electromagnetic component, micro coil, common mode choke, other coil, multilayer chip inductors, bead core/ chip bead, bead array, high frequency ceramic chip inductor, telecommunications inductor and electromagnetic interference (EMI), converters and sales of the previously mentioned products.

The Company’s stocks have been governmentally approved on October 9, 2001 to be listed and traded in Taiwan Over-The-Counter Securities Exchanges starting March 1, 2002 and have been traded in Taiwan Stock Exchange starting on August 18, 2006. The registered business premise and main operation address are both at No. 269, Nanfeng Rd., Pingzhen Dist., Taoyuan City.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized for issue by the Board of Directors’ on February 20<sup>th</sup>, 2023

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(A) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(B) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. The Group assesses all standards and interpretations have no material impact on the Group.



(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B)IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C)Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(E) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars (“NT\$”) unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

King Core Electronics Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;
- (e) Recognizes any surplus or deficit in profit or loss; and
- (f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%)	
			As at December 31,	
			2022	2021
The Company	King Core (B.V.I.) Electronics Co., Ltd.	Sales business of operating soft iron core and yoke iron except for rare earth group magnets	100.00%	100.00%
King Core (B.V.I.) Electronics Co., Ltd.	King Core Electronics (Suzhou)Co., Ltd.	Manufacturing and sales business of operating soft iron core and yoke iron except for rare earth group magnets	100.00%	100.00%
King Core Electronics (Suzhou) Co., Ltd	Shenzhen Zhen King Electronics Components Co.,Ltd.	Sales business of operating soft iron core and yoke iron except for rare earth group magnets	100.00%	100.00%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than six months from the date of acquisition).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.



The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. The Group's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

- (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### (e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

#### (10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.



Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3~20 years
Machinery and equipment	3~10 years
Transportation equipment	5~10 years
Office equipment	2~5 years
Other equipment	2~20 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements’ comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

#### Group as a lessor

At inception of a contract , the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that lease components and non-lease components, the Group allocates the consideration in the contract IFRS 15.

The Group recognized lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's accounting policies for intangible assets are as follows:

	<u>Computer Software</u>
Useful economic life	1 year
Amortization method	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.



(16) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is Passive Component and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Post-employment benefits

All regular employees of the Company are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, any unused tax losses and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

A. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

C. Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at December 31,	
	2022	2021
Cash on hand	\$850	\$835
Checking accounts and demand deposits	92,781	194,530
Time deposits	474,716	510,841
Total	<u>\$568,347</u>	<u>\$706,206</u>

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

	As at December 31,	
	2022	2021
a. Mandatorily measured at fair value through profit or loss - current:		
Non-derivative financial assets		
Listed companies stocks	\$9,522	\$9,522
Fund	41,020	46,020
Subtotal	50,542	55,542
Valuation adjustments of financial assets as measured by fair value through profit or loss	(3,775)	1,668
Total	<u>\$46,767</u>	<u>\$57,210</u>
b. Mandatorily measured at fair value through profit or loss - non-current:		
Non-derivative financial assets		
Listed companies stocks	\$5,949	\$5,949
Valuation adjustments of financial assets as measured by fair value through profit or loss	7,932	11,609
Total	<u>\$13,881</u>	<u>\$17,558</u>

Financial assets at fair value through profit or loss were not pledged.

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(3) Financial assets at fair value through other comprehensive income

	As at December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income - current:		
Listed companies stocks	\$15,520	\$15,520
Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss	40,699	30,021
Total	<u>\$56,219</u>	<u>\$45,541</u>
Equity instruments investments measured at fair value through other comprehensive income - non-current:		
Listed companies stocks	\$91,954	\$88,851
Unlisted companies stocks	51,886	51,913
Subtotal	143,840	140,764
Valuation adjustment of financial assets as measured by fair value through other comprehensive income or loss	(38,035)	(9,900)
Total	<u>\$105,805</u>	<u>\$130,864</u>

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the year ended December 31 2022 and 2021 were NT\$7,140 thousand and NT\$5,236 thousand, respectively.

Financial assets at fair value through other comprehensive income were not pledged.



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(4) Financial assets measured at amortized cost

	As at December 31,	
	2022	2021
Restricted deposits	\$469,098	\$899,356
Time deposits	35,935	50,030
Total	<u>\$505,033</u>	<u>\$949,386</u>
Current	\$505,033	\$949,386
Non-current	-	-
Total	<u>\$505,033</u>	<u>\$949,386</u>

The Group classified certain of its financial assets as financial assets at financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets at financial assets measured at amortized cost under pledge.

(5) Notes receivable

	As at December 31,	
	2022	2021
Notes receivables	\$8,557	\$11,617
Less: loss allowance	-	-
Total	<u>\$8,557</u>	<u>\$11,617</u>

Notes receivable were not pledged.

The Group follows the requirement of IFRS9 to assess the impairment. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk.

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(6)Accounts receivable

	As at December 31,	
	2022	2021
Accounts receivable, gross	\$198,700	\$234,115
Less: loss allowance	(15,627)	(15,602)
Net of allowances	183,073	218,513
Accounts receivable - related parties, gross	-	5,462
Less: loss allowance	-	-
Net of allowances	-	5,462
Total accounts receivable, net	\$183,073	\$223,975

Accounts receivable were not pledged.

Accounts receivable are generally on 30-150 day terms. The total carrying amount is NT\$198,700 thousand and NT\$239,577 thousand as at December 2022 and 2021, respectively. Please refer to Note 6(19) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(7)Inventory

	As at December 31,	
	2022	2021
Raw material	\$60,462	\$47,321
Supplies	135	171
Work in process	56,580	45,700
Finished goods	82,886	87,492
Merchandises	11,560	22,206
Total	\$211,623	\$202,890

For the years ended December 31, 2022 and 2021, the Group recognized NT\$565,133 thousand and NT\$548,899 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

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Item	For the year ended December 31,	
	2022	2021
Loss from inventory market decline	\$7,151	\$-
Loss from physical count	7,856	8,319
Loss from inventory write-off obsolescence	-	3,767
Unallocated fixed manufacturing overheads	10,049	8,071
Total	<u>\$25,056</u>	<u>\$20,157</u>

The inventories were not pledged.

