

Favite, Inc. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

Favite, Inc.

By

CHEN, YUNG-HUA

Chairman

February 24, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Favite, Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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.

Key audit matter for the Company's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Revenue recognition

The Company's revenue is mainly from the sales of automated optical inspection machines, accounting for 86% of the total operating revenue. Please refer to Note 21 for details. As the revenue from the sales of the merchandise to some clients grew significantly, we listed the recognition of the above revenue as a key audit matter.

1. We reviewed the Company's policy on the recognition of the revenue from the sales of automated optical inspection machines to confirm and evaluate if the relevant internal control measures during sales were effective.
2. We randomly checked the sales details and examined the contracts, external orders, delivery orders, shipping documents, and sales invoices; and learned about the clients' relevant industry backgrounds to confirm the authenticity of the revenue.

Other Matter

We have also audited the parent company only financial statements of Favite, Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company 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 the consolidated financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Su-Li Fang and Tung-Hui Yeh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

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

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

Favite, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021		LIABILITIES AND EQUITY	2022		2021	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6, and 27)	\$ 748,967	36	\$ 818,534	37	Short-term borrowings (Notes 15, 27, and 29)	\$ 150,000	7	\$ 120,000	6
Contract assets - current (Notes 21 and 28)	169,992	8	183,909	8	Financial liabilities at fair value through profit or loss - current (Notes 4, 7, and 27)	-	-	372	-
Notes and trade receivables (Notes 4, 8, 21, and 27)	438,726	21	326,937	15	Contract liabilities - current (Note 21)	4,518	-	191,441	9
Trade receivables from related parties (Notes 4, 8, 21, 27, and 28)	-	-	4,619	-	Trade payables (Note 16 and 27)	105,368	5	360,819	16
Current tax assets (Notes 4 and 23)	134	-	321	-	Trade payables to related parties (Notes 16, 27, and 28)	-	-	7,835	-
Inventories (Notes 4 and 9)	181,199	9	292,129	13	Payable to employees compensation and remuneration of directors and supervisors (Note 22)	45,304	2	9,188	-
Other financial assets - current (Notes 14, 27, and 29)	23,194	1	33,923	2	Other payables (Note 17 and 27)	129,565	6	131,837	6
Other current assets (Note 14 and 27)	<u>20,414</u>	<u>1</u>	<u>55,837</u>	<u>3</u>	Current tax liabilities (Notes 4 and 23)	49,004	3	-	-
Total current assets	<u>1,582,626</u>	<u>76</u>	<u>1,716,209</u>	<u>78</u>	Provisions - current (Notes 4 and 18)	69,393	4	57,984	3
NON-CURRENT ASSETS					Lease liabilities - current (Notes 4, 12, and 27)	2,081	-	2,213	-
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 27)	2,440	-	4,034	-	Current portion of long-term borrowings (Notes 15, 27, and 29)	252,588	12	42,588	2
Property, plant and equipment (Notes 4, 11, and 29)	420,204	20	416,788	19	Other current liabilities (Note 17)	<u>5,140</u>	<u>-</u>	<u>4,665</u>	<u>-</u>
Right-of-use assets (Notes 4 and 12)	4,710	-	5,986	-	Total current liabilities	<u>812,961</u>	<u>39</u>	<u>928,942</u>	<u>42</u>
Intangible assets (Notes 4 and 13)	10,436	1	2,912	-	NON-CURRENT LIABILITIES				
Deferred tax assets (Notes 4 and 23)	57,188	3	57,188	3	Long-term borrowings (Notes 15, 27, and 29)	43,028	2	295,616	14
Other non-current assets (Note 14 and 27)	<u>1,124</u>	<u>-</u>	<u>1,647</u>	<u>-</u>	Lease liabilities - non-current (Notes 4, 12, and 27)	2,728	-	3,808	-
Total non-current assets	<u>496,102</u>	<u>24</u>	<u>488,555</u>	<u>22</u>	Net defined benefit liability - non-current (Notes 4 and 19)	4,078	1	4,905	-
					Guarantee deposits received (Notes 27)	<u>306</u>	<u>-</u>	<u>306</u>	<u>-</u>
					Total non-current liabilities	<u>50,140</u>	<u>3</u>	<u>304,635</u>	<u>14</u>
					Total liabilities	<u>863,101</u>	<u>42</u>	<u>1,233,577</u>	<u>56</u>
					EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
					Share capital				
					Ordinary share	790,523	38	790,523	36
					Capital surplus	98,490	4	98,490	4
					Retained earnings				
					Legal reserve	24,610	1	18,244	1
					Special reserve	5,045	-	5,318	-
					Unappropriated earnings	301,509	15	63,657	3
					Other equity	(<u>4,550</u>)	<u>-</u>	(<u>5,045</u>)	<u>-</u>
					Total equity	<u>1,215,627</u>	<u>58</u>	<u>971,187</u>	<u>44</u>
TOTAL	<u>\$ 2,078,728</u>	<u>100</u>	<u>\$ 2,204,764</u>	<u>100</u>	TOTAL	<u>\$ 2,078,728</u>	<u>100</u>	<u>\$ 2,204,764</u>	<u>100</u>

