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GOOD WILL INSTRUMENT CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

Address: No.7-1, Jhongsing Road., Tucheng Dist., New Taipei City 236, Taiwan
Telephone: 886-2-2268-0389

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.

REPRESENTATION LETTER

English Translation of the Representation Letter Originally Issued in Chinese

The entities that are required to be included in the combined financial statements of Good Will Instrument Co., Ltd. as of and for the year ended December 31, 2022, 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 Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Good Will Instrument Co., Ltd. and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Good Will Instrument Co., Ltd.

Chairman : LIN, CHING-CHANG

February 23, 2023

安永聯合會計師事務所
11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.
Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/taiwan

Independent Auditors' Report Translated from Chinese

To Good Will Instrument Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Good Will Instrument Co., Ltd. (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 ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* 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 their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, 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 and became effective 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 and its subsidiaries 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

For the year ended December 31, 2022, the Company and its subsidiaries recognized revenue in the amount of NT$2,885,585 thousand. Revenue is derived primarily from the manufacture and sale of various types of instruments, the provision of hardware and software, and installation services. Since some of these sales were exports and the terms of trade varied, it is necessary for the company to judge and determine the performance obligations and the timing of their satisfaction. Therefore, we considered this as a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy of revenue recognition; testing the effectiveness of internal controls over the sales process with respect to revenue recognition; selecting samples to perform test of details and reviewing the significant terms and conditions of orders or contracts to confirm the performance obligation and the appropriate timing of revenue recognition; selecting samples for certain period before and after the reporting date, tracing to relevant documentation to verify that revenue has been recorded in the correct accounting period.

We also evaluated the adequacy of disclosures of revenue. Please refer to Notes 4 and 6 of the consolidated financial statements.

Valuation of Inventories

As of December 31, 2022, the Company and its subsidiaries net inventories amounted to NT$1,162,319 thousand, representing 29% of the consolidated total assets. Considering the fact that the value of inventory depends on market demands and is affected by changes in technology, which may cause loss from slow-moving inventories and inventory price decline, while the assessment of inventory loss require significant management judgement, we therefore considered this as a key audit matter.

Our audit procedures included, but not limited to, obtaining an inventory allowance policy and evaluating the reasonableness of the loss provision ratio from slow-moving inventories based on the Company's operating conditions; testing the accuracy of inventories aging and recalculating the losses from slow-moving inventories; obtaining report of inventory price decline calculation, tracing to relevant documentation and recalculating the loss from price decline to ensure inventories appropriately valuated at lower of cost and net realizable value.

We also evaluated the adequacy of disclosures of inventories. Please refer to Notes 4, 5 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$416,533 thousand and NT$464,949 thousand, representing 12% and 13% of consolidated total assets as of December 31, 2022 and 2021, respectively, and total operating revenues of NT$447,815 thousand and NT$443,043 thousand, representing 16% and 17% of consolidated operating revenues for the years ended December 31 2022 and 2021, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors.

Other Matter – parent company only financial statements

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 and for the years ended December 31, 2022 and 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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, 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 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 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.

Liu, Hui-Yuan

Yang, Chih-Huei

Ernst & Young, Taiwan
February 23, 2023

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auding of 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

GOOD WILL INSTRUMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	NOTE	As of December 31,			
		2022	%	2021	%
Current assets					
Cash and cash equivalents	4, 6(1)	$586,528	15	$441,931	13
Financial assets at fair value through profit or loss - current	4, 6(2)	-	-	28,080	1
Financial assets at fair value through other comprehensive income - current	4, 6(3)	25,525	1	23,007	1
Financial assets measured at amortized cost - current	4, 6(4), 8	27,418	1	32,038	1
Notes receivable, net	4, 6(5), 6(19), 8	194,383	5	173,788	5
Accounts receivable, net	4, 6(6), 6(19), 7	618,885	15	533,091	15
Other receivables		4,801	-	5,010	-
Current tax assets		2,033	-	1,705	-
Inventories, net	4, 6(7)	1,162,319	29	825,563	24
Prepayments		23,065	-	32,521	1
Other current assets		4,671	-	2,927	-
Total current assets		2,649,628	66	2,099,661	61
Non-current assets					
Financial assets at fair value through profit or loss - non-current	4, 6(2)	2,189	-	2,189	-
Financial assets at fair value through other comprehensive income - non-current	4, 6(3)	73,563	2	117,540	3
Investments accounted for using the equity method	4, 6(8)	10,000	-	-	-
Property, plant and equipment	4, 6(9), 8	904,415	23	911,574	26
Right-of-use assets	4, 6(20)	28,733	1	23,529	1
Investment property, net	4, 6(10), 8	91,944	3	110,476	3
Intangible assets	4, 6(11)	11,241	-	4,693	-
Goodwill	4, 6(11), 6(12)	135,318	3	135,318	4
Deferred tax assets	4, 6(24)	72,665	2	76,944	2
Other non-current assets	4, 6(13)	10,767	-	11,648	-
Total non-current assets		1,340,835	34	1,393,911	39
Total assets		$3,990,463	100	$3,493,572	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GOOD WILL INSTRUMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTE	As of December 31,			
		2022	%	2021	%
Current liabilities					
Short-term loans	6(14)	$396,128	10	$170,775	5
Contract liabilities - current	6(18)	62,374	2	33,019	1
Notes payable		12,560	-	10,857	-
Accounts payable	7	282,354	7	269,285	8
Other payables	6(15)	339,121	8	325,279	9
Current tax liabilities	4, 6(24)	76,658	2	57,703	2
Lease liabilities - current	4, 6(20)	10,801	-	9,107	-
Other current liabilities		18,939	1	10,390	-
Total current liabilities		1,198,935	30	886,415	25
Non-current liabilities					
Deferred tax liabilities	4, 6(24)	73,103	2	49,470	1
Lease liabilities - non-current	4, 6(20)	8,490	-	4,894	-
Net defined benefit liabilities	4, 6(16)	63,326	2	108,210	3
Guarantee deposits		12,798	-	12,779	1
Total non-current liabilities		157,717	4	175,353	5
Total liabilities		1,356,652	34	1,061,768	30
Equity attributable to stockholders of the parent	4, 6(17)				
Capital stock					
Common stock		1,450,472	36	1,450,472	42
Capital Surplus		4,047	-	4,047	-
Retained earnings					
Legal reserve		392,366	10	363,339	10
Special reserve		104,288	3	93,211	3
Unappropriated retained earnings		801,036	20	625,023	18
Total retained earnings		1,297,690	33	1,081,573	31
Other equity		(118,398)	(3)	(104,288)	(3)
Total equity attributable to stockholders of the parent		2,633,811	66	2,431,804	70
Total equity		2,633,811	66	2,431,804	70
Total liabilities and equity		$3,990,463	100	$3,493,572	100

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

English Translation of Financial Statements Originally Issued in Chinese

GOOD WILL INSTRUMENT CO., LTD. AND SUBIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars Except Earnings Per Share Information)