(8) Investments accounted for under the equity method

Investee	As at December 31,			
	2022		2021	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investment in associates:				
Allied Biolotech Corp.	\$258,283	18.85%	\$239,112	18.85%
CSX Material Co., Ltd.	33,545	28.39%	22,004	26.47%
Total	<u>\$291,828</u>		<u>\$261,116</u>	

A. Investments in associates

Information about affiliated companies that are material to the Group is as follows:

- a. Business name : Allied Biolotech Corp.
- b. Business location (Registered country) : Taiwan
- c. Fair value of open market quotation measurement :
- d. Allied Biolotech Corp. is a listed entity on the emerging market of Taipei Exchange. The fair value of the investment in Allied Biolotech Corp. was NT\$252,213 thousand and NT\$274,145 thousand, as at December 31 2022, and 2021, respectively.

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Allied Biolotech Corp. transacted employees' compensation in September, 2021, the Group's shareholding reduce capital from 18.89% to 18.85%, the Group did not purchase the new share according to its ownership ratio recognized additional paid-in capital NT\$187 thousand.

For the year ended December 31, 2021, Allied Biolotech Corp. exercised the right of disgorgement arises generated additional paid-in capital NT\$22 thousand, according to the ownership ratio recognized additional paid-in capital NT\$4 thousand.

For the year ended December 31, 2022, Allied Biolotech Corp. due to unrecipient dividend increase additional paid-in capital NT\$315 thousand, according to the ownership ratio recognized additional paid-in capital NT\$59 thousand.

As at August, 2022, Allied Biolotech Corp. transacted employees' compensation. The company shareholding percentage was still 18.85%, according to the ownership ratio recognized additional paid-in capital NT\$23 thousand.

The Company accounts for its investment in Allied Biolotech Corp. as an associate given the fact that the Company obtained the ability to exercise significant influence over Allied Biolotech Corp. through representation on its Board of Directors.

- e. Reconciliation of the associate's summarized financial information presented to the carrying amount of the Company interest in the associate :

	As at December 31,	
	2022	2021
Current assets	\$1,510,057	\$1,785,528
Non-current assets	654,757	655,862
Current liabilities	(876,863)	(1,346,741)
Non-current liabilities	(104,339)	(13,139)
Equity	1,183,612	1,081,510
Percentage of ownership	18.85%	18.85%
Subtotal	223,070	203,899
Premium on acquisition	35,213	35,213
Carrying amount of investment	\$258,283	\$239,112

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	For the year ended December 31,	
	2022	2021
Operating income	\$669,229	\$676,757
Profit or loss from continuing operations	146,741	13,042
Other comprehensive income	2,216	(3,991)
Total comprehensive income	148,957	9,051

For the year ended December 31, 2022, due to surplus earnings distribution proposal, according to the ownership ratio reduced investments accounted for under the equity method NT\$8,988 thousand.

Information about affiliated companies that are not material to the Group is as follows:

The Group purchased other shareholder shareholding percentage, increase investment capital NT\$5,000, acquisition 500 thousand shares. Therefore, shareholding increase capital from 23.53% to 26.47%

The Group involved CSX Material Co., Ltd. in cash capital increase, and the Group increase investment capital NT\$24,350, acquisition 2,029 thousand shares. Therefore, shareholding increase capital from 26.47% to 28.39%, the Group did not purchase the new share according to its ownership ratio recongized additional paid-in capital NT\$(2,934) thousand.

The aggregate carrying amounts of the Group's interests in CSX Material Co., Ltd. were NT\$33,545 thousand and NT\$22,004 thousand as at December 31, 2022 and 2021, respectively. The aggregate financial information of the Group's investments in associates is as follows:

	For the year ended December 31,	
	2022	2021
Profit or loss from continuing operations	\$(8,977)	\$(4,397)
Other comprehensive income (after-tax)	(899)	241
Total comprehensive income	\$(9,876)	\$(4,156)

B. The associates had no contingent liabilities or capital commitments and were not pledged as collateral as at December 31, 2022 and 2021, respectively.

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(9)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2022	\$144,000	\$108,384	\$301,877	\$5,522	\$3,186	\$70,533	\$17,321	\$650,823
Additions	-	1,830	10,736	7,900	315	3,261	9,435	33,477
Disposals	-	(3,383)	(72,579)	(2,061)	(32)	(8,362)	-	(86,417)
Exchange differences	-	726	2,285	26	41	15	10	3,103
Transfer	-	-	19,456	-	-	-	(19,456)	-
As at 31 Dec. 2022	<u>\$144,000</u>	<u>\$107,557</u>	<u>\$261,775</u>	<u>\$11,387</u>	<u>\$3,510</u>	<u>\$65,447</u>	<u>\$7,310</u>	<u>\$600,986</u>
As at 1 Jan. 2021	\$144,000	\$111,462	\$339,805	\$8,284	\$2,874	\$79,111	\$486	\$686,022
Additions	-	1,430	9,632	-	464	6,947	35,816	54,289
Disposals	-	(5,695)	(64,761)	(2,757)	(144)	(15,522)	-	(88,879)
Exchange differences	-	(137)	(453)	(5)	(8)	(3)	(3)	(609)
Transfer	-	1,324	17,654	-	-	-	(18,978)	-
As at 1 Jan. 2021	<u>\$144,000</u>	<u>\$108,384</u>	<u>\$301,877</u>	<u>\$5,522</u>	<u>\$3,186</u>	<u>\$70,533</u>	<u>\$17,321</u>	<u>\$650,823</u>
Depreciation and impairment:								
As at 1 Jan. 2022	\$-	\$72,691	\$224,240	\$3,571	\$2,341	\$40,149	\$-	\$342,992
Depreciation	-	4,271	23,939	1,283	289	6,163	-	35,945
Disposals	-	(3,383)	(72,579)	(1,871)	(32)	(8,362)	-	(86,227)
Exchange differences	-	532	1,970	22	37	13	-	2,574
Transfer	-	-	-	-	-	-	-	-
As at 31 Dec. 2022	<u>\$-</u>	<u>\$74,111</u>	<u>\$177,570</u>	<u>\$3,005</u>	<u>\$2,635</u>	<u>\$37,963</u>	<u>\$-</u>	<u>\$295,284</u>

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	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
As at 1 Jan. 2021	\$-	\$73,939	\$264,721	\$5,468	\$2,324	\$49,861	\$-	\$396,313
Depreciation	-	4,553	24,674	864	168	5,813	-	36,072
Disposals	-	(5,695)	(64,761)	(2,757)	(144)	(15,522)	-	(88,879)
Exchange differences	-	(106)	(394)	(4)	(7)	(3)	-	(514)
Transfer	-	-	-	-	-	-	-	-
As at 31 Dec. 2021	\$-	\$72,691	\$224,240	\$3,571	\$2,341	\$40,149	\$-	\$342,992
Net carrying amount as at:								
31 Dec. 2022	\$144,000	\$33,446	\$84,205	\$8,382	\$875	\$27,484	\$7,310	\$305,702
31 Dec. 2021	\$144,000	\$35,693	\$77,637	\$1,951	\$845	\$30,384	\$17,321	\$307,831