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

Favite, Inc. and Subsidiaries

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21, 28, and 33)	\$ 1,477,429	100	\$ 1,409,254	100
OPERATING COSTS (Notes 9, 19, 22, and 28)	<u>883,696</u>	<u>60</u>	<u>1,016,464</u>	<u>72</u>
GROSS PROFIT	<u>593,733</u>	<u>40</u>	<u>392,790</u>	<u>28</u>
OPERATING EXPENSES (Notes 12, 19, 22, and 28)				
Selling and marketing expenses	39,170	3	42,976	3
General and administrative expenses	96,122	7	66,940	5
Research and development expenses	225,054	15	163,233	12
Expected credit loss (gain) (Notes 8 and 21)	<u>3,385</u>	<u>-</u>	<u>(7,547)</u>	<u>(1)</u>
Total operating expenses	<u>363,731</u>	<u>25</u>	<u>265,602</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>230,002</u>	<u>15</u>	<u>127,188</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Interest income	7,300	1	1,713	-
Other income	1,029	-	11,012	1
Other gains or losses	101,586	7	(31,793)	(2)
Financial costs	<u>(7,616)</u>	<u>(1)</u>	<u>(7,525)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>102,299</u>	<u>7</u>	<u>(26,593)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	\$ 332,301	22	\$ 100,595	7
INCOME TAX EXPENSE (Notes 4 and 23)	<u>49,320</u>	<u>3</u>	<u>3,784</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>282,981</u>	<u>19</u>	<u>96,811</u>	<u>7</u>

(Continued)

Favite, Inc. and Subsidiaries

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	490	-	(132)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations (Notes 4 and 20)	<u>495</u>	<u>-</u>	(<u>203</u>)	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>985</u>	<u>-</u>	(<u>335</u>)	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 283,966</u>	<u>19</u>	<u>\$ 96,476</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 282,981	19	\$ 96,811	7
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 282,981</u>	<u>19</u>	<u>\$ 96,811</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 283,966	19	\$ 96,476	7
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 283,966</u>	<u>19</u>	<u>\$ 96,476</u>	<u>7</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 3.58</u>		<u>\$ 1.22</u>	
Diluted	<u>\$ 3.50</u>		<u>\$ 1.22</u>	

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

(Concluded)

Favite, Inc. and Subsidiaries

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

	Share capital		Capital surplus	Retained earnings			Other Equity	Total Equity
	Share (Thousands)	Amount		Legal Reserve	Special Reserve	(Accumulated Deficit) Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	
BALANCE AT JANUARY 1, 2021	79,052	\$ 790,523	\$ 98,490	\$ 18,244	\$ 5,318	(\$ 33,022)	(\$ 4,842)	\$ 874,711
Net profit for the year ended December 31, 2021	-	-	-	-	-	96,811	-	96,811
Other comprehensive income for the year ended December 31, 2021, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>132</u>)	(<u>203</u>)	(<u>335</u>)
BALANCE AT DECEMBER 31, 2021	79,052	790,523	98,490	18,244	5,318	63,657	(5,045)	971,187
Appropriation of 2021 earnings								
Legal reserve	-	-	-	6,366	-	(6,366)	-	-
Special reserve	-	-	-	-	(273)	273	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(39,526)	-	(39,526)
Net profit for the year ended December 31, 2022	-	-	-	-	-	282,981	-	282,981
Other comprehensive loss for the year ended December 31, 2022, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490</u>	<u>495</u>	<u>985</u>
BALANCE AT DECEMBER 31, 2022	<u>79,052</u>	<u>\$ 790,523</u>	<u>\$ 98,490</u>	<u>\$ 24,610</u>	<u>\$ 5,045</u>	<u>\$ 301,509</u>	(<u>\$ 4,550</u>)	<u>\$ 1,215,627</u>

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

FAVITE, INC. AND ITS SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 332,301	\$ 100,595
Adjustments for:		
Depreciation expense	12,823	12,291
Amortization expense	1,160	1,118
Expected credit loss (gain) on trade receivables	3,385	(7,547)
Net loss on the fair value change of financial assets at fair value through profit or loss	1,222	904
Financial costs	7,616	7,525
Interest income	(7,300)	(1,713)
Loss on disposal of property, plant and equipment	695	-
Lease modification benefit	(6)	(49)
Net (gain) loss on foreign currency exchange	(62,521)	37,389
Provisions	11,409	8,931
Changes in operating assets and liabilities:		
Decrease (increase) in contract assets	13,800	(41,831)
(Increase) decrease in notes and trade receivables	(89,577)	294,613
Decrease in inventories	110,930	11,366
Decrease in other current assets	36,480	31,017
(Decrease) increase in contract liabilities	(186,923)	611
Decrease in trade payables	(263,447)	(58,895)
(Decrease) increase in other payables	(1,820)	49,927
Increase (decrease) in other current liabilities	475	(18,548)
Decrease in net defined benefit liability	(337)	(212)
Increase in payable to employees compensation and remuneration of directors and supervisors	<u>36,116</u>	<u>9,188</u>
Cash (used in) from operations	(43,519)	436,680
Interest received	6,243	1,686
Interest paid	(7,761)	(7,729)
Income tax paid	(<u>129</u>)	(<u>23</u>)
Net cash generated (used in) from operating activities	(<u>45,166</u>)	<u>430,614</u>

(Continued)

Favite, Inc. and Subsidiaries

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

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of property, plant and equipment	(\$ 15,959)	(\$ 4,607)
Proceeds from disposal of property, plant and equipment	167	-
Increase in refundable deposits	(1,194)	(4,324)
Decrease in refundable deposits	1,725	8,805
Payments for intangible assets	(8,684)	(2,772)
Decrease in other financial assets	<u>12,318</u>	<u>18,502</u>
Net cash generated (used in) from investing activities	(<u>11,627</u>)	<u>15,604</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	630,000	580,000
Repayments of short-term borrowings	(600,000)	(813,309)
Repayment of long-term borrowings	(42,588)	(30,293)
Repayment of the principal portion of lease liabilities	(2,111)	(2,203)
Dividends paid to owners of the Company	(<u>39,526</u>)	<u>-</u>
Net cash used in financing activities	(<u>54,225</u>)	(<u>265,805</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>41,451</u>	(<u>7,233</u>)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(69,567)	173,180
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>818,534</u>	<u>645,354</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 748,967</u>	<u>\$ 818,534</u>