Item	Note	For the years ended December 31,			
		2022	%	2021	%
Operating revenues	4, 6(18), 7	$2,885,585	100	$2,609,162	100
Operating costs	6(21), 7	(1,440,023)	(50)	(1,280,752)	(49)
Gross profit		1,445,562	50	1,328,410	51
Operating expenses	6(20), 6(21)				
Selling and marketing expenses		(468,496)	(16)	(464,228)	(18)
General and administrative expenses		(285,209)	(10)	(265,839)	(10)
Research and development expenses		(240,705)	(8)	(221,539)	(8)
Expected credit (losses) gains	6(19)	(2,219)	-	3,199	-
Total operating expenses		(996,629)	(34)	(948,407)	(36)
Operating income		448,933	16	380,003	15
Non-operating income and expenses					
Other income	4, 6(22), 7	50,130	1	57,006	2
Other gains and losses	6(22)	34,984	1	(27,500)	(1)
Finance costs	6(22)	(3,778)	-	(3,717)	-
Share of profit or loss of subsidaries, associates and joint ventures accounted for using the equity method	4, 6(8)	-	-	(941)	-
Total non-operating income and expenses		81,336	2	24,848	1
Income before tax		530,269	18	404,851	16
Income tax expense	4, 6(24)	(126,545)	(4)	(115,314)	(4)
Net income		403,724	14	289,537	12
Other comprehensive income (loss)	6(23)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans		36,503	1	857	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(43,724)	(2)	16,006	1
Income tax related to items that will not be reclassified subsequently to profit or loss	6(24)	(1,401)	-	(3,190)	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		30,595	1	(30,021)	(1)
Income tax related to items that may be reclassified subsequently to profit or loss	6(24)	(6,119)	-	6,004	-
Total other comprehensive income (loss), net of tax		15,854	1	(10,344)	(1)
Total comprehensive income		$419,578	15	$279,193	11
Net income attributable to :					
Stockholders of the parent		$403,724		$289,537	
		$403,724		$289,537	
Comprehensive income attributable to:					
Stockholders of the parent		$419,578		$279,193	
		$419,578		$279,193	
Earnings per share (NT$)	6(25)				
Earnings per share - basic		$2.78		$2.00	
Earning per share - diluted		$2.75		$1.98	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GOOD WILL INSTRUMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company							
			Retained earnings			Other component of equity		
Item	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total equity
Balance as of January 1, 2021	$1,450,472	$4,047	$363,942	$100,978	$500,440	$(90,523)	$(2,688)	$2,326,668
Appropriations and distributions of 2020 retained earnings:								
Legal reserve			19,704		(19,704)			-
Special reserve				(7,767)	7,767			-
Cash dividends			(20,307)		(153,750)			(174,057)
Net income for the year ended December 31, 2021					289,537			289,537
Other comprehensive income for the year ended December 31, 2021					733	(24,017)	12,940	(10,344)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	290,270	(24,017)	12,940	279,193
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	$1,450,472	$4,047	$363,339	$93,211	$625,023	$(114,540)	$10,252	$2,431,804
Balance as of January 1, 2022	$1,450,472	$4,047	$363,339	$93,211	$625,023	$(114,540)	$10,252	$2,431,804
Appropriations and distributions of 2021 retained earnings:								
Legal reserve			29,027		(29,027)			-
Special reserve				11,077	(11,077)			-
Cash dividends					(217,571)			(217,571)
Net income for the year ended December 31, 2022					403,724			403,724
Other comprehensive income for the year ended December 31, 2022					29,964	24,476	(38,586)	15,854
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	433,688	24,476	(38,586)	419,578
Balance as of December 31, 2022	$1,450,472	$4,047	$392,366	$104,288	$801,036	$(90,064)	$(28,334)	$2,633,811

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GOOD WILL INSTRUMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,		Item	For the years ended December 31,	
	2022	2021		2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Income before tax	$530,269	$404,851	Acquisition of financial assets at fair value through profit or loss	$(1,240)	$(1,208)
Adjustments:			Acquisition of financial assets measured at amortized cost	(28,322)	(21,185)
Adjustments to reconcile profit (loss):			Proceeds from disposal of financial assets measured at amortized cost	32,973	44,086
Depreciation	79,682	79,115	Acquisition of investments accounted for using the equity method	(10,000)	-
Amortization	3,222	2,876	Proceeds from disposal of investments accounted for using the equity method	-	1,314
Expected credit losses (gains)	2,219	(3,199)	Acquisition of property, plant and equipment	(44,646)	(35,347)
Gains on financial assets at fair value through profit or loss	(276)	(276)	Proceeds from disposal of property, plant and equipment	14	992
Interest expenses	3,778	3,717	Decrease in refundable deposits	1,418	2,806
Interest income	(3,251)	(4,722)	Acquisition of intangible assets	(9,774)	(1,307)
Dividend income	(1,144)	(862)	Proceeds from disposal of investment property	27,834	-
Share of loss of associates and joint ventures accounted for using the equity method	-	941	Increase in other non-current assets	(537)	-
Loss on disposal of property, plant and equipment	20	15	Decrease in other non-current assets	-	405
Gain on disposal of investment property	(16,952)	-	Interest received	3,251	4,722
Gain on disposal of investments accounted for using the equity method	-	(2,960)	Dividends received	1,420	1,138
Gain from lease modifications	(7)	-	Net cash (used in) investing activities	(27,609)	(3,584)
Changes in operating assets and liabilities:					
Financial assts mandatorily measured at fair value through profit or loss	28,275	68,318	Cash flows from financing activities:		
Notes receivable	(20,479)	10,361	Increase in short-term loans	226,960	-
Accounts receivable	(88,134)	59,400	Decrease in short-term loans	-	(123,280)
Other receivables	209	(327)	Repayments of long-term loans	-	(292,502)
Inventories	(336,756)	(197,573)	Guarantee deposits received	19	-
Prepayments	9,456	(4,445)	Guarantee deposits paid	-	(300)
Other current assets	(1,744)	(838)	Payments of lease liabilities	(13,133)	(14,570)
Contract liabilities	29,253	(7,245)	Cash dividends paid	(217,571)	(174,057)
Notes payable	1,703	4,548	Interest paid	(3,778)	(3,717)
Accounts payable	13,069	54,945	Net cash (used in) financing activities	(7,503)	(608,426)
Other payables	13,842	51,712			
Other current liabilities	8,549	(2,280)			
Net defined benefit liabilities	(8,381)	(7,818)	Effect of exchange rate changes on cash and cash equivalents	20,813	(31,595)
Cash inflow generated from operations	246,422	508,254	Net increase (decrease) in cash and cash equivalents	144,597	(205,915)
Income tax paid	(87,526)	(70,564)	Cash and cash equivalents at the beginning of the year	441,931	647,846
Net cash provided by operating activities	158,896	437,690	Cash and cash equivalents at the end of the year	$586,528	$441,931

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
GOOD WILL INSTRUMENT CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. History and organization

(1) Good Will Instrument Co., Ltd. ("the Company") was incorporated in September 1975. The main activities of the Company are manufacturing and sale of general instrument, optical instruments and other optics and precision instrument.

(2) The Company was listed on the Taipei Exchange ("TPEx") in March 1999 and was approved by the Financial Supervisory Commission's Securities and Futures Bureau (formerly the Securities and Futures Commission) to be traded on the stock exchange market in September 2000. The Company's registered office and the main business location is at No.7-1, Jhongsing Road., Tucheng Dist., New Taipei City 236, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on February 23, 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 adoption of these 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, 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 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 periods beginning on or after January 1, 2023. The 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 2020 and 2021. 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 new or amended 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 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), International Financial Reporting Standards (''IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRIC") and Standing Interpretations Committee ("SIC"), which are 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 expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights

The Group 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 Group 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.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group 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
(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:

Name of the Investors	Name of Subsidiaries	Main businesses	Percentage of ownership (%) December 31, 2022	Percentage of ownership (%) December 31, 2021	Remark
The Company	Instek Electronic (Shanghai) Co., Ltd.	Agent of the Company to sale instruments in China	100%	100%	
The Company	Good Will Instrument (Sea) Sdn. Bhd.	Agent of the Company to sale and render repair business in Malaysia	100%	100%	Note1
The Company	Instek America Corp.	Agent of the Company to sale and render repair business in North America	100%	100%	Note1
The Company	Instek (Samoa) Co., Ltd.	Holding company investing in Good Will Instrument (Suzhou) Co., Ltd.	100%	100%	
The Company	Good Will Instrument Korea Co., Ltd.	Agent of the Company to sale and render repair business in Korea	100%	100%	
The Company	Texio Technology Corp.	Agent of the Company to sale and render repair business in Japan	100%	100%	
The Company	Good Will Instrument Euro B.V.	Agent of the Company to sale and render repair business in Europe	100%	100%	
The Company	Gw Instek India LLP	Agent of the Company to sale and render repair business in India	100%	100%	
The Company	Prodigit Electronics Co., Ltd.	Design, manufacture, sale and testing services for equipments	100%	100%	Note1
Instek (Samoa) Co., Ltd.	Good Will Instrument (Suzhou) Co., Ltd.	Design, manufacture, sale and testing services for equipments	100%	100%	
Prodigit Electronics Co., Ltd.	Prodigit Electronics Co., Limited (Hong Kong)	Holding company investing in Prodigit Electronics (Shenzhen) Co., Ltd.	100%	100%	Note1
Prodigit Electronics Co., Limited. (Hong Kong)	Prodigit Electronics (Shenzhen) Co., Ltd.	Design, manufacture, sale and testing services for equipments	100%	100%	Note1

Note 1: The financial statements and other related information of certain consolidated subsidiaries, inculding Good Will Instrument (Sea) Sdn. Bhd., Instek America Corp., Prodigit Electronics Co., Ltd., Prodigit Electronics Co., Limited (Hong Kong) and Prodigit Eletronics (Shenzhen) Co., Ltd., are based solely on the reports of the other independent accountants.