Significant component of building that have different useful lives are main building structure, and facility equipment, which are depreciated over 20 years and 3 to 10 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

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(10) Intangible assets

	Computer software
Cost:	
As at January 1, 2022	\$47
Additions – acquired separately	454
Write-off	(97)
Effect of exchange rate changes	-
As at December 31, 2022	<u>\$404</u>
As at January 1, 2021	\$-
Additions – acquired separately	97
Write-off	(50)
Effect of exchange rate changes	-
As at December 31, 2021	<u>\$47</u>
Amortization and Impairment:	
As at January 1, 2022	\$4
Amortization	292
Write-off	(97)
Effect of exchange rate changes	-
As at December 31, 2022	<u>\$199</u>
As at January 1, 2021	\$-
Amortization	54
Write-off	(50)
Effect of exchange rate changes	-
As at December 31, 2021	<u>\$4</u>
Net carrying amount as at:	
December 31, 2022	<u>\$205</u>
December 31, 2021	<u>\$43</u>



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The amortization amounts of intangible assets were as follows:

	For the year ended December 31,	
	2022	2021
Operating costs	\$48	\$4
Administrative expenses	244	50
Total	<u>\$292</u>	<u>\$54</u>

(11) Other non-current assets

	As at December 31,	
	2022	2021
Prepayment in equipment	\$10,640	\$-
Refundable deposits	44	173
Total	<u>\$10,684</u>	<u>\$173</u>

(12) Short-term loans

	Interest Rate (%)	As at December 31,	
		2022	2021
Secured bank loans	0.34%~1.51%	\$582,000	\$1,024,000
Unsecured bank loans	0.52%~0.80%	-	295,000
Total		<u>\$582,000</u>	<u>\$1,319,000</u>

The Group's unused short-term lines of credits amount to NT\$188,000 thousand and NT\$265,000 thousand, as at 31 December 2022, and 2021, respectively.

Please refer to Note 8 for more details on property, plant and equipment and financial assets measured at amortized cost pledged as secured bank loans.

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(13) Financial liabilities at fair value through profit or loss

	As at December 31,	
	2022	2021
Held for trading-current :		
Foreign Exchange Swaps	\$-	\$-
Foreign currency option	1,051	398
Adjustments for change in value of financial liabilities	(618)	(228)
Total	<u>\$433</u>	<u>\$170</u>

(14) Other payables

	As at December 31,	
	2022	2021
Accrued expense	\$77,863	\$69,914
Accrued interest payable	138	387
Total	<u>\$78,001</u>	<u>\$70,301</u>

(15) Other non-current liabilities

	As at December 31,	
	2022	2021
Defined benefit liability	\$10,613	\$15,718
Deposits received	454	12
Total	<u>\$11,067</u>	<u>\$15,730</u>

(16) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$5,640 thousand and NT\$5,880 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$2,445 thousand to its defined benefit plan during the 12 months beginning after December 31 2022.

As at December 31, 2022 and 2021, the maturities of the company's defined benefits plan are in 2029.

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Pension costs recognized in profit or loss were as follows.

	For the year ended December 31,	
	2022	2021
Current period service costs	\$294	\$346
Net interest of defined benefit liability (asset)	109	63
Total	\$403	\$409

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Dec. 31, 2022	Dec. 31, 2021	Jan. 1, 2021
Defined benefit obligation	\$52,096	\$52,213	\$52,815
Plan assets at fair value	(41,483)	(36,495)	(33,028)
Other non-current liabilities – net defined benefit liability	\$10,613	\$15,718	\$19,787

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
As at January 1, 2021	\$52,815	\$(33,028)	\$19,787
Current service costs	346	-	346
Interest expense (income)	169	(106)	63
Past service cost and settlement	-	-	-
Total	515	(106)	409
Re-measurement on defined benefit liability/assets:			
Actuarial gains and losses arising from changes in demographic assumptions	226	-	226
Actuarial gains and losses arising from changes in financial assumptions	(1,764)	-	(1,764)
Experience adjustments	421	-	421

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
Re-measurement on defined benefit assets	-	(460)	(460)
Total	(1,117)	(460)	(1,577)
Payments from the plan	-	-	-
Contributions by employer	-	(2,901)	(2,901)
Effect of exchange rate	-	-	-
As at December 31, 2021	52,213	(36,495)	15,718
Current period service costs	294	-	294
Interest expense (income)	361	(252)	109
Pasts service cost and settlement	-	-	-
Total	655	(252)	403
Re-measurement of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	290	-	290
Actuarial gains and losses arising from changes in financial assumptions	(202)	-	(202)
Experience adjustments	(481)	-	(481)
Re-measurement on defined benefit assets	-	(2,669)	(2,669)
Total	(393)	(2,669)	(3,062)
Payments from the plan	(379)	379	-
Contributions by employer	-	(2,446)	(2,446)
Effect of changes in foreign exchange rates	-	-	-
As at December 31, 2022	\$52,096	\$(41,483)	\$10,613

The following assumptions are used to determine the present value of the defined benefit plan:

	As at December 31,	
	2022	2021
Discount rate	1.23%	0.69%
Expected rate of salary increases	2.00%	1.50%

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Sensitivity analysis

	For the year ended December 31,			
	2022		2021	
	Increase in defined benefit	Decrease in defined benefit	Increase in defined benefit	Decrease in defined benefit
Discount rate increased by 0.5%	\$-	\$(1,692)	\$-	\$(1,958)
Discount rate decreased by 0.5%	2,095	-	2,421	-
Expected salary level increased by 0.5%	2,068	-	2,389	-
Expected salary level decreased by 0.5%	-	(1,690)	-	(1,905)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17)Equity

A. Common stock

As at December 31, 2022 and 2021, the Company's authorized capital were both NT\$1,000,000 thousand, each share at par of NT\$10. The Company's paid-in capital were NT\$871,477 thousand and NT\$869,204 thousand, respectively, divided into 87,148 thousand shares and 86,920 thousand shares, respectively.