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

(Concluded)

Favite, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Favite, Inc. was established on March 10, 2000 with the approval of the Ministry of Economic Affairs. It mainly engages in the manufacturing of general instruments, precision instruments, and controlled telecommunication radio-frequency devices and the sales of information software services. The Company's shares have been listed on the Taiwan Stock Exchange since January 31, 2008.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on February 24, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of Favite, Inc. and entities controlled by Favite, Inc. (collectively, the "Company"):

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

Except for the above impact, as of the date, the accompanying consolidated financial statements were authorized for issue. The Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of Preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10, Table 3 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies that are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

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

Except for freehold land, which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement types

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

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

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

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

- i). Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii). Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets and contract assets

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

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

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

For internal credit risk management purposes, the Company considers the following situations as an indication that a financial asset is in default:

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

Except in the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Warranties

Provisions for the expected cost of warranty obligations under the sales agreements are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Advance sales receipts would be recognized as contract liabilities before the Company satisfies its performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from the sales of automated optical inspection machines. As the terms for automated optical inspection machines depend on each agreement, when a client has confirmed that the merchandise meets the specifications agreed in the agreement when it arrives at the location designated by the client or when it is shipped out, the client has the ability to lead the use of the merchandise and obtain almost all the remaining profit of the merchandise, at which the Company recognized the merchandise in revenue and contract assets and reclassifies it to accounts receivable after fulfilling the remaining obligations.

m. Leases

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

1) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheet.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments, which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. The Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans, except that rereasurement is recognized in profit or loss.

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of COVID-19 in Taiwan and its economic implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 377	\$ 131
Checking accounts and demand deposits	100,248	79,938
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	450,761	406,189
Repurchase agreements collateralized by bonds		
	<u>197,581</u>	<u>332,276</u>
	<u>\$ 748,967</u>	<u>\$ 818,534</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2022	2021
Bank balance	0.001%~5.05%	0.001%~2.52%
Repurchase agreements collateralized by bonds	0.600%~3.90%	0.225%~0.40%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 2,440</u>	<u>\$ 4,034</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
- Interest rate swap contracts (a)	<u>\$ -</u>	<u>\$ 372</u>

- a. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

December 31, 2021

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	USD/NTD	2022.07.01	US\$3,000/NT\$83,385

8. NOTES AND TRADE RECEIVABLES, NET

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>-</u>	\$ <u>133</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount - non-related parties	546,797	439,682
Gross carrying amount - related parties	-	4,619
Less: Allowance for impairment loss	(<u>108,071</u>)	(<u>112,878</u>)
	\$ <u>438,726</u>	\$ <u>331,423</u>

The Company's average credit period for the sales of RFID Tags and Readers is 30 to 90 days after the end of each month. The payment collection policy for the sales of automated optical inspection machines is that the Company charges 70% to 90% of the payment after the machines are installed and collect the remaining payment after acceptance is completed. The average credit period is about 30 to 120 days after the end of each month.

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, the economic condition of the industry in which the customer operates, as well as the industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on the aging of trade receivable is not further distinguished according to the Company's different customer base.

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

The Company's current credit risk grading framework is shown in the following table:

December 31, 2022

	1-90 days	91-180 days	181-365 days	366-730 days	731 or more	Total
Gross carrying amount	\$ 203,260	\$ 45,336	\$ 128,313	\$ 105,081	\$ 64,807	\$ 546,797
ECLs	-	-	(<u>31,305</u>)	(<u>21,671</u>)	(<u>55,095</u>)	(<u>108,071</u>)
Amortized cost	\$ <u>203,260</u>	\$ <u>45,336</u>	\$ <u>97,008</u>	\$ <u>83,410</u>	\$ <u>9,712</u>	\$ <u>438,726</u>

December 31, 2021

	<u>1–90 days</u>	<u>91–180 days</u>	<u>181–365 days</u>	<u>366–730 days</u>	<u>731 or more</u>	<u>Total</u>
Gross carrying amount	\$ 73,479	\$ 20,050	\$ 63,795	\$ 85,023	\$ 201,954	\$ 444,301
ECLs	<u>-</u>	<u>-</u>	<u>(11,838)</u>	<u>(10,006)</u>	<u>(91,034)</u>	<u>(112,878)</u>
Amortized cost	<u>\$ 73,479</u>	<u>\$ 20,050</u>	<u>\$ 51,957</u>	<u>\$ 75,017</u>	<u>\$ 110,920</u>	<u>\$ 331,423</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 112,878	\$ 112,133
Add: Net remeasurement of loss allowance	-	745
Less: Net remeasurement of loss allowance	(4,807)	-
Balance at December 31	<u>\$ 108,071</u>	<u>\$ 112,878</u>

9. INVENTORIES

	December 31	
	2022	2021
Finished goods	\$ 151	\$ 38,972
Work in progress	112,651	175,344
Raw materials	<u>68,397</u>	<u>77,813</u>
	<u>\$ 181,199</u>	<u>\$ 292,129</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 were \$883,696 thousand and \$1,016,464 thousand, respectively.

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	2021
Loss on the obsolescence of inventory	\$ 10,985	\$ 4,813
Inventory reversed	(6,117)	(8,024)
Income from scrap sales	(150)	(217)
	<u>(\$ 4,718)</u>	<u>(\$ 3,428)</u>

The reversals of previous write-downs resulted from reduced inventories.

10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2022	2021
Favite, Inc.	Favite Limited (Samoa) (Favite Limited)	Investment	100%	100%
Favite Limited	Favite (Shanghai)	Software design and sales of electronic components	100%	100%

The above subsidiaries are recognized in accordance with the financial statements audited by accountants.

11. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Company

	Land	Buildings	Machinery and equipment	Transportation equipment	Office and other equipment	Total
<u>Costs</u>						
Balance at January 1, 2022	\$ 277,866	\$ 183,876	\$ 10,233	\$ 1,622	\$ 17,919	\$ 491,516
Additions	-	9,163	361	-	5,389	14,913
Disposals	-	-	(4,174)	(1,090)	(3,163)	(8,427)
Effect of exchange rate changes	-	-	-	-	18	18
Balance at December 31, 2022	<u>\$ 277,866</u>	<u>\$ 193,039</u>	<u>\$ 6,420</u>	<u>\$ 532</u>	<u>\$ 20,163</u>	<u>\$ 498,020</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 55,732	\$ 6,162	\$ 1,319	\$ 11,515	\$ 74,728
Depreciation expense	-	5,085	1,240	89	4,225	10,639
Disposals	-	-	(3,312)	(1,090)	(3,163)	(7,565)
Effect of exchange rate changes	-	-	-	-	14	14
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 60,817</u>	<u>\$ 4,090</u>	<u>\$ 318</u>	<u>\$ 12,591</u>	<u>\$ 77,816</u>
Carrying amounts at December 31, 2022	<u>\$ 277,866</u>	<u>\$ 132,222</u>	<u>\$ 2,330</u>	<u>\$ 214</u>	<u>\$ 7,572</u>	<u>\$ 420,204</u>
<u>Costs</u>						
Balance at January 1, 2021	\$ 277,866	\$ 179,938	\$ 130,104	\$ 1,622	\$ 16,626	\$ 606,156
Additions	-	3,938	233	-	1,596	5,767
Disposals	-	-	(120,104)	-	(297)	(120,401)
Effect of exchange rate changes	-	-	-	-	(6)	(6)
Balance at December 31, 2021	<u>\$ 277,866</u>	<u>\$ 183,876</u>	<u>\$ 10,233</u>	<u>\$ 1,622</u>	<u>\$ 17,919</u>	<u>\$ 491,516</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 51,093	\$ 124,847	\$ 1,170	\$ 7,963	\$ 185,073
Depreciation expense	-	4,639	1,419	149	3,854	10,061
Disposals	-	-	(120,104)	-	(297)	(120,401)
Effect of exchange rate changes	-	-	-	-	(5)	(5)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 55,732</u>	<u>\$ 6,162</u>	<u>\$ 1,319</u>	<u>\$ 10,567</u>	<u>\$ 74,728</u>
Carrying amounts at December 31, 2021	<u>\$ 277,866</u>	<u>\$ 128,144</u>	<u>\$ 4,071</u>	<u>\$ 303</u>	<u>\$ 6,133</u>	<u>\$ 416,788</u>

No impairment loss or reversal of impairment loss was recognized for the years ended December 31, 2022 and 2021.

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

Buildings	
Main buildings of factories	32–51 years
Electrical and mechanical engineering	36 years
Others	5–11 years
Machinery and equipment	4–7 years
Transportation equipment	6 years
Office and other equipment	3–8 years

Land and buildings used by the Company and pledged as collateral for bank borrowings are set out in Note 29.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ <u>4,710</u>	\$ <u>5,986</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ <u>1,100</u>	\$ <u>4,430</u>
Depreciation charge for right-of-use assets		
Buildings	\$ <u>2,184</u>	\$ <u>2,230</u>

b. Lease liabilities

	December 31,	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ <u>2,081</u>	\$ <u>2,213</u>
Non-current	\$ <u>2,728</u>	\$ <u>3,808</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.24%~1.52%	1.24%~1.63%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>5,414</u>	\$ <u>5,593</u>
Total cash outflow for leases	(\$ <u>7,702</u>)	(\$ <u>7,883</u>)

13. INTANGIBLE ASSETS

	Year Ended December 31, 2022
	Computer Software
<u>Cost</u>	
Balance at January 1	\$ 15,838
Additions	8,684
Disposals	(2,407)
Balance at December 31	\$ <u>22,115</u>
<u>Accumulated amortization</u>	
Balance at January 1	\$ 12,926
Amortization expense	1,160
Disposals	(2,407)
Balance at December 31	\$ <u>11,679</u>
Carrying amounts at December 31, 2022	\$ <u>10,436</u>
	Year Ended December 31, 2021
	Computer Software
<u>Costs</u>	
Balance at January 1	\$ 13,066
Additions	2,772
Balance at December 31	\$ <u>15,838</u>
<u>Accumulated amortization</u>	
Balance at January 1	\$ 11,808
Amortization expense	1,118
Balance at December 31	\$ <u>12,926</u>
Carrying amounts at December 31, 2021	\$ <u>2,912</u>

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

Computer software 3–5 years

	December 31	
	2022	2021
An analysis of the amortization by function:		
Operating costs	\$ 129	\$ 37
Selling and marketing expenses	14	4
General and administrative expenses	139	77
Research and development expenses	878	1,000
	<u>\$ 1,160</u>	<u>\$ 1,118</u>

14. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Other financial assets		
Pledged bank deposits and time deposits (a)	<u>\$ 23,194</u>	<u>\$ 33,923</u>
Other current assets		
Tax refund receivable	\$ 12,334	\$ 8,515
Prepayments to suppliers	2,098	6,746
Prepayments for software maintenance	2,000	2,354
Interest receivable	1,304	250
Prepayments for software	-	6,124
Others	2,678	31,848
	<u>\$ 20,414</u>	<u>\$ 55,837</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 1,124</u>	<u>\$ 1,647</u>

- a. The ranges of interest rates for pledged bank deposits and time deposits were 1.05%–1.175% and 0.03%–0.815% on December 31, 2022 and 2021, respectively. Please refer to Note 29.