(4) Foreign currency transactions

The Group’s consolidated financial statements are presented in NT$, which is also the 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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are 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 on the settlement of monetary items or on translating 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) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting 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.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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 non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement 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 any 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

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 time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(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 instruments: 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, accounts 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, for certain equity investments 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, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall 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 these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. 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 recognizes a loss allowance for expected credit losses on debt instrument investments measured at financial asset measured at amortized cost.

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 at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition 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 accounts 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 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:

i. The rights to receive cash flows from the asset have expired
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. 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 measured at amortized cost upon initial recognition.

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 and net realizable value item by item.

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

Raw materials – Purchase cost on a weighted average cost basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but 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.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(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.

Under the equity method, the investment in the associate 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. After the interest in the associate 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. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate 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, 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 on a prorata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate 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.

The financial statements of the associate 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 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 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, 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 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, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate 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 is 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 Group 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	5～60 years
Machinery and equipment	5~10 years
Molding equipment	3~5 years
Computer and communicating equipment	4~5 years
Research equipment	3~10 years
Transportation equipment	5 years
Office equipment	4~10 years
Other equipment	4~10 years

An item of property, plant and equipment and 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 residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	20～60 years
Right-of-use assets	40 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) 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 are discounted 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
(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 increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces 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
(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 those leases that the Group accounted for as 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 statement of 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.

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

The Group recognizes 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.

(15) 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, excluding capitalized development costs, 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.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is 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 is 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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Trademarks

The trademarks have been granted for a period of 10 years by the relevant government agency.

Patents

The patents have been granted for a period of 15~20 years by the relevant government agency with the option of renewal at the end of this period.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Trademarks	Patents	Computer software
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the period of the trademarks	Amortized on a straight-line basis over the period of the patent	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(16) 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 asset's or cash-generating unit's recoverable amount. 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 its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, 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.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customer (the customer has the control of an asset refers to the ability to direct the use of , and obtain substantially all of the remaining benefits from, the asset). The main product of the Group is instrument and revenue is recognized based on the consideration stated in the contract.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The Group's sale of goods 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 accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Rendering of services

The Group provides maintaince services for services rendered. these services are seperately priced or negotiated, and are recognized as revenue when the performance obligations are met.

(18) 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.

(19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is 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 and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries 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 make contribution to the plan based on the requirements of local regulations.

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 Group 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.

(21) Income taxes

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

<u>Current income tax</u>

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 the 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 is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred 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:

i. 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 or loss
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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, carry forward of unused tax credits and unused tax losses, 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:

i. 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
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse 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 deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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 at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax 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.

(22) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 10% of the total property.

(b) Operating lease commitment－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or 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) Valuation of inventories

Inventories shall be measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future and historical sales experience of similar products. Therefore, and changes in market conditions might be material changes to the evaluation.

(c) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(d) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of future salary increase. Please refer to Note 6.(16) for more details.

(e) 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 counties 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 of December 31,	
	2022	2021
Cash on hand	$1,271	$916
Cash in banks	578,357	434,115
Time deposits	6,900	6,900
Total	$586,528	$441,931

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

	As of December 31,	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss:		
Financing products	$-	$28,080
Stocks	2,189	2,189
Total	$2,189	$30,269
Current	$-	$28,080
Non-current	2,189	2,189
Total	$2,189	$30,269

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

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

	As of December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income		
Listed companies stocks (total carrying amount)	$24,247	$16,404
Unlisted companies stock (total carrying amount)	117,540	109,623
Valuation adjustments	(43,724)	16,006
Exchange differences	1,025	(1,486)
Total	$99,088	$140,547
Current	$25,525	$23,007
Non-current	73,563	117,540
Total	$99,088	$140,547

The Group' s financial assets at fair value through other comprehensive income were not pledged.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income are related to investments held at the end of the reporting period of NT$1,144 thousand and NT$862 thousand for the years ended December 31, 2022 and 2021, respectively.

(4) Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Time deposit	$24,528	$28,898
Time deposit were pledged	2,890	3,140
Subtotal (total carrying amount)	27,418	32,038
Less: loss allowance	-	-
Total	$27,418	$32,038
Current	$27,418	$32,038
Non-current	-	-
Total	$27,418	$32,038

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6.(19) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(5) Notes receivable

	As of December 31,	
	2022	2021
Notes receivable arising from operating activities	$194,383	$173,904
Less: loss allowance	-	(116)
Total	$194,383	$173,788

Note 8 for more details on notes receivables under pledge.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.(19) for more details on loss allowance and Note 12 for details on credit risk.

(6) Accounts receivable and accounts receivable-related parties

	As of December 31,	
	2022	2021
Accounts receivable	$622,258	$556,174
Accounts receivable from installment sales	1,339	1,753
Less: unrealized interest revenue – accounts receivable from installment sales	(134)	(210)
Subtotal (total carrying amount)	623,463	557,717
Less: loss allowance	(4,578)	(24,626)
Subtotal	618,885	533,091
Accounts receivable from related parties	-	-
Less: loss allowance	-	-
Subtotal	-	-
Total	$618,885	$533,091

The expected recovery of the accounts receivable from installment sales is as follows:

	As of December 31,	
	2022	2021
Not later than one year	$392	$414
Later than one year and not later than two years	370	392
Later than two years	577	947
Total	$1,339	$1,753

Accounts receivables were not pledged.

The payment term of accounts receivable is generally on 30-60 day terms. The total carrying amount as of December 31, 2022 and 2021 were NT$623,463 thousand and NT$557,717 thousand, respectively. Please refer to Note 6.(19) for more details on loss allowance of accounts receivables for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

	As of December 31,	
	2022	2021
Merchandise inventory	$245,421	$167,574
Raw materials	548,356	319,700
Work in progress	168,529	174,394
Finished goods	99,631	84,352
Goods in transit	100,382	79,543
Total	$1,162,319	$825,563

The cost of inventories recognized in expenses by the Group amounts to NT$1,440,023 thousand for the year ended December 31, 2022, including the write-down of inventories of NT$31,485 thousand. The cost of inventories recognized in expenses amounts to NT$1,280,752 thousand for the year ended December 31, 2021, including the write-down of inventories gain from the price recovery of inventories of NT$2,074 thousand. The gains resulted from the sale of obsolete inventory identified in the prior periods..

No inventories were pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As of December 31,			
	2022		2021	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Coreslink Corp., Ltd.	$10,000	25%	$-	(Note)
Total	$10,000		$-	

Note: The Group invested NT$10,000 thousand in Coreslink Corp., Ltd. and held 25% of the shares in October 2022.

Investments in associates

The Group disposed of its shareholding in Denkei Technology R&D (Shanghai) Co., Ltd., on August 11, 2021, reducing its shareholding ownerhship to 19.76%. Since the Group did not hold more than 20% of the shares directly or indirectly, the holding was presumed to be insignificant and was reclassified as financial assets at fair value through other comprehensive income. The aggregate carrying amount of such investment amounted to NT$0 thousand, as of December 31, 2021. The share loss of associates and joint ventures accounted for using the equity method was NT$(941) thousand from January 1, 2021 to August 11, 2021.