On February 19, 2021 the company was resolved by the board of directors issued NT\$1,990 thousand(77,735 shares) by stock to the employee remuneration in 2020, and the capital increase was based on September 17 at the same year. After the capital increase, the rated share capital is NT\$ 1,000,000 thousand and the issued share capital is NT\$ 869,204 thousand, with a par value of NT\$10 per share, divided into 86,920 thousand shares.

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On February 21, 2022 the company was resolved by the board of directors issued NT\$5,388 thousand(277,330 shares) by stock to the employee remuneration in 2021, and the capital increase was based on June 29 at the same year. After the capital increase, the rated share capital is NT\$ 1,000,000 thousand and the issued share capital is NT\$ 871,477 thousand, with a par value of NT\$10 per share, divided into 87,148 thousand shares.

B. Capital surplus

	As at December 31,	
	2022	2021
Additional paid-in capital	\$72,613	\$69,498
Conversion premium of convertible corporate bonds	128,041	128,041
Changes in equity of investment accounted for using the equity method	-	618
Total	<u>\$200,654</u>	<u>\$198,157</u>

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The adjustment amount of prior period's undistributed earnings and current period's undistributed earnings, shall be proposed by the Board of Directors to allocate 10% to 100%;
- f. Recommended by the Board of Directors and resolved in the shareholders' meeting, then distribute the dividends to shareholders.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Cash dividends distributed each year cannot be less than 10% of the gross amount of dividends.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.



(d) Special reserve

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As at December 31, 2022 and 2021, the Company increase NT\$6,584 thousand special reserve upon the first-time adoption of T-IFRS.

(e) The appropriations of earnings for the Years 2022 and 2021 were approved through the Board of Directors’ meetings and shareholders’ meeting held on February 20, 2023 and May 26, 2022, respectively. The details of the distribution are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2022	2021	2022	2021
Legal reserve	\$19,205	\$8,251		
Special reserve	9,252	-		
Cash dividend	130,722	73,883	\$1.5	\$0.85
Total	\$159,179	\$82,134		

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Please refer to Note 6(21) for details on employees' compensation and remuneration to directors.

(18) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	<u>\$770,147</u>	<u>\$779,566</u>

Analysis of revenue from contracts with customers during the year ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
Sales of goods	<u>\$770,147</u>	<u>\$799,566</u>
Timing of revenue recognition:		
At a point in time	<u>\$770,147</u>	<u>\$799,566</u>

B. Contract balances

(a) Contract liabilities – current

	As at		
	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Sales of goods	<u>\$564</u>	<u>\$1,117</u>	<u>\$1,089</u>

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The changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31,	
	2022	2021
The opening balance transferred to revenue	\$(1,117)	\$(999)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	564	1,027

(19) Expected credit losses/(gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses/(gains)		
Account receivables	\$-	\$(34)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2022 and 2021 are as follows:

A. The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follows.

As at 31 December 2022

	Not yet Due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$180,217	\$9,579	\$2,411	\$430	\$8	\$14,612	\$207,257
Loss ratio	-%	1%	19.95%	100%	100%	100%	
Lifetime expected credit losses	-	(96)	(481)	(430)	(8)	(14,612)	(15,627)
Carrying amount of accounts receivable	\$180,217	\$9,483	\$1,930	\$-	\$-	\$-	\$191,630

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As at 31 December 2021

	Not yet Due (Note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$221,034	\$13,888	\$1,506	\$115	\$37	\$14,614	\$251,194
Loss ratio	-%	1%	46.28%	100%	100%	100%	
Lifetime expected credit losses	-	(139)	(697)	(115)	(37)	(14,614)	(15,602)
Carrying amount of accounts receivable	\$221,034	\$13,749	\$809	\$-	\$-	\$-	\$235,592

Note: The Group's notes receivable are not overdue.

B. The movement in the provision for impairment of notes receivable and accounts receivable during the years ended December 31, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as at January 1, 2022	\$-	\$15,602
Addition/(reversal) for the current period	-	-
Exchange influence	-	25
Ending balance as at December 31, 2022	\$-	\$15,627
Beginning balance as at January 1, 2021	\$-	\$15,574
Addition/(reversal) for the current period	-	34
Exchange influence	-	(6)
Ending balance as at December 31, 2021	\$-	\$15,602

(20) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings. The lease terms range from 2 to 50 years. The Group is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

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The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

	As at December 31,	
	2022	2021
Land	\$5,734	\$5,843
Buildings	-	452
Total	<u>\$5,734</u>	<u>\$6,295</u>

II. Lease liability

	As at December 31,	
	2022	2021
Lease liabilities	<u>\$-</u>	<u>\$460</u>
Current	\$-	\$460
Non-current	-	-
Total	<u>\$-</u>	<u>\$460</u>

Please refer to Note 6(22)(d) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021 refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

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(b) Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the year ended December 31,	
	2022	2021
Land	\$216	\$222
Buildings	461	452
Total	\$677	\$674

(c) Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expense relating to short-term leases (rent expenses)	\$539	\$679
The expense relating to leases of low-value assets (not included the expense relating to short-term leases of low-value assets)	2	2

(d) Cash outflow relating to leasing activities

During the year ended December 31, 2022 and 2021, the Group's total cash outflows for leases amounting to NT\$1,027 thousand and NT\$1,176 thousand, respectively.

(21) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function Nature	For the year ended 31 December					
	2022			2021		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	\$110,940	\$50,657	\$161,597	\$112,630	\$45,168	\$157,798
Labor and health insurance	10,644	3,212	13,856	11,100	3,202	14,302
Pension	4,595	1,448	6,043	4,813	1,476	6,289
Directors' remuneration	-	3,989	3,989	-	1,973	1,973
Other employee benefit	4,363	781	5,144	4,543	850	5,393
Depreciation	26,460	10,162	36,622	26,999	9,747	36,746
Amortization	48	244	292	4	50	54

The Articles of Association of the Company stipulate that if the Company makes profits in the current year, it shall set aside 5-10% as employees' compensation and no more than 2% as the remuneration for directors. However, if the Company has accumulated losses, it shall reserve the amount to make up for them firstly. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 amounted to NT\$12,455 thousand and NT\$3,737 thousand, respectively. The employees' compensation and remuneration to directors for the year ended December 31, 2021 amounted to NT\$5,388 thousand and NT\$1,616 thousand, respectively, recognized as employee benefits expense.

The Company's Board of Directors has determined the employees' compensation in stock, to be NT\$12,455 thousand and directors' remuneration in cash, to be NT\$3,737 thousand, respectively, in a meeting held on February 20, 2023.