15. BORROWINGS

- a. Short-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 29)</u>		
- Bank loans	\$ -	\$ 60,000
<u>Unsecured borrowings</u>		
- Bank loans	150,000	60,000
	<u>\$ 150,000</u>	<u>\$ 120,000</u>

The range of weighted average effective interest rates on bank loans were 1.675%-1.75% and 0.84%-1.20% per annum at December 31, 2022 and 2021, respectively.

- b. Long-term borrowings

	December 31	
	2021	2020
Secured borrowings (Note 29)	\$ 295,616	\$ 338,204
Less: Current portion	(252,588)	(42,588)
	<u>\$ 43,028</u>	<u>\$ 295,616</u>

The Company provided land and buildings as collateral for the above borrowings as per agreements (refer to Note 29).

The interval of effective borrowing rates as of December 31, 2022 and 2021 were 1.79%-2.125% and 1.22%-1.50%.

16. TRADE PAYABLES

	December 31	
	2022	2021
Trade payables	\$ 105,368	\$ 360,819
Trade payables- related parties	-	7,835
	<u>\$ 105,368</u>	<u>\$ 368,654</u>

The average credit period on purchases of certain goods was 30-180 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 61,267	\$ 45,861
Payables for commission	16,001	16,662
Payables for freight	15,642	26,682
Others	36,655	42,632
	<u>\$ 129,565</u>	<u>\$ 131,837</u>
 Bonuses for unused paid leave	 \$ 4,377	 \$ 3,873
Others	763	792
	<u>\$ 5,140</u>	<u>\$ 4,665</u>

18. PROVISIONS - CURRENT

	December 31	
	2022	2021
Warranties	<u>\$ 69,393</u>	<u>\$ 57,984</u>
		<u>Provision for warranty</u>
Balance at January 1, 2021		49,053
Additional provisions recognized		13,825
Amount used		(4,894)
Balance at December 31, 2021		57,984
Additional provisions recognized		14,248
Amount used		(2,839)
Balance at December 31, 2022		<u>\$ 69,393</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under contracts for the sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the company's subsidiaries in Mainland China are members of the retirement benefit plan operated by the government of Mainland China. The subsidiary is required to contribute a specified percentage of payroll costs

to the retirement benefit plan in order to fund the plan. The Company's obligation to this government-operated retirement benefit plan is only to contribute a specified amount.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of funded defined benefit obligation	\$ 9,177	\$ 9,286
Fair value of plan assets	(5,099)	(4,381)
Net defined benefit liability	<u>\$ 4,078</u>	<u>\$ 4,905</u>

Movements in net defined benefit liability were as follows:

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2021	<u>\$ 9,069</u>	(<u>\$ 3,952</u>)	<u>\$ 5,117</u>
Net interest expense (income)	<u>32</u>	(<u>16</u>)	<u>16</u>
Recognized in profit or loss	<u>32</u>	(<u>16</u>)	<u>16</u>
Remeasurement			
Actuarial loss (gain) - changes in financial assumptions	95	(53)	42
Actuarial loss - experience adjustments	<u>90</u>	<u>-</u>	<u>90</u>
Recognized in other comprehensive income	<u>185</u>	(<u>53</u>)	<u>132</u>
Contributions from employer	<u>-</u>	(<u>360</u>)	(<u>360</u>)
Balance at December 31, 2021	<u>9,286</u>	(<u>4,381</u>)	<u>4,905</u>
Net interest expense (income)	<u>\$ 45</u>	(<u>\$ 22</u>)	<u>23</u>
Recognized in profit or loss	<u>45</u>	(<u>22</u>)	<u>23</u>
Remeasurement			
Actuarial gain- changes in financial assumptions	(185)	(336)	(521)
Actuarial loss- experience adjustments	<u>31</u>	<u>-</u>	<u>31</u>
Recognized in other comprehensive income	(<u>154</u>)	(<u>336</u>)	(<u>490</u>)
Contributions from employer	<u>-</u>	(<u>360</u>)	(<u>360</u>)
Balance at December 31, 2022	<u>\$ 9,177</u>	(<u>\$ 5,099</u>)	<u>\$ 4,078</u>

An analysis by the function of the amounts recognized in profit or loss in respect of the benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 8	\$ 6
General and administrative expenses	7	4
Research and development expenses	8	6
	<u>\$ 23</u>	<u>\$ 16</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate(s)	1.70%	0.49%
Expected rate(s) of salary increase	3.00%	2.00%

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

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	(\$ 183)	(\$ 208)
0.25% decrease	<u>\$ 189</u>	<u>\$ 216</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 184</u>	<u>\$ 209</u>
0.25% decrease	(<u>\$ 178</u>)	(<u>\$ 203</u>)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 371</u>	<u>\$ 367</u>
The average duration of the defined benefit obligation	8 years	9 years

20. EQUITY

a. Share capital

1) Ordinary shares:

	December 31	
	2022	2021
Shares authorized (in thousands of shares)	150,000	150,000
Value of authorized shares	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Shares issued and fully paid (in thousands of shares)	79,052	79,052
Shares issued and fully paid	<u>\$ 790,523</u>	<u>\$ 790,523</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

Of the Company's authorized shares, 2,000 thousand shares had been reserved for the issuance of employee share options.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 82,517	\$ 82,517
Right to convert to convertible corporate bonds	<u>15,973</u>	<u>15,973</u>
	<u>\$ 98,490</u>	<u>\$ 98,490</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Based on Favite, Inc.'s Articles of Incorporation state that, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, and setting aside as legal reserve 10% of the remaining profit. However, this limitation is not applicable when the legal reserve has reached the total capital. Setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Favite, Inc.'s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

Regarding Favite, Inc.'s dividend policy, Favite, Inc.'s partial dividends are retained by the Board of Directors to meet operational needs based on the year's capital, financial structure, macro environment, and industrial growth to achieve Favite, Inc.'s goal of sustainable development and stable business performance, so no more than 90% of Favite, Inc.'s distributable earnings can be distributed as dividends. As per the future capital expenditure budgets and capital needs, Favite, Inc.'s dividends are distributed in two forms: stock dividends (including capitalization of earnings and capitalization of capital surplus) and cash dividends, of which cash dividends to be paid out shall not be less than 5% of the total dividends to be paid out. For the policies on the distribution of compensation of employees and

remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22-7.