The Group's investments in Coreslink Corp., Ltd. is not individually material. The aggregate carrying amount of the Group's interests in Coreslink Corp., Ltd. was NT$10,000 thousand as of December 31, 2022. The aggregate financial information of the Group's share of Coreslink Corp., Ltd. is as follows:

	For the year ended December 31,
	2022
Profit or loss from continuing operations	$-
Other comprehensive income	-
Total comprehensive income	$-

The associates had no contingent liabilities or capital commitments as of December 31, 2022, also no investments accounted for using the equity method were pledged.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Molding equipment	Computer and communicating equipment	Research equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:										
As of January 1, 2022	$562,056	$466,749	$107,481	$74,567	$64,547	$162,061	$18,628	$19,299	$17,822	$1,493,210
Additions	-	8,205	6,108	3,435	4,637	21,096	-	399	766	44,646
Disposals	-	-	(961)	(331)	(1,168)	(4,112)	-	(212)	(116)	(6,900)
Exchange differences	1,179	6,538	488	283	348	473	121	159	(53)	9,536
Transfers	-	-	-	-	-	-	-	-	-	-
As of December 31, 2022	$563,235	$481,492	$113,116	$77,954	$68,364	$179,518	$18,749	$19,645	$18,419	$1,540,492
As of January 1, 2021	$563,822	$503,926	$106,780	$72,344	$57,662	$151,081	$21,044	$18,274	$16,491	$1,511,424
Additions	-	7,953	1,465	2,350	7,971	12,772	24	1,405	1,407	35,347
Disposals	-	(616)	(321)	-	(525)	(1,468)	(2,380)	(292)	(346)	(5,948)
Exchange differences	(1766)	(4,308)	(443)	(127)	(561)	(324)	(60)	(88)	(1,188)	(8,865)
Transfers	-	(40,206)	-	-	-	-	-	-	1,458	(38,748)
As of December 31, 2021	$562,056	$466,749	$107,481	$74,567	$64,547	$162,061	$18,628	$19,299	$17,822	$1,493,210
Depreciation										
As of January 1, 2022	$-	$239,265	$64,023	$65,960	$47,738	$119,797	$17,750	$15,254	$11,849	$581,636
Depreciation	-	18,098	9,125	3,431	7,087	16,091	798	1,246	1,276	57,152
Disposals	-	-	(961)	(331)	(1,154)	(4,094)	-	(211)	(115)	(6,866)
Exchange differences	-	2,653	476	235	192	395	114	137	(47)	4,155
Transfers	-	-	-	-	-	-	-	-	-	-
As of December 31, 2022	$-	$260,016	$72,663	$69,295	$53,863	$132,189	$18,662	$16,426	$12,963	$636,077
As of January 1, 2021	$-	$237,671	$55,169	$62,388	$42,449	$107,399	$17,517	$14,155	$11,396	$548,144
Depreciation	-	19,040	9,400	3,681	6,267	14,133	1,670	1,452	1,212	56,855
Disposals	-	(616)	(315)	-	(525)	(1,465)	(1,388)	(286)	(346)	(4,941)
Exchange differences	-	(1,373)	(231)	(109)	(453)	(270)	(49)	(67)	(763)	(3,315)
Transfers	-	(15,457)	-	-	-	-	-	-	350	(15,107)
As of December 31, 2021	$-	$239,265	$64,023	$65,960	$47,738	$119,797	$17,750	$15,254	$11,849	$581,636
Net carrying amount as at:										
December 31, 2022	$563,235	$221,476	$40,453	$8,659	$14,501	$47,329	$87	$3,219	$5,456	$904,415
December 31, 2021	$562,056	$227,484	$43,458	$8,607	$16,809	$42,264	$878	$4,045	$5,973	$911,574

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

(10) Investment property

The Group’s investment properties include owned investment properties and investment properties held by the Group as right-of-use assets. The Group has entered into commercial property leases on its owned investment properties with terms of between 20 and 60 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The investment properties held by the Group as right-of-use assets with non-cancellable period of 40 years.

	Land	Buildings	Right-of-use assets	Total
Cost:				
As of January 1, 2022	$2,548	$198,763	$11,672	$212,983
Additions from acquisitions	-	-	-	-
Disposals	(2,548)	(15,175)	-	(17,723)
Exchange differences	-	2,549	162	2,711
Transfers from property, plant and equipment	-	-	-	-
As of December 31, 2022	$-	$186,137	$11,834	$197,971
As of January 1, 2021	$2,548	$160,930	$11,753	$175,231
Additions from acquisitions	-	-	-	-
Exchange differences	-	(915)	(81)	(996)
Transfers from property, plant and equipment	-	38,748	-	38,748
As of December 31, 2021	$2,548	$198,763	$11,672	$212,983
Depreciation:				
As of January 1, 2022	$-	$101,677	$830	$102,507
Depreciation	-	8,770	281	9,051
Disposals	-	(6,841)	-	(6,841)
Exchange differences	-	1,298	12	1,310
Transfers from property, plant and equipment	-	-	-	-
As of December 31, 2022	$-	$104,904	$1,123	$106,027
As of January 1, 2021	$-	$80,057	$557	$80,614
Depreciation	-	6,969	276	7,245
Exchange differences	-	(456)	(3)	(459)
Transfers from property, plant and equipment	-	15,107	-	15,107
As of December 31, 2021	$-	$101,677	$830	$102,507

	Land	Buildings	Right-of-use assets	Total
Net carrying amount as at:				
December 31, 2022	$-	$81,233	$10,711	$91,944
December 31, 2021	$2,548	$97,086	$10,842	$110,476

	For the years ended December 31,	
	2022	2021
Rental income from investment property	$19,951	$20,469
Less: Direct operating expenses generated from rental income of investment property	(2,978)	(3,805)
Total	$16,973	$16,664

No investment property was pledged.

The Group sold the land and building in Zhongli, Taoyuan county in September 2022 with proceeds from the sale of NT$27,834 thousand and recognized a gain on disposal of investment property of NT$16,952 thousand.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value of the investment properties are categorized within Level 3. The fair value of investment properties was NT$453,632 thousand, and NT$471,815 thousand, as of December 31, 2022 and 2021, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation method used is the income approach, and the inputs used are discount rates and growth rates:

	As of December 31,	
	2022	2021
Capitalization rate	5.34%	2.97%~5.28%

For those right-of-use assets leased by operating leases and presented in investment properties, please refer to Note 6.(20) for relevant disclosure which required by IFRS 16.

(11) Intangible assets

	Trademarks	Computer software	Patents	Goodwill	Total
Cost:					
As of January 1, 2022	$102	$35,981	$424	$135,318	$171,825
Addition-acquired separately	-	9,774	-	-	9,774
Disposals	-	(494)	(134)	-	(628)
Exchange differences	-	(22)	-	-	(22)
Others	-	-	-	-	-
As of December 31, 2022	$102	$45,239	$290	$135,318	$180,949
As of January 1, 2021	$103	$35,527	$563	$135,318	$171,511
Addition-acquired separately	27	1,280	-	-	1,307
Disposals	(28)	(703)	(139)	-	(870)
Exchange differences	-	(123)	-	-	(123)
Others	-	-	-	-	-
As of December 31, 2021	$102	$35,981	$424	$135,318	$171,825
Amortization:					
As of January 1, 2022	$20	$31,435	$359	$-	$31,814
Amortization	10	3,191	21	-	3,222
Disposals	-	(494)	(134)	-	(628)
Exchange differences	-	(18)	-	-	(18)
Others	-	-	-	-	-
As of December 31, 2022	$30	$34,114	$246	$-	$34,390
As of January 1, 2021	$38	$29,399	$473	$-	$29,910
Amortization	10	2,841	25	-	2,876
Disposals	(28)	(703)	(139)	-	(870)
Exchange differences	-	(102)	-	-	(102)
Others	-	-	-	-	-
As of December 31, 2021	$20	$31,435	$359	$-	$31,814
Net carrying amount as of:					
December 31, 2022	$72	$11,125	$44	$135,318	$146,559
December 31, 2021	$82	$4,546	$65	$135,318	$140,011

Amortization expense of intangible assets were stated as follows:

	For the years ended December 31,	
	2022	2021
Operating costs	$223	$235
Operating expenses	2,999	2,641
Total	$3,222	$2,876

(12) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to one cash-generating unit for impairment testing as follows:

	As of December 31,	
	2022	2021
Prodigit Eletronics Co., Ltd. and its subsidiaries	$135,318	$135,318

<u>Prodigit Eletronics Co., Ltd. and its subsidiaries cash-generating unit</u>

The recoverable amount of Prodigit Eletronics Co., Ltd. and its subsidiaries cash-generating unit was NT$610,276 and NT$759,267 thousand as of December 31, 2022 and 2021, respectively. This recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 11.01% (2021: 11.02%) and cash flows beyond the five-year period are extrapolated using a 3.00% growth rate (2021: 3.30%) that is the same as the long-term average growth rate of related industry. As a result of the updated analysis, management considered that there was no impairment for goodwill of NT$135,318 thousand which is allocated to this cash-generating unit.