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The Company's Board of Directors' meeting has determined the employees' compensation in stocks the amount of NT\$5,388 thousand, in a meeting held on February 21, 2022. If the board of directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of resolution. The directors' remuneration cash the amount of NT\$1,616 thousand. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2021.

(22) Non-operating incomes and expenses

A. Interest incomes

	For the year ended December 31,	
	2022	2021
Financial assets measured at amortized cost	\$15,196	\$5,835

B. Other incomes

	For the year ended December 31,	
	2022	2021
Rental income	\$1,594	\$310
Dividend income	8,780	6,657
Other income – others	7,445	24,422
Total	\$17,819	\$31,389



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C. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains (losses) on disposal of investments	\$(688)	\$4,400
Foreign exchange gain (loss), net	129,507	(54,643)
Gains (losses) on financial assets at fair value through profit or loss	(9,120)	(640)
Gains (losses) on financial liabilities at fair value through profit or loss	390	3,626
Gain or loss on disposal of property, plant and equipment	543	-
Other losses	(1,304)	(5)
Total	<u>\$119,328</u>	<u>\$(47,262)</u>

D. Finance costs

	For the year ended December 31	
	2022	2021
Interest on bank loans	\$7,684	\$7,882
Interests on lease liabilities	8	26
Total	<u>\$7,692</u>	<u>\$7,908</u>

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(23) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

	Arising during the period	Reclassificat ion during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefit plans	\$3,062	\$-	\$3,062	\$-	\$3,062
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(17,457)	-	(17,457)	-	(17,457)
Remeasurements of the defined benefit plan for associates and joint ventures	607	-	607	-	607
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income for associates and joint ventures	(352)	-	(352)	-	(352)

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	Arising during the period	Reclassificat ion during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Items that may subsequently be reclassified to profit or loss:</u>					
Exchange differences arising on translation of foreign operations	7,605	-	7,605	-	7,605
Exchange differences on translation of foreign operations for associates and joint ventures	(736)	-	(736)	-	(736)
Total OCI	<u>\$(7,271)</u>	<u>\$-</u>	<u>\$(7,271)</u>	<u>\$-</u>	<u>\$(7,271)</u>

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For the year ended December 31, 2021

	Arising during the period	Reclassificat ion during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefit plans	\$1,577	\$-	\$1,577	\$-	\$1,577
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(11,293)	-	(11,293)	-	(11,293)
Remeasurements of the defined benefit plan for associates and joint ventures	132	-	132	-	132
Unrealized gain (losses) from equity instruments measured at fair value through other comprehensive income for associates and joint ventures	(607)	-	(607)	-	(607)

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	Arising during the period	Reclassificat ion during the period	Subtotal	Income tax benefit (expense)	OCI, net of tax
<u>Items that may subsequently be reclassified to profit or loss:</u>					
Exchange differences arising on translation of foreign operations	(915)	-	(915)	-	(915)
Exchange differences on translation of foreign operations for associates and joint ventures	(37)	-	(37)	-	(37)
Total	<u>\$(11,143)</u>	<u>\$-</u>	<u>\$(11,143)</u>	<u>\$-</u>	<u>\$(11,143)</u>

(24) Income tax

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	<u>For the year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense (benefit):		
Current income tax expense	\$43,943	\$15,311
Adjustments in respect of current income tax of prior periods	3,099	1,514
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(339)	10,150
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(3,868)	-
Total income tax expense	<u>\$42,835</u>	<u>\$26,975</u>

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B. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$233,451	\$107,773
Tax payable at the enacted tax rates	\$46,859	\$31,265
Tax effect of revenue tax-exempted	(5,152)	(6,180)
Tax effect of deferred tax assets / liabilities	1,897	376
Adjustment in respect of current income tax of prior periods	3,099	1,514
Adjustment in respect of deferred tax of prior periods	(3,868)	-
Total income tax expense recognized in profit or loss	\$42,835	\$26,975

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C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as at January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2022
Temporary differences			
Unrealized loss on inventory valuation	\$4,665	\$(104)	\$4,561
Bad debt expenses	2,514	44	2,558
Unrealized gain or loss on financial assets	(45)	(79)	(124)
Unrealized profits and losses	44	98	142
Unrealized profits and losses of subsidiaries	(337)	104	(233)
Outward processing	180	314	494
Past due payables transfer revenue	1	-	1
Pay in unused vacation payroll	935	-	935
Investment income	(21,611)	13,175	(8,436)
Unrealized exchange loss (gain)	9,005	(9,345)	(340)
Deferred tax(expense)/ income		<u>\$4,207</u>	
Net deferred tax assets/(liabilities)	<u>\$(4,649)</u>		<u>\$(442)</u>
Reflected in balance sheet as follows:			
Deferred tax assets	<u>\$17,344</u>		<u>\$8,691</u>
Deferred tax liabilities	<u>\$(21,993)</u>		<u>\$(9,133)</u>

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For the year ended December 31, 2021

	Beginning balance as at January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Ending balance as at December 31, 2021
Temporary differences			
Unrealized loss on inventory valuation	\$5,042	\$(377)	\$4,665
Bad debt expenses	2,553	(39)	2,514
Unrealized gain or loss on financial assets	680	(725)	(45)
Unrealized profits and losses	23	21	44
Unrealized profits and losses of subsidiaries	(714)	377	(337)
Outward processing	118	62	180
Past due payables transfer revenue	1	-	1
Pay in unused vacation payroll	1,014	(79)	935
Investment income	(8,029)	(13,582)	(21,611)
Unrealized exchange loss (gain)	4,813	4,192	9,005
Deferred tax(expense)/ income		<u>\$(10,150)</u>	
Net deferred tax assets/(liabilities)	<u>\$5,501</u>		<u>\$ (4,649)</u>
Reflected in balance sheet as follows:			
Deferred tax assets	<u>\$14,244</u>		<u>\$17,344</u>
Deferred tax liabilities	<u>\$(8,743)</u>		<u>\$(21,993)</u>

D. Unrecognized deferred tax assets

As at 31 December 2022 and 2021, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to \$6,049 thousand and \$4,082 thousand, respectively, as the future taxable profit may not be available.



E. The approval of income tax returns

As at 31 December 2022, the Company's income tax return is approved until 2020.