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

The appropriations from the 2021 earnings were approved at the shareholders' meetings on June 24, 2022, as follows:

Appropriation of Earnings For the Year Ended December 31	
	2021
Legal reserve	\$ 6,366
Reversal of special reserve	(\$ 273)
Cash dividends	\$ 39,526
Cash dividend per share (NT\$)	\$ 0.50

The 2020 deficit compensation statement was approved at the shareholders' meetings on August 26, 2021, as follows:

Deficit Compensation Statement For the Year Ended December 31	
	2020
Balance at January 1, 2020	\$ 68,385
Remeasured defined benefit plan recognized in retained earnings	366
Adjusted undistributed earnings	68,751
Net loss for the year	(101,773)
Accumulated deficit	(\$ 33,022)

The earnings distribution proposal for 2022 in the board of directors meeting proposed on February 24, 2023 as follows:

Appropriation of Earnings For the Year Ended December 31	
	2022
Legal reserve	\$ 28,347
Reversal of special reserve	(\$ 495)
Cash dividends	\$ 79,052
Cash dividend per share (NT\$)	\$ 1.0

The appropriation of earnings for 2022 is subject to resolution in the shareholders' meeting to be held on May 29, 2023.

d. Special reserve

	For the Year Ended December 31	
	2022	2021
Beginning at January 1	\$ 5,318	\$ 5,318
Reversals		
Reversal of the debits to other equity items	(273)	-
Balance at December 31	\$ 5,045	\$ 5,318

e. Other equity items

Exchange differences on translating the financial statements of foreign operations:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	(\$ 5,045)	(\$ 4,842)
Recognized		
Exchange differences on translating the financial statements of foreign operations	<u>495</u>	(<u>203</u>)
Balance at December 31	(<u>\$ 4,550</u>)	(<u>\$ 5,045</u>)

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 1,429,655	\$ 1,385,155
Others	<u>47,774</u>	<u>24,099</u>
	<u>\$ 1,477,429</u>	<u>\$ 1,409,254</u>

a. Contract information

Revenue from the sale of goods

The revenue from sales of goods mainly comes from the sales of automated optical inspection machines. As the terms for automated optical inspection machines depend on each agreement, when a client has confirmed that the merchandise meets the specifications agreed in the agreement when it arrives at the location designated by the client or when it is shipped out, the client has the ability to lead the use of the merchandise and obtain almost all the remaining profit of the merchandise, at which the Company recognized the merchandise in revenue and contract assets and reclassifies it to accounts receivable after fulfilling the remaining obligations.

Please refer to Note 18 for the details of the warranty obligations of the automated optical inspection machines.

b. Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivables (Note 8)	<u>\$ 438,726</u>	<u>\$ 331,423</u>	<u>\$ 645,264</u>
Contract assets			
Sale of goods	\$ 186,093	\$ 191,818	\$ 163,021
Less: Allowance for impairment loss	(<u>16,101</u>)	(<u>7,909</u>)	(<u>16,201</u>)
Contract assets - current	<u>\$ 169,992</u>	<u>\$ 183,909</u>	<u>\$ 146,820</u>
Contract liabilities			
Contract liabilities - current	<u>\$ 4,518</u>	<u>\$ 191,441</u>	<u>\$ 190,887</u>

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Company concluded that the expected loss rates for trade receivables.

	December 31	
	2022	2021
Gross carrying amount	\$ 186,093	\$ 191,818
Allowance for impairment loss (Lifetime ECLs)	(<u>16,101</u>)	(<u>7,909</u>)
	<u>\$ 169,992</u>	<u>\$ 183,909</u>

The movements of the loss allowance of contract assets were as follows:

	December 31	
	2022	2021
Balance at January 1	\$ 7,909	\$ 16,201
Add: Net remeasurement of loss allowance	8,192	-
Less: Net remeasurement of loss allowance	<u>-</u>	<u>(8,292)</u>
Balance at December 31	<u>\$ 16,101</u>	<u>\$ 7,909</u>

Revenue of the reporting period recognized from the beginning contract liabilities in the previous periods is as follows:

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the beginning of the year		
Sale of goods	\$ 191,433	\$ 190,879

c. Disaggregation of revenue

Please refer to Note 33 for the disaggregation of revenue.