<u>Key assumptions used in value-in-use calculations</u>

The following assumptions were the most sensitive in the calculation of value-in-use for Prodigit Eletronics Co., Ltd. and its subsidiaries:

(a) Gross margin
(b) Discount rates
(c) Growth rate used to extrapolate cash flows beyond the budget period.

Gross margin – Gross margin is estimated based on the gross margin of the most recent year of the financial budget period and taking into consideration the future market trends.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Group has obligation to settle.

Growth rate estimates – Rates are based on historical experience and has been adjusted considering the overall economic environment.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, management believes that no reasonably possible change exited in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(13) Other non-current assets

	As of December 31,	
	2022	2021
Prepayment for equipment	$1,301	$779
Refundable deposits	7,586	9,004
Other financial assets - non-current	1,880	1,865
Total	$10,767	$11,648

(14) Short-term loans

	Interest	As of December 31,	
	Rates (%)	2022	2021
Unsecured bank loans	0.52%~1.82%	$241,520	$154,080
Secured bank loans	0.58%~1.53%	154,608	16,695
Total		$396,128	$170,775

The Group's unused short-term lines of credits amounted to NT$1,104,632 thousand, and NT$1,249,955 thousand, as of December 31, 2022 and 2021, respectively.

Please refer to Note 7 for more details as security for short-term loans provided by related parties.

Please refer to Note 8 for more details on property, plant and equipment and notes receivable pledged as security for short-term loans.

(15) Other payables

	As of December 31,	
	2022	2021
Accrued expenses	$263,583	$252,457
Other payables	75,538	72,822
Total	$339,121	$325,279

(16) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C.. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have 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$37,770 thousand and NT$29,250 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt 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 and its domestic subsidiaries contribute 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. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries 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 mandation, 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 Group expects to contribute NT$11,388 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

The duration of the defined benefits plan obligation as of December 31, 2022 and 2021 were 2029 to 2031 and 2028 to 2030, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the years ended December 31,	
	2022	2021
Current period service costs	$2,411	$3,009
Net interest on the net defined benefit liabilities (assets)	668	336
Total	$3,079	$3,345

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Defined benefit obligation	$333,910	$362,839	$387,697
Plan assets at fair value	(270,584)	(254,629)	(270,812)
Net defined benefit liabilities	$63,326	$108,210	$116,885

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2021	$387,697	$(270,812)	$116,885
Current period service costs	3,009	-	3,009
Net interest expense (income)	1,142	(806)	336
Subtotal	391,848	(271,618)	120,230
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	7,352	-	7,352
Actuarial gains and losses arising from changes in financial assumptions	(10,097)	-	(10,097)
Experience adjustments	5,977	-	5,977
Return on plan assets	-	(4,089)	(4,089)
Subtotal	395,080	(275,707)	119,373
Contributions by employer	-	(11,163)	(11,163)
Payments from the plan	(32,241)	32,241	-
As at December 31, 2021	362,839	(254,629)	108,210
Current period service costs	2,411	-	2,411
Net interest expense (income)	2,284	(1,616)	668
Subtotal	367,534	(256,245)	111,289
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(12,942)	-	(12,942)
Experience adjustments	(2,928)	-	(2,928)
Return on plan assets	-	(20,633)	(20,633)
Subtotal	351,664	(276,878)	74,786
Contributions by employer	-	(11,328)	(11,328)
Payments from the plan	(17,754)	17,622	(132)
As at December 31, 2022	$333,910	$(270,584)	$63,326

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2022	2021
Discount rate	1.20%~1.26%	0.65~0.67%
Expected rate of salary increases	2.50%	2.50%

A sensitivity analysis for significant assumption as at December 31, 2022 and 2021 is, as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	-	$5,833	-	$7,031
Discount rate decrease by 0.25%	$5,833	-	$7,394	-
Future salary increase by 0.5%	$11,331	-	$13,733	-
Future salary decrease by 0.5%	-	$10,663	-	$12,973

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

The Company’s authorized capital were both NT$1,800,000 thousand as of December 31, 2022 and 2021. The Company’s issued capital were both NT$1,450,472 thousand as of December 31, 2022 and 2021, each at a par value of NT$10. The Company has issued both 145,047 thousand common shares as of December 31, 2022 and 2021. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	$4,051	$4,051
Treasury share transactions	(4)	(4)
Net	$4,047	$4,047

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

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

According to the Company's Articles of Incorporation, current year's net profits if any, shall be distributed in the following order: offset prior years' operation losses (including adjustments to the retained earnings); set aside 10% of the remaining amount as legal reserve, unless where such legal reserve amounts to the total paid-in capital. then set aside or reverse special reserve as required by law or the competent authority. The remaining net profits, if any, together with the retained earnings at the beginning of year (including adjustments to the retained earnings), are considered accumulated distributable earnings to the shareholders where the Board of Directors shall be authorized by the Company's Articles of Incorporation to resolve on the distribution proposal and report to the most recent shareholders' meeting.

In order to maintain the return on investment of shareholders, the ratio of cash dividends and stock dividends distributed by the Company is determined based on the current year's profit and the Company's capital planning, as well as the interest of the shareholders. Accordingly, cash dividends shall not be less than 10% of the total dividends.

The Articles of Incorporation to authorize the distributable dividends and bonuses in whole or in part are paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution is submitted to the shareholders' meeting.

When the Company has no deficit, the Board of Directors is authorised to distribute in cash all or part of the legal reserve (for the part that exceeds 25% of paid-in capital) and capital surplus if it meets the requirements under the Company Act through a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors which shall be reported to the most recent shareholders meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve 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.

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, 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 in the first-time adoption of the 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.

On March 31 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, 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 the proportion of the special reserve first appropriated and distribute it.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on February 23, 2023 and May 27, 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2022	2021	2022	2021
Legal reserve	$43,369	$29,027		
Special reserve	14,110	11,077		
Cash dividend of common stock (Note)	290,095	217,571	$2.0	$1.5
Total	$347,574	$257,675		

Note: The Board of Directors, as authorized by the Company's Articles of Incorporation, has specifically resolved to approve the cash distributions for 2022 and 2021 on February 23, 2023 and February 25, 2022, respectively.

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

(18) Operating revenues

	For the years ended December 31,	
Revenue from contracts with customers	2022	2021
Sale of goods	$2,822,981	$2,557,636
Revenue arising from rendering of services	54,729	46,256
Other operating revenue	7,875	5,270
Total	$2,885,585	$2,609,162

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

Disaggregation of revenue

	For the years ended December 31,	
	2022	2021
Sale of goods	$2,822,981	$2,557,636
Rendering of services	54,729	46,256
Other operating revenue	7,875	5,270
Total	$2,885,585	$2,609,162
Timing of revenue recognition:		
At a point in time	$2,885,585	$2,609,162

(a) Contract balances

A. Contract liabilities - current

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Sale of goods	$62,374	$33,019	$40,394

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

	For the years ended December 31,	
	2022	2021
The opening balance transferred to revenue	$30,356	$39,381
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	59,711	32,006

(b) Transaction price allocated to unsatisfied performance obligations

None.

(c) Assets recognized from costs to fulfil a contract

None.

(19) Expected credit losses (gains)

	For the years ended December 31,	
	2022	2021
Operating expenses – Expected credit loss (gain)		
Accounts receivable	$2,219	$(3,199)

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

The credit risk for the Group’s financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount of NT$0 thousand equal to 12-month expected credit losses (loss ratio of 0 %).