(25) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2022	2021
Net income attributable to common shareholders of the parent	\$190,616	\$80,978
Weighted average number of common shares outstanding (in thousand shares)	87,116	86,910
Basic earnings per share (in NT\$)	\$2.19	\$0.93

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B. Diluted earnings per share

Net income attributable to common shareholders of the parent	<u>\$190,616</u>	<u>\$80,798</u>
Net income attributable to common shareholders of the parent after dilution	<u>\$190,616</u>	<u>\$80,798</u>
Weighted average number of common shares outstanding (in thousand shares)	87,116	86,910
Effect of dilution:		
Employee compensation – stock (in thousand shares)	543	229
Weighted average number of common shares outstanding after dilution (in thousand shares)	<u>87,659</u>	<u>87,139</u>
Diluted earnings per share (in NT\$)	<u>\$2.17</u>	<u>\$0.93</u>

There have been no other transactions involving common shares or potential common shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Related parties</u>	<u>Relationship</u>
Jinhu Coolingworks Electronics Co.,LTD	Associate

Significant transactions with related parties

A. Sales

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Jinhu Coolingworks Electronics Co.,LTD	<u>\$-</u>	<u>\$15,410</u>

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The transaction prices of the goods sold by the Group to associates cannot be compared because they are not sold to other customers with the same products ; The collection terms for related parties were 210 days after monthly closing while 30~150 days after monthly closing for third parties.

B. Accounts receivable-related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Jinhu Coolingworks Electronics Co.,LTD	\$-	\$5,462

C. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	\$13,961	\$14,587
Post-employee benefits	548	635
Total	\$14,509	\$15,222

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Items	Carrying amount as at December 31,		Secured liabilities
	2022	2021	
Property, plant and equipment-land (Cost)	\$144,000	\$144,000	Short-term secured loans
Property, plant and equipment-buildings (Carrying value)	23,387	25,117	Short-term secured loans
Financial assets measured at amortized cost-non-current	469,098	899,356	Short-term secured loans
Total	\$636,485	\$1,068,473	

9. Significant contingencies and unrecognized contractual commitments

As at December 31, 2022, the Group issued NT\$500 thousand guaranteed bill for the duty and commodity tax bookkeeping guarantee, which is not included in the financial statements due to the nature of contingent liabilities.

10. Significant disaster loss

None

11. Significant subsequent events

Considering the changes of the global market, stable supply, and increased magnets production capacity, the Company planned to expand the plant and production line of magnetic material powder in Pingzhen district, Taoyuan city in 2023. It is expected to have a capital expenditure of approximately NT\$250 million.

12. Other

(1) Categories of financial instruments

Financial assets

	As at December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Measured at fair value through profit or loss	\$60,648	\$74,768
Financial assets at fair value through other comprehensive income	162,024	176,405
Financial assets measured at amortized cost (Note)	1,266,792	1,907,013
Total	<u>\$1,489,464</u>	<u>\$2,158,186</u>

Financial liabilities

	As at December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	\$582,000	\$1,319,000
Accounts payable	155,173	171,275
Financial liabilities at fair value through profit or loss:		
Financial liability held for trading	433	170
Total	<u>\$737,606</u>	<u>\$1,490,445</u>

Note: Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable (included related parties) and other receivables.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

#### Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$7,800 thousand and NT\$14,738 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would increase/decrease by NT\$518 thousand and NT\$1,695 thousand, respectively.

#### Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2022 and 2021 by NT\$334 thousand and NT\$337 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,558 thousand and NT\$1,684 thousand on the equity attributable to the Group for the years ended December 31, 2022 and 2021, respectively.

#### (4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As at December 31, 2022 and 2021, receivables from the top ten customers were accounted for 45% and 46% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the other remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

#### (5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.



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Non-derivative financial instruments

	<u>Less than 1 year</u>
As at December 31, 2022	
Loans	\$582,355
Payables	155,173
As at December 31, 2021	
Loans	\$1,320,822
Payables	171,275
Lease Liabilities	469

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for year ended December 31, 2022:

	Short-term borrowings	Deposits received	Lease liabilities	Bonus payable	Total liabilities from financing activities
As at January 1, 2022	\$1,319,000	\$12	\$460	\$242	\$1,319,714
Cash flows	(737,000)	442	(478)	(10)	(737,046)
Non-cash changes	-	-	8	-	8
Foreign exchange movement	-	-	10	-	10
As at December 31, 2022	<u>\$582,000</u>	<u>\$454</u>	<u>\$-</u>	<u>\$232</u>	<u>\$582,686</u>

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Deposits received	Lease liabilities	Bonus payable	Total liabilities from financing activities
As at January 1, 2021	\$958,000	\$24	\$-	\$308	\$958,332
Cash flows	361,000	(12)	(469)	(66)	360,453
Non-cash changes	-	-	929	-	929
Foreign exchange movement	-	-	-	-	-
As at December 31, 2021	<u>\$1,319,000</u>	<u>\$12</u>	<u>\$460</u>	<u>\$242</u>	<u>\$1,319,714</u>

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds) at the report date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

As at December 31, 2022 and December 31, 2021, the relevant information of the Company's holdings of derivatives including Foreign Exchange Swaps and foreign currency options that did not meet the requirements of hedging accounting and have not yet expired are as follows:

Foreign Exchange Swaps

Foreign Exchange Swaps, not designated as a hedging tool :

<u>Item</u>	<u>Contract Amount</u>	<u>Term</u>
As at December 31, 2022		
Foreign Exchange Swaps	Sold USD1,590	2022.12.09-2023.06.27
As at December 31, 2021		
None		

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Foreign currency options

As at December 31, 2022 Unwrite off Foreign Exchange Options:

<u>Bank</u>	<u>Foreign currency</u>	<u>Value date</u>	<u>Settle condition</u>
First Commercial Bank	USD/TWD	$FX \geq 31.5$	Performance obligating sale USD 990 thousands
First Commercial Bank	USD/TWD	$FX \geq 31.5$	Performance obligating sale USD 990 thousands
First Commercial Bank	USD/TWD	$FX \geq 31.5$	Performance obligating sale USD 990 thousands
First Commercial Bank	USD/TWD	$FX \geq 31.7$	Performance obligating sale USD 990 thousands
First Commercial Bank	USD/TWD	$FX \geq 32.5$	Performance obligating sale USD 990 thousands
First Commercial Bank	USD/TWD	$FX \geq 33.0$	Performance obligating sale USD 990 thousands
First Commercial Bank	USD/TWD	$FX \geq 33.5$	Performance obligating sale USD 990 thousands