22. NET PROFIT

Net profit included the following items:

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 5,905	\$ 781
Others	<u>1,395</u>	<u>932</u>
	<u>\$ 7,300</u>	<u>\$ 1,713</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Government grant income (Note 25)	\$ -	\$ 10,021
Others	<u>1,029</u>	<u>991</u>
	<u>\$ 1,029</u>	<u>\$ 11,012</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	\$ 103,497	(\$ 30,930)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	(1,222)	(904)
Loss on disposal of property, plant and equipment	(695)	-
Others	<u>6</u>	<u>41</u>
	<u>\$ 101,586</u>	<u>(\$ 31,793)</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 7,439	\$ 7,438
Interest on lease liabilities	<u>177</u>	<u>87</u>
	<u>\$ 7,616</u>	<u>\$ 7,525</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 4,559	\$ 5,742
Operating expenses	<u>8,264</u>	<u>6,549</u>
	<u>\$ 12,823</u>	<u>\$ 12,291</u>
An analysis of amortization by function		
Operating costs	\$ 129	\$ 37
Operating expenses	<u>1,031</u>	<u>1,081</u>
	<u>\$ 1,160</u>	<u>\$ 1,118</u>

f. Employee benefit expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	<u>\$ 260,282</u>	<u>\$ 210,544</u>
Post-employment benefits (Note 19)		
Defined benefit plans	23	16
Defined contribution plans	<u>11,503</u>	<u>10,042</u>
	<u>11,526</u>	<u>10,058</u>
Other employee benefits	<u>37,746</u>	<u>28,733</u>
Total employee benefit expense	<u>\$ 309,554</u>	<u>\$ 249,335</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 67,010	\$ 70,483
Operating expenses	<u>242,544</u>	<u>178,852</u>
	<u>\$ 309,554</u>	<u>\$ 249,335</u>

g. Employees' compensation and remuneration of directors and supervisors

Favite, Inc. resolved amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at rates of 10% and no higher than 2%, respectively. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 24, 2023 and March 25, 2021, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Employees' compensation	10%	10%
Remuneration of directors and supervisors	2%	2%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	<u>\$ 37,753</u>	<u>\$ 7,657</u>
Remuneration of directors and supervisors	<u>\$ 7,551</u>	<u>\$ 1,531</u>

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2021.

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

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 49,089	\$ 36
Income tax on unappropriated earnings	35	-
Adjustments for the prior year	<u>196</u>	<u>23</u>
	49,320	59
Deferred tax		
In respect of the current year	-	3,725
Income tax expense recognized in profit or loss	<u>\$ 49,320</u>	<u>\$ 3,784</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	\$ 332,301	\$ 100,595
Income tax expense calculated at the statutory rate	\$ 66,518	\$ 20,143
Nondeductible expenses	12	-
Tax-exempt income	-	(2,005)
Income tax on unappropriated earnings	35	-
Temporary differences	(9,343)	(3,767)
Deferred tax		
Tax-exempt income	(7,706)	(10,665)
Loss carryforwards	7,706	14,390
Used loss carryforwards	(8,098)	(14,335)
Adjustments for prior years' tax	<u>196</u>	<u>23</u>
Income tax expense recognized in profit or loss	<u>\$ 49,320</u>	<u>\$ 3,784</u>

b. Current tax assets

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 134</u>	<u>\$ 321</u>
Current tax liabilities		
Income tax payable	<u>\$ 49,004</u>	<u>\$ -</u>

c. Deferred tax assets

For the year ended December 31, 2022

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Deferred Tax Assets			
Temporary differences			
Unrealized write-downs of			
inventories	\$ 10,882	(\$ 1,223)	\$ 9,659
Others	<u>38,600</u>	<u>8,929</u>	<u>47,529</u>
	49,482	7,706	57,188
Loss carryforwards	<u>7,706</u>	(<u>7,706</u>)	-
	<u>\$ 57,188</u>	<u>\$ -</u>	<u>\$ 57,188</u>

For the year ended December 31, 2021

	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Closing Balance</u>
Deferred Tax Assets			
Temporary differences			
Unrealized write-downs of			
inventories	\$ 12,487	(\$ 1,605)	\$ 10,882
Others	<u>26,330</u>	<u>12,270</u>	<u>38,600</u>
	38,817	10,665	49,482
Loss carryforwards	<u>22,096</u>	(<u>14,390</u>)	<u>7,706</u>
	<u>\$ 60,913</u>	(<u>\$ 3,725</u>)	<u>\$ 57,188</u>

d. Income tax assessments

The income tax returns of Favite, Inc. before 2020 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share	\$ <u>3.58</u>	\$ <u>1.22</u>
Diluted earnings per share	\$ <u>3.50</u>	\$ <u>1.22</u>

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

Net profit for the year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Earnings used in the computation of basic and diluted earnings per share	\$ <u>282,981</u>	\$ <u>96,811</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	79,052	79,052
Effect of dilutive potential ordinary shares:		
Employees' compensation issued to employees	<u>1,876</u>	<u>416</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>80,928</u>	<u>79,468</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. GOVERNMENT GRANTS

The Company applied to the Ministry of Economic Affairs for a grant under“ Salary and Working Capital of Businesses with Financial Difficulties in the Manufacturing and Technical Service Industries Affected by Severe Pneumonia with Novel Pathogens”. The amount recognized as a credit to income was \$10,021 thousand for the years ended December 31, 2021 (in other income).

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

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

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 2,440	\$ 2,440

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Unlisted shares	\$ -	\$ -	\$ 4,034	\$ 4,034
Financial liabilities at FVTPL				
Swap contracts	\$ -	\$ 372	\$ -	\$ 372

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

2) Valuation techniques and inputs applied for Level 3 fair value measurement

With the market approach adopted, unlisted shares are adjusted for necessary discounts and premiums with the impact of market liquidity and control rights on their fair values considered.

b. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,440	\$ 4,034
Mandatorily classified as at FVTPL	-	-
Financial assets at amortized cost (1)	1,226,272	1,186,264
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	-	372
Amortized cost (2)	680,855	959,001

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (including related parties), other receivables, other financial assets and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, trade payables (including related parties), other payables, the current portion of long-term borrowings, long-term borrowings and guarantee deposits received.

c. Financial risk management objectives and policies

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

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

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

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

a) Foreign currency risk

The management of the foreign currency risk aims to hedge risks not for the purpose of making profits.