The Group measures the loss allowance of its accounts receivables (including note receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group’s loss allowance is as follows:

The Group considers the grouping of 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 of December 31, 2022

	Not yet due (note)	Overdue <=60 days	61-90 days	91-180 days	181-360 days	>=361 days	Total
Gross carrying amount	$649,629	$133,396	$10,779	$19,494	$942	$3,606	$817,846
Loss rate	-%	-%	-%	2.59%	49.44%	100%	
Lifetime expected credit losses	-	-	-	(506)	(466)	(3,606)	(4,578)
Carrying amount	$649,629	$133,396	$10,779	$18,988	$476	$-	$813,268

As of December 31, 2021

	Not yet due (note)	Overdue <=60 days	61-90 days	91-180 days	181-360 days	>=361 days	Total
Gross carrying amount	$550,940	$132,218	$5,575	$15,027	$6,026	$21,835	$731,621
Loss rate	0.02%	0.02%	0.18%	10.93%	18.69%	100%	
Lifetime expected credit losses	(108)	(20)	(10)	(1,185)	(1,584)	(21,835)	(24,742)
Carrying amount	$550,832	$132,198	$5,565	$13,842	$4,442	$-	$706,879

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of note receivable, accounts receivables and accounts receivable from installment sales during the years ended December 31, 2022 and 2021 is as follows:

	Notes receivable	Accounts receivable	Accounts receivable from installment sales	Total
Bal. as of January 1, 2022	$116	$24,626	$-	$24,742
Addition (reversal) for the current period	(116)	2,335	-	2,219
Write off	-	(22,388)	-	(22,388)
Exchange differences	-	5	-	5
Bal. as of December 31, 2022	$-	$4,578	$-	$4,578
Bal. as of January 1, 2021	$96	$27,943	$-	$28,039
Addition (reversal) for the current period	20	(3,219)	-	(3,199)
Write off	-	(78)	-	(78)
Exchange differences	-	(20)	-	(20)
Bal. as of December 31, 2021	$116	$24,626	$-	$24,742

(20) Leases

(a) Group as a lessee

The Group leases various properties, including real estate such as land, buildings and transportation equipment. The lease terms range from 1 to 5 years and no renewal right. There are no restrictions placed upon the Group by entering into these leases.

The Group lease various properties, including real estate such as land, and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2022	2021
Land	$9,723	$9,927
Buildings	15,972	11,550
Transportation equipment	3,038	2,052
Total	$28,733	$23,529

During the years ended December 31, 2022 and 2021, the Group's additions to right-of-use assets amounting to NT$19,972 thousand and NT$12,097 thousand, respectively.

b. Lease liabilities

	As of December 31,	
	2022	2021
Current	$10,801	$9,107
Non-current	8,490	4,894
Lease liabilities	$19,291	$14,001

Please refer to Note 6.22(3) for the interest on lease liabilities recognized during the years ended December 31, 2022 and 2021 and refer to Note 12.(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Land	$343	$337
Buildings	11,831	13,045
Transportation equipment	1,305	1,633
Total	$13,479	$15,015

C. Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expenses relating to short-term leases	$4,471	$4,443

D. Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Group's total cash outflows for leases amounting to NT$17,980 thousand and NT$19,456 thousand, respectively.

(b) Group as a lessor

Please refer to Note 6(10) for details on the Group's owned investment properties and investment properties held by the Group as right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$9,830	$20,469

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2022 and 2021 are as follows:

	As of December 31,	
	2022	2021
Not later than one year	$24,907	$23,664
Later than one year but not later than two years	15,626	14,489
Later than two years but not later than three years	14,193	5,784
Later than three years but not later than four years	11,784	4,155
Later than four years but not later than five years	53,975	2,656
Total	$120,485	$50,748

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

By function / By feature	For the years ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$154,932	$563,577	$718,509	$145,233	$549,819	$695,052
Labor and health insurance	13,054	41,952	55,006	12,639	48,575	61,214
Pension	10,069	30,780	40,849	9,211	23,384	32,595
Directors' remuneration	-	37,960	37,960	-	26,470	26,470
Other employee benefits expense	6,576	11,506	18,082	6,297	10,741	17,038
Depreciation	26,709	52,973	79,682	25,737	53,378	79,115
Amortization	223	2,999	3,222	235	2,641	2,876

According to the Articles of Incorporation on the employees' and directors' compensation, 3%-15% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. 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 the profit for the year ended December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors for the range of multipliers specified in the Articles of Incorporation. Employees' compensation and remuneration to directors for the year ended December 31, 2022 amount to NT$39,566 thousand and NT$10,551 thousand, respectively, recognized as salary expenses. A resolution was passed at a Board of Directors meeting held on February 23, 2023 to distribute NT$37,230 thousand and NT$10,637 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively. The differences between the estimated amount and the actual amount determined by the Board of Directors were recognized in profit or loss of the subsequent year.

A resolution was passed at a Board of Directors meeting held on February 25, 2022 to distribute NT$27,953 thousand and NT$8,176 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2021, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021.

(22) Non-operating income and expenses

(a) Other income

	For the years ended December 31,	
	2022	2021
Rental income	$37,384	$41,010
Interest income		
Financial assets measured at amortized cost	3,251	4,722
Dividend income	1,144	862
Others	8,351	10,412
Total	$50,130	$57,006

(b) Other gains and losses

	For the years ended December 31,	
	2022	2021
Foreign exchange gains (losses), net	$18,193	$(29,532)
Gain (loss) on disposal of property, plant and equipment	(20)	(15)
Gain on disposal of investment property	16,952	-
Gain on financial assets at fair value through profit and loss (Note)	276	276
Gain on lease modification	7	-
Gain on disposal of investments	-	2,960
Other gains and losses	(424)	(1,189)
Total	$34,984	$(27,500)

Note: Balance was arising from financial assets mandatorily measured at fair value through profit or loss, including dividend income.

(c) Finance costs

	For the years ended December 31,	
	2022	2021
Interest on borrowings from bank	$3,402	$3,274
Interest on lease liabilities	376	443
Total	$3,778	$3,717

(23) Components of other comprehensive (loss) income

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive (loss) income, before tax	Income tax relating to components of other comprehensive (loss) income	Other comprehensive (loss) income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$36,503	$-	$36,503	$(6,539)	$29,964
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income (loss)	(43,724)	-	(43,724)	5,138	(38,586)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	30,595	-	30,595	(6,119)	24,476
Total of other comprehensive (loss) income	$23,374	$-	$23,374	$(7,520)	$15,854

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive (loss) income, before tax	Income tax relating to components of other comprehensive (loss) income	Other comprehensive (loss) income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$857	$-	$857	$(124)	$733
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income (loss)	16,006	-	16,006	(3,066)	12,940
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(30,021)	-	(30,021)	6,004	(24,017)
Total of other comprehensive (loss) income	$(13,158)	$-	$(13,158)	$2,814	$(10,344)

(24) Income tax

The major components of income tax expense (income) for the years ended December 31, 2022 and 2021 are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$76,667	$60,869
Current income tax paid	32,371	23,467
Adjustments in respect of current income tax of prior periods	(2,885)	(5,363)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	20,392	36,341
Total income tax expense	$126,545	$115,314

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2022	2021
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$6,539	$124
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income (loss)	(5,138)	3,066
Exchange differences resulting from translating the financial statements of foreign operations	6,119	(6,004)
Income tax relating to components of other comprehensive income (loss)	$7,520	$(2,814)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	$530,269	$404,851
Tax at the domestic rates applicable to profits in the country concerned	$148,835	$113,493
Tax effect of revenues exempt from taxation	(16,193)	18,697
Tax effect of expenses not deductible for tax purposes	11,311	1,846
Tax effect of deferred tax assets/liabilities	(2,072)	-
Corporate income surtax on undistributed retained earnings	209	485
Other income tax effects adjusted in accordance with the Tax Act	(2,885)	(5,363)
Others	(12,660)	(13,844)
Total income tax expense recognized in profit or loss	$126,545	$115,314

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income (loss)	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as of December 31, 2022
Temporary differences						
Unrealized allowance for bad debt	$4,199	$517	$-	$-	$-	$4,716
Unrealized loss due to market price decline of inventories	9,537	7,753	-	-	-	17,290
Investments accounted for using the equity method	(44,653)	(22,593)	-	-	-	(67,246)
Unrealized intragroup profits and losses	18,806	-	-	-	-	18,806
Fair value adjustments arising in business combinations	(4,713)	-	-	-	-	(4,713)
Employee benefits	2,757	-	-	-	-	2,757
Unrealized gain on foreign exchange	(104)	(1,040)	-	-	-	(1,144)
Unrealized loss on foreign exchange	1,833	(1,641)	-	-	-	192
Exchange differences resulting from translating the financial statements of foreign operations	14,593	-	(6,119)	-	-	8,474
Valuations of financial assets at fair value through profit or loss	400	-	-	-	-	400
Net defined benefit liability, non-current	19,888	(1,263)	(6,539)	-	-	12,086
Others	4,931	(2,125)	5,138	-	-	7,944
Deferred tax income/ (expense)		$(20,392)	$(7,520)	$-	$-	
Net deferred tax assets/(liabilities)	$27,474					$(438)
Reflected in balance sheet as follows:						
Deferred tax assets	$76,944					$72,665
Deferred tax liabilities	$(49,470)					$(73,103)