As at December 31, 2021 Unwrite off Foreign Exchange Options:

<u>Bank</u>	<u>Foreign currency</u>	<u>Value date</u>	<u>Settle condition</u>
First bank	USD/TWD	$FX \geq 28.6$	Performance obligating sale USD 950 thousands
First bank	USD/TWD	$FX \geq 28.6$	Performance obligating sale USD 950 thousands
First bank	USD/TWD	$FX \geq 29$	Performance obligating sale USD 950 thousands

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets value:				
Financial assets fair value through profit or loss				
Funds	\$27,270	\$-	\$-	\$27,270
Stock	33,378	-	-	33,378
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	155,816	-	6,208	162,024
Financial liabilities:				
Measured at fair value through profit or loss				
Foreign Exchange Swaps	-	229	-	229
Foreign currency option	-	204	-	204

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As at December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets fair value through profit or loss				
Funds	\$41,102	\$-	\$-	\$41,102
Stock	33,666	-	-	33,666
Measured at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	168,381	-	8,024	176,405
Liability measured at fair value:				
Measured at fair value through profit or loss				
Foreign currency option	-	170	-	170

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	<u>Financial assets at fair value through other comprehensive income</u>
	<u>Stock</u>
As at January 1, 2022	\$8,024
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(1,789)
Disposals	(27)
As at December 31, 2022	<u>\$6,208</u>
	<u>Assets</u>
	<u>Financial assets at fair value through other comprehensive income</u>
	<u>Stock</u>
As at January 1, 2021	\$8,024
Disposals	-
As at December 31, 2021	<u>\$8,024</u>



Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	20%	The higher the lack of liquidity reduction, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$248 thousand

As at December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	10%~20%	The higher the lack of liquidity reduction, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$361 thousand

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As at					
	31 December 2022			31 December 2021		
	Foreign Currencies	Exchange Rate	NTD	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$25,661	30.66	\$786,758	\$53,519	27.63	\$1,478,807
CNY	\$34,809	4.42	\$153,770	\$39,491	4.34	\$171,358
Euro	\$6,539	32.52	\$212,662			

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

The Group has foreign operations which have different functional currencies. They could not be disclosed the foreign exchange gains or losses on monetary financial assets and financial liabilities for each currency with its significant influence. The foreign exchange gains or losses of the Group amounted to NT\$129,507 thousand and NT\$(54,643) thousand for the years ended December 31, 2022 and 2021, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosures

(1) Information on significant transactions

A. Financing provided to others: None.

- B. Endorsement/Guarantee provided to others: None.
  
- C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.
  
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- F. Disposal of individual real estate with amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.
  
- I. Derivative instrument transactions: Please refer to Note 12(8).
  
- J. Intercompany relationships and significant intercompany transactions: Please refer to attachment 3.

(2) Information on investees

- A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.
  
- B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):
  - (a) Financing provided to others: None.

- (b) Endorsement/Guarantee provided to others: None.
  
- (c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.
  
- (d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- (e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.
  
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.
  
- (i) Derivative instrument transactions: None.

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(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
King Core Electronics Factory, Dab Lane, Guanlan district, Bao' an district.	Manufacturing and sales business of operating soft iron core and yoke iron expect for earth group magnets.	\$- (Note 2)	Reinvest through a third-region company.	\$-	\$-	\$-	\$-	\$-	-%	\$- (Note 2)	\$- (Note 2)	\$-

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
King Core Electronics (Suzhou) Co., Ltd	Manufacturing and sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	\$170,441 (Note 4)	(Note 3)	\$170,441 (Note 4)	\$-	\$-	\$170,441 (Note 4)	\$(6,414) (Note 4 and 6)	100%	\$(6,414) (Note 4、6 and 7)	\$223,442 (Note 4、6 And 7)	\$119,575

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2022	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of Dec. 31, 2022	Accumulated Inward Remittance of Earnings as of Dec. 31, 2022
					Outflow	Inflow						
Shenzhen Zhen King Electronics Components Co.,Ltd.	Sales business of operating soft iron core and yoke iron expect for rare earth group magnets.	\$2,209 (Note 4 and 5)	(Note 3)	\$-	\$-	\$-	\$-	\$6,981 (Note 4 and 6)	100%	\$6,981 (Note 4、6 and 7)	\$31,468 (Note 4、6 and 7)	\$-

Accumulated Outflow of Investment from Taiwan to Mainland China as at Dec. 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
\$171,976	\$171,976	\$920,482

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Note 1: King Core (B.V.I.) Electronics Co., Ltd. 100% Shares of subsidiary owned by King Core Electronics Factory , Dab Lane, Guanlan district, Bao'an district, established as a processing plant in mainland, therefore, not applicable.

Note 2: Paid-in capital was written off during 2013.

Note 3: Reinvest in mainland China through a third-region company.

Note 4: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 5: 100% Shares of Shenzhen Zhen King Electronics Components Co.,Ltd. owned and directly invested by King Core Electronics (Suzhou) Co., Ltd.

Note 6: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.



B. Significant transactions with investees in China:

- (a) Purchase and balances of related accounts payable as of December 31, 2022: Please refer to attachment 3 for details.
- (b) Sale and balance of related accounts receivable as of December 31, 2022: Please refer to attachment 3 for details.
- (c) Property transaction amounts and resulting gain or loss: None.
- (d) Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- (e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- (f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 3 for details.
- (g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 3 for details.

(4) Information on major shareholders:

Ownership of shares	Number of shares held	Ownership ratio
Name	(shares)	
Sheng Bao Investment Corp.	10,459,530	12.00%
Jin Bao Investment Corp.	8,230,406	9.44%

14. OPERATING SEGMENT

- (1) The revenue of companies in the Group mainly comes from the manufacturing and trading of iron cores and chips. The chief operating decision maker reviewed the overall operating results to make decision about resources to be allocated to and evaluated the overall performance. Therefore, the Group was aggregated into a single segment and adopted the same accounting.

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Geographical information

Revenues from external customers

	For the year ended December 31,	
	2022	2021
China	\$430,460	\$404,864
Taiwan	230,998	306,206
Other countries	108,689	86,496
Total	<u>\$770,147</u>	<u>\$799,566</u>

The revenue information above is based on the location of the customers.

Non-current assets

	As at December 31,	
	2022	2021
Taiwan	\$289,743	\$279,052
China	32,582	35,290
Total	<u>\$322,325</u>	<u>\$314,342</u>

(3) Information about major customers

Individual customer's sale accounted for at least 10% of consolidated net sale:

Name of customers	For the year ended December 31,	
	2022	2021
Customer A	<u>\$243,047</u>	<u>\$179,683</u>

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Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As at December 31, 2022

Attachment 1

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities (Note1)	Relationship with the Issuer	Financial Statement Account	As of December 31, 2021				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value	
	<u>Financial assets at fair value through profit or loss - current</u>							
KING CORE ELECTRONICS INC.	Equity Funds – Shin Kong China Growth Fund USD	NA	Financial assets at fair value through profit or loss - current	1,495,005	\$21,020		\$10,091	
KING CORE ELECTRONICS INC.	Asset Securitization Funds – FSITC Global REITs	NA	Financial assets at fair value through profit or loss - current	2,000,320	20,000		17,179	
KING CORE ELECTRONICS INC.	Listed stock – Planet Technology Corporation	NA	Financial assets at fair value through profit or loss - current	204,277	7,200	0.32%	18,344	
KING CORE ELECTRONICS INC.	Listed stock – Darwin Precisions Corporation	NA	Financial assets at fair value through profit or loss - current	130,900	2,322	0.02%	1,153	
	Subtotal				50,542		\$46,767	
	Add: Valuation adjustments of financial assets at fair value through profit or loss - current				(3,775)			
	Total				\$46,767			
	<u>Financial assets at fair value through other comprehensive income - current</u>							
KING CORE ELECTRONICS INC.	Listed stock – Johnson Health Tech .Co., Ltd.	NA	Financial assets at fair value through other comprehensive income - current	808,904	\$15,520	0.27%	\$56,219	
	Add: Valuation adjustments of financial assets at fair value through other comprehensive income- current				40,699			
	Total				\$56,219			
	<u>Financial assets at fair value through profit or loss - non-current</u>							
KING CORE ELECTRONICS INC.	Shin Kong Financial Holding Co., Ltd.	NA	Financial assets at fair value through profit or loss - non-current	556,163	\$5,173	-%	\$5,120	
KING CORE ELECTRONICS INC.	Thinking Electronic Industrial Co., Ltd.	NA	Financial assets at fair value through profit or loss - non-current	70,653	776	0.06%	8,761	
	Subtotal				5,949		\$13,881	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				7,932			
	Total				\$13,881			
	<u>Financial assets at fair value through other comprehensive income - non-current</u>							
KING CORE ELECTRONICS INC.	Everlight Electronics Co., Ltd.	The company is their director The chairman of the Company is juristic person of this company The chairman of their Company is director of the company	Financial assets at fair value through other comprehensive income - non-current	1,924,354	\$72,466	0.43%	\$71,105	
KING CORE ELECTRONICS INC.	Mutto Optronics Corporation	NA	Financial assets at fair value through other comprehensive income - non-current	115,000	2,185	0.25%	2,461	
KING CORE ELECTRONICS INC.	A TECH OEM INC.	The chairman of their Company is director of the company	Financial assets at fair value through other comprehensive income - non-current	1,723,903	17,303	2.60%	26,031	
KING CORE ELECTRONICS INC.	SV TECHNOLOGIES, TAIWAN LTD.	NA	Financial assets at fair value through other comprehensive income - non-current	471	16,201	0.03%	27	
KING CORE ELECTRONICS INC.	SUNENGINE CORPORATION LTD.	NA	Financial assets at fair value through other comprehensive income - non-current	149,033	27,715	2.61%	-	
KING CORE ELECTRONICS INC.	TYFONE INC.	NA	Financial assets at fair value through other comprehensive income - non-current	186,598	6,181	1.06%	6,181	
KING CORE ELECTRONICS INC.	ICASHE INC.	NA	Financial assets at fair value through other comprehensive income - non-current	18,438	611	1.32%	-	
KING CORE ELECTRONICS INC.	AUSPINEN LLC.	NA	Financial assets at fair value through other comprehensive income - non-current	35,580	1,178	0.23%	-	
	Subtotal				143,840		\$105,805	
	Add: Valuation adjustments of financial assets at fair value through other comprehensive income- non-current				(38,035)			
	Total				\$105,805			

Note1 : The marketable securities mentioned in attachment refer to stock, bonds, beneficiary certificates and securities derived from abovementioned item within in the scope of IFRS 9 Financial Instruments.

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The Company exercise significant influence or control (excluding investees in mainland china) as at December 31, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value		
King Core Electronics Co., Ltd.	King Core (B.V.I.) Electronics Co., Ltd.	British Virgin Islands	Operating soft core and yoke iron except for rare earth group magnets	USD 5,600	USD 5,600	5,600,000	100.00%	\$225,041	\$(8,957)	\$(8,957)
King Core Electronics Co., Ltd.	Allied Biotech Corporation	Da-an District, Taipei	Research, manufacturing and development of carotenoid products and others	\$235,617	\$235,617	17,976,721	18.85%	\$258,283	\$146,741	\$27,660
King Core Electronics Co., Ltd.	CSX Material Co., Ltd.	Da-an District, Taipei	Operating electronic parts and components manufacturing	\$73,251	\$43,900	6,529,200	28.39%	\$33,545	\$(33,010)	\$(8,977)

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Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022

Attachment 3

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount (Note 4 · 5)	Terms	
0	King Core Electronics Co., Ltd.	KING CORE ELECTRONICS (SUZHOU) CO., LTD	1	Sales revenue	\$42,491	Offset the credit-debt	5.52%
			1	Processing expenses	39,811	Offset the credit-debt	5.17%
			1	Other income	2,663	Offset the credit-debt	0.35%
			1	Accounts Payable	22,627	Offset the credit-debt	0.97%
0	King Core Electronics Co., Ltd.	Shenzhen Zhen King Electronics Components Co.,Ltd.	1	Sales revenue	70,211	Monthly payment in 90 days	9.12%
			1	Accounts Receivable	5,696	Monthly payment in 90 days	0.24%
1	King Core (B.V.I.) Electronics Co., Ltd.	KING CORE ELECTRONICS (SUZHOU) CO., LTD	1	Sales revenue	17,761	Monthly payment in 90 days	2.31%
2	KING CORE ELECTRONICS (SUZHOU) CO., LTD	Shenzhen Zhen King Electronics Components Co.,Ltd.	1	Sales revenue	19,236	Monthly payment in 90 days	2.50%
			1	Accounts Receivable	4,821	Monthly payment in 90 days	0.21%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

- (1) Parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.