For the years ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income (loss)	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as of December 31, 2021
Temporary differences						
Unrealized allowance for bad debt	$4,900	$(701)	$-	$-	$-	$4,199
Unrealized loss due to market price decline of inventories	12,883	(3,346)	-	-	-	9,537
Investments accounted for using the equity method	(15,180)	(29,473)	-	-	-	(44,653)
Unrealized intragroup profits and losses	18,806	-	-	-	-	18,806
Fair value adjustments arising in business combinations	(4,713)	-	-	-	-	(4,713)
Employee benefits	3,431	(674)	-	-	-	2,757
Unrealized gain on foreign exchange	(53)	(51)	-	-	-	(104)
Unrealized loss on foreign exchange	1,394	439	-	-	-	1,833
Exchange differences resulting from translating the financial statements of foreign operations	8,589	-	6,004	-	-	14,593
Valuations of financial assets at fair value through profit or loss	400	-	-	-	-	400
Net defined benefit liabilities, non-current	21,177	(1,165)	(124)	-	-	19,888
Others	9,367	(1,370)	(3,066)	-	-	4,931
Deferred tax income/ (expense)		$(36,341)	$2,814	$-	$-	
Net deferred tax assets/(liabilities)	$61,001					$27,474
Reflected in balance sheet as follows:						
Deferred tax assets	$80,947					$76,944
Deferred tax liabilities	$(19,946)					$(49,470)

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets have not been recognized amounting to NT$15,404 thousand and NT$16,744 thousand, respectively.

The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
Subsidiary- Prodigit Eelectronics Co., Ltd.	Assessed and approved up to 2020

(25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary 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 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.

	For the years ended December 31,	
	2022	2021
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$403,724	$289,537
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	145,047	145,047
Basic earnings per share (NT$)	$2.78	$2.00
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$403,724	$289,537
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$403,724	$289,537
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	145,047	145,047
Effect of dilution:		
Employee compensation－stock (in thousands)	1,604	1,158
Weighted average number of ordinary shares outstanding after dilution (in thousands)	146,651	146,205
Diluted earnings per share (NT$)	$2.75	$1.98

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Meicon Eletronics Ind. Co., Ltd. ("Meicon")	The Chairman of Meicon is the second degree of consanguinity of the Chairman of the Company
G & H Electronics Co., Ltd. ("G & H")	The Chairman of G & H is the second degree of consanguinity of the General Manager of the Company
Denkei Technology R&D (Shanghai) Co., Ltd. (Note)	Associate

Note: Denkei Technology R&D (Shanghai) Co., Ltd. was no longer a related party of the group since August 11, 2021.

Significant transactions with the related parties

(a) Sales

	For the years ended December 31,	
	2022	2021
Other related parties	$27	$-

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for sales to related parties was 60 days after sales, which were not significantly different from those of sales to third parties. The outstanding balance as at December 31, 2022 and 2021 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchases

	For the years ended December 31,	
	2022	2021
Other related parties	$9,309	$6,672

The purchase price from the related parties was based on approximate 10% markup of its cost. The purchases from the G & H Electronics Co., Ltd. are comparable with third party suppliers, no comparable information from third party suppliers is available for the others. The payment terms from the related party suppliers are comparable with third party suppliers and are between 1-2 months.

(c) Rental income

	For the years ended December 31,	
	2022	2021
Associate	$-	$609

The rent price to the above related parties ware based on the market rates, which were not significantly different from third parties. The collection period for rents to related parties was on a quarterly basis, which were not significantly different from third parties.

(d) Other income

	For the years ended December 31,	
	2022	2021
Associate	$-	$297

(e) Accounts payable-related parties

	As of December 31,	
	2022	2021
Other related parties	$4,977	$3,011

(f) As of December 31, 2022 and 2021, the Company's endorsement and guarantee for its subsidiaries were eliminated upon consolidation. Please refer to Attachment 2.

(g) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	$28,689	$24,538
Post-employment benefits	368	354
Total	$29,057	$24,892

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

	Carrying amount		
Items	December 31, 2022	December 31, 2021	Secured liabilities
Property, plant and equipment - land and buildings	$581,290	$584,498	Short-term loans
Investment property-land and buildings	-	11,006	Short-term loans
Financial assets measured at amortized cost-current	2,890	3,140	Guarantees
Notes receivable	84,596	68,778	Short-term loans
Total	$668,776	$667,422	

9. Significant contingencies and unrecognized contractual commitments

(1) As of December 31, 2022, the Company's guarantee notes issued for operation and financing were NT$1,526,660 thousand.

(2) The Company provided endorsement and guarantee for its subsidiary, Texio Technology Corp., at the amount of JPY480,000 thousand to the lending bank. Please refer to Attachment 2.

(3) The Company provided endorsement and guarantee for its subsidiary, Good Will Instrument Euro B.V., at the amount of EUR 11 thousand to the lending bank. Please refer to Attachment 2.

10. Losses due to major disasters

None.

11. Significant subsequent events

On February 22, 2023, the Board of Directors of Prodigit Electronics Co., Ltd., a subsidiary of the Company, resolved to liquidate Prodigit Electronics Co., Limited (Hong Kong).

12. Other

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$2,189	$30,269
Financial assets at fair value through other comprehensive income	99,088	140,547
Financial assets measured at amortized cost		
Cash and cash equivalents	585,257	441,015
Financial assets measured at amortized cost	27,418	32,038
Notes receivable	194,383	173,788
Accounts receivable	618,885	533,091
Other receivables	4,801	5,010
Refundable deposits	7,586	9,004
Subtotal	1,438,330	1,193,946
Total	$1,539,607	$1,364,762

Financial liabilities	As of December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Short-term loans	$396,128	$170,775
Notes payable	12,560	10,857
Accounts payable	282,354	269,285
Other payables	339,121	325,279
Guarantee deposits	12,798	12,779
Lease liabilities (including current and non-current)	19,291	14,001
Total	$1,062,252	$802,976

(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 activates. The Group identifies measures and manages the aforementioned risks based on the Group's 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 of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is 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 the risk of changes in foreign exchange rates 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 subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for US dollars, JPY and RMB. The information of the sensitivity analysis is as follows:

(a) When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2022 and 2021 is decreased/increased by NT$3,522 thousand and NT$2,103 thousand, respectively.
(b) When NTD strengthens/weakens against foreign currency JPY by 1%, the profit for the years ended December 31, 2022 and 2021 is decreased/increased by NT$1,453 thousand and NT$1,344 thousand, respectively.
(c) When NTD strengthens/weakens against foreign currency RMB by 1%, the profit for the years ended December 31, 2022 and 2021 is decreased/increased by NT$3,791 thousand and NT$2,547 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 Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to decrease/increase by NT$393 thousand and NT$139 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 unlisted equity securities are classified under 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 companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$255 thousand and NT$230 thousand on the equity attributable to the Group for the years ended December 31, 2022 and 2021, respectively.

Please refer to Note 12.(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2022 and 2021, the top ten clients for accounts receivable accounted for 24% and 25% of the total accounts receivables of the Group, respectively. The credit concentration risk of accounts receivables was insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for contract assets and accounts 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. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates. The details of the assessment for the credit risk of the Group are described as follows:

Level of credit risk	Indicator	Loss percentage	Measurement method for expected credit losses	Total carrying amount as of December 31, 2022	Total carrying amount as of December 31, 2021
Low credit risk	Counter parties with good credit rating	0%	12-month expected credit losses	$27,418	$32,038
Simplified approach (Note)	(Note)	0~100%	Lifetime expected credit losses	817,846	731,621

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including notes and accounts receivable.

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's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. 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.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2022					
Short-term loans	$397,830	$-	$-	$-	$397,830
Lease liabilities	10,903	7,811	590	-	19,304
Notes payable	12,560	-	-	-	12,560
Accounts payable	282,354	-	-	-	282,354
Other payables	339,121	-	-	-	339,121
Guarantee deposits	12,798	-	-	-	12,798

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Short-term loans	$171,455	$-	$-	$-	$171,455
Lease liabilities	10,229	4,679	142	-	15,050
Notes payable	10,857	-	-	-	10,857
Accounts payable	269,285	-	-	-	269,285
Other payables	325,279	-	-	-	325,279
Guarantee deposits	12,779	-	-	-	12,779

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term loans	Leases liabilities	Long-term loans	Guarantee deposits	Total liabilities from financing activities
As of January 1, 2022	$170,775	$14,001	$-	$12,779	$197,555
Cash flows	226,960	(13,509)	-	19	213,470
Non-cash changes	-	18,789	-	-	18,789
Exchange differences	(1,607)	10	-	-	(1,597)
As of December 31, 2022	$396,128	$19,291	$-	$12,798	$428,217

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term loans	Leases liabilities	Long-term loans	Guarantee deposits	Total liabilities from financing activities
As of January 1, 2021	$303,719	$17,877	$292,502	$13,079	$627,177
Cash flows	(123,280)	(15,013)	(292,502)	(300)	(431,095)
Non-cash changes	-	12,383	-	-	12,383
Exchange differences	(9,664)	(1,246)	-	-	(10,910)
As of December 31, 2021	$170,775	$14,001	$-	$12,779	$197,555

(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, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
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 (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting 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).

(b) Fair value of financial instruments measured at amortized cost

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

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset 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, the amount includes the contractual interest

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.

(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 of December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Financial assets at fair value through profit or loss				
Stocks	$-	$-	$2,189	$2,189
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	25,525	-	73,563	99,088

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Financial assets at fair value through profit or loss				
Financing products	$-	$-	$28,080	$28,080
Stocks	-	-	2,189	2,189
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	23,007	-	117,540	140,547

Transfers between Level 1 and Level 2 during the period

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

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

	Assets			
	Measured at fair value through profit or loss		Measured at fair value through other comprehensive income	
	Stocks	Financing products	Stocks	Total
Beginning balances as of January 1, 2022	$2,189	$28,080	$117,540	$147,809
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	(45,713)	(45,713)
Acquisition	-	26,100	-	26,100
Reclassification	-	-	-	-
Disposal	-	(54,375)	-	(54,375)
Exchange differences	-	195	1,736	1,931
Ending balances as of December 31, 2022	$2,189	$-	$73,563	$75,752

	Assets			
	Measured at fair value through profit or loss		Measured at fair value through other comprehensive income	
	Stocks	Financing products	Stocks	Total
Beginning balances as of January 1, 2021	$2,189	$97,227	$-	$99,416
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	7,902	7,902
Acquisition	-	129,300	-	129,300
Reclassification	-	-	109,623	109,623
Disposal	-	(197,618)	-	(197,618)
Exchange differences	-	(829)	15	(814)
Ending balances as of December 31, 2021	$2,189	$28,080	$117,540	$147,809

Information on significant unobservable inputs to valuation in Level 3 of the fair value 81ierarchy

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 of 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:					
Measured at fair value through profit or loss					
Stocks	Market approach	P/E ratio of similar entities	-	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	1% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's profit or loss by NT$22 thousand
Measured at fair value through other comprehensive income					
Stocks	Market approach	P/B ratio of similar entities	-	The higher the P/B ratio of similar entities, the higher the fair value of the stocks	1% increase (decrease) in the P/B ratio of similar entities would result in increase (decrease) in the Group's equity by NT$74 thousand

As of 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:					
Financing products	Market approach	Financing product pricing	-	-	Due to financing products is a monetary transaction, its value equals to its fair value.
Measured at fair value through profit or loss					
Stocks	Market approach	P/E ratio of similar entities	-	The higher the P/E ratio of similar entities, the higher the fair value of the stocks	1% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's profit or loss by NT$22 thousand
Measured at fair value through other comprehensive income					
Stocks	Market approach	P/B ratio of similar entities	-	The higher the P/B ratio of similar entities, the higher the fair value of the stocks	1% increase (decrease) in the P/B ratio of similar entities would result in increase (decrease) in the Group's equity by NT$118 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's finance department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Investment property (please refer to Note 6.(10))	$-	$-	$453,632	$453,632

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets did not measure at fair value but for which the fair value was disclosed:				
Investment property (please refer to Note 6.(10))	$-	$-	$471,815	$471,815

(9) Significant assets and liabilities denominated in foreign currencies

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

Unit : thousands of foreign currency

	As of December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$12,655	30.66	388,004
JPY	1,046,724	0.2304	241,165
RMB	114,694	4.38	502,358

	As of December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD
Financial liabilities			
Monetary items:			
USD	1,166	30.66	35,762
JPY	415,935	0.2304	95,831
RMB	28,142	4.38	123,261

Unit : thousands of foreign currency

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$9,153	27.63	$252,894
JPY	962,173	0.2385	229,478
RMB	85,609	4.32	369,830
Financial liabilities			
Monetary items:			
USD	1,540	27.63	42,549
JPY	398,689	0.2385	95,087
RMB	26,654	4.32	115,143

Since there were various functional currencies used within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange gains was NT$18,193 thousand and NT$(29,532) thousand for the years ended December 31, 2022 and 2021, respectively.

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

(10) 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 in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of 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 at significant transactions

A. Financing provided to others: Please refer to Attachment 1.
B. Endorsement/guarantee provided to others: Please refer to Attachment 2.
C. Securities held at the end of the period: Please refer to Attachment 3.
D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock or more: Please refer to Attachment 5.
I. Financial instruments and derivative transactions: None.
J. Other: Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them: Please refer to Attachment 8.

(2) Information on investees

A. Of the investee company directly or indirectly has significant influence control over, their investee companies' information (not including investees in Mainland China): Please refer to Attachment 6.

B. For those who directly or indirectly pose significant influence or control over the investee company, please disclose the following:

a. Financing provided to others: None.
b. Endorsement/guarantee provided to others: None.
c. Securities held at the end of the period: Please refer to Attachment 3.
d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
e. Acquisition of real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
f. Disposal of real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please refer to Attachment 5.
i. Financial instruments and derivative transactions: None.

(3) Information on investment in Mainland China

A. Investee company name, main businesses and products, total amount of paid-in capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income or loss, carrying amount of the investments cumulated, inward remittance of earnings and limit on investments in Mainland China: Please refer to Attachment 7.

B. Directly or indirectly significant transactions through other regions with the investees in Mainland China, including price, payment terms and unrealized gain or loss with significant effects on the operating results and financial condition are disclosed as follows (eliminated upon consolidation):

a. Accumulated amount and percentage of purchase and related payables at the end of the period:

The transactions have been eliminated in the consolidation financial statements.

b. Accumulated amount and percentage of sales and related receivables at the end of the period:

The transactions have been eliminated in the consolidation financial statements.

c. Amount of property transaction and related gain or loss: None.
d. Endorsement/guarantee provided to others at the end of the period: None.
e. Financing provided to others at the end of the period: None.
f. Other significant transactions, such as service provided or received: None.

(4) Information on major shareholders: Please refer to Attachment 9.

14. <u>Segment information</u>

(1) The sales of the Company mainly derived from manufacture and sales for electronic instrument equipment. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.

(2) Geographical information

a. Revenue from external customers

	For the years ended December 31,	
	2022	2021
China	$972,972	$840,670
Japan	408,196	399,875
Taiwan	451,659	445,023
America	307,841	252,812
Europe	350,172	305,257
Other countries	394,745	365,525
Total	$2,885,585	$2,609,162

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

b. Non-current assets

	As of December 31,	
	2022	2021
Taiwan	$924,753	$937,602
China	169,837	184,060
America	36,967	33,956
Korea	26,504	25,863
Japan	19,349	13,113
Netherlands	3,690	1,087
Malaysia	559	775
India	759	782
Total	$1,182,418	$1,197,238

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets and other non-current assets, excluding financial instruments and deferred income tax assets.

(3) Information about major customers

The revenue from single external customer accounts for over 10% net consolidated operating revenue: None.