For exchange risk management, each foreign-currency item of net assets and liabilities is reviewed regularly.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period, please refer to Note 31.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD (i.e., the functional currency) against USD. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, notes and trade receivables, contract assets, other financial assets, trade payables and other payables. A negative number below indicates a decrease in pre-tax profit associated with the NTD strengthening by 5% against USD. For a 5% weakening of the NTD against USD, there would be an equal and opposite impact on pre-tax profit and the balances below would be positive.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	(\$ 48,952)	(\$ 60,899)

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2022	2021
Fair value interest rate risk		
- Financial assets	\$ 648,342	\$ 406,189
- Financial liabilities	154,809	126,021
Cash flow interest rate risk		
- Financial assets	123,442	79,867
- Financial liabilities	295,616	338,204

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared to assume the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 0.125% increase or decrease were used when reporting interest rate risk internally to key management personnel and representing management's assessment of the possible change in interest rates.

If interest rates increased/decreased by 0.125% and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2022 and 2021 decreased/increased by \$215 thousand and \$323 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company's concentration of credit risk was 77% and 74% of total trade receivables as of December 31, 2022 and 2021, respectively, which was attributable to the Company's five largest customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized short-term bank loan facilities set out in b) below.

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2022

	On Demand or Less than 1 Month	1–3 months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$111,039	\$ 44,770	\$117,904	\$ -	\$ 6,524
Variable in interest rate liability	460	11,567	245,762	43,942	-
Fixed interest rate liabilities	216	50,361	100,437	-	-
Lease liabilities	190	380	1,711	2,930	-
	<u>\$111,905</u>	<u>\$107,078</u>	<u>\$465,814</u>	<u>\$ 46,872</u>	<u>\$ 6,524</u>

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

	Less than 1 year	1–5 years	5–10 years	10–15 years	15–20 years	20+ Years
Lease liabilities	<u>\$ 2,281</u>	<u>\$ 2,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	On Demand or Less than 1 Month	1–3 months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$124,253	\$139,652	\$239,250	\$ -	\$ 6,524
Variable in interest rate liability	365	11,378	35,008	299,836	-
Fixed interest rate liabilities	102	30,204	90,409	-	-
Lease liabilities	190	380	1,711	3,864	-
	<u>\$124,910</u>	<u>\$181,614</u>	<u>\$366,378</u>	<u>\$303,700</u>	<u>\$ 6,524</u>

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

	Less than 1 year	1–5 years	5–10 years	10–15 years	15–20 years	20+ Years
Lease liabilities	<u>\$ 2,281</u>	<u>\$ 3,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank loan facilities		
- Amount used	\$ 150,000	\$ 62,000
- Amount unused	880,680	1,066,040
	<u>\$ 1,030,680</u>	<u>\$ 1,128,040</u>
Secured bank loan facilities		
- Amount used	\$ 445,743	\$ 513,398
- Amount unused	555,451	176,025
	<u>\$ 1,001,194</u>	<u>\$ 689,423</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed as follows:

a. Name and relationship of related parties

Name	Relationship with the Company
Favepc Inc.	Substantive related party
Contrel Technology Co., Ltd.	Substantive related party (Non-related party from 2022.06.24)
Utechzone Co., Ltd.	Investor with significant influence over the Company

b. Sales of goods

Account Item	Related Party Type	For the Year Ended December 31	
		2022	2021
Sales	Substantive related party	\$ 505	\$ 615
	Investor with significant influence over the Company	168	-
		<u>\$ 673</u>	<u>\$ 615</u>

Sales price to related parties is based on cost and market price. The sales terms to related parties were similar to those with external customers.

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2022	2021
Substantive related party	<u>\$ -</u>	<u>\$ 7,833</u>

Purchases were made at market prices and discounted to reflect the quantity of goods purchased and the relationships between the parties.

d. Contract assets

Account Item	Related Party Type	December 31	
		2022	2021
Contract assets	Investor with significant influence over the Company	<u>\$ 7,739</u>	<u>\$ 6,975</u>

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for contract assets from related parties.

e. Receivables from related parties

Account Item	Related Party Type	December 31	
		2022	2021
Notes and trade receivable	Investor with significant influence over the Company	\$ -	\$ 4,186
	Substantive related party	-	433
		<u>\$ -</u>	<u>\$ 4,619</u>
Other receivables	Substantive related party	<u>\$ -</u>	<u>\$ 126</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

Account Item	Related Party Type	December 31	
		2022	2021
Notes and trade payables	Substantive related party	<u>\$ -</u>	<u>\$ 7,835</u>

The outstanding trade payables to related parties are unsecured.

g. Other transactions with related parties

Account Item	Related Party Type	For the Year Ended December 31	
		2022	2021
Manufacturing expenses	Substantive related party	\$ 646	\$ -

The relevant manufacturing expenses between the Company and the related parties were negotiated and were thus not comparable with those in the market.

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 14,355	\$ 9,814
Post-employment benefits	141	141
	<u>\$ 14,496</u>	<u>\$ 9,955</u>

Compensation of directors and other key management personnel was decided by the Compensation Committee in accordance with individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for performance guarantee, financing loan, and post clearance duty on goods pre-released by customs:

	December 31	
	2022	2021
Property, plant and equipment	\$ 410,088	\$ 406,010
Pledged bank deposits and time deposits (classified to other financial assets - current)	<u>23,194</u>	<u>33,923</u>
	<u>\$ 433,282</u>	<u>\$ 439,933</u>

30. SIGNIFICANT CONTINGENT LIABILITIES

CoreFlow Ltd. filed a lawsuit against the Company in Israel on July 28, 2020 due to a dispute over the payment for supplies and claimed 1,970 thousand NIS. The Company has appointed an attorney to respond to the lawsuit in accordance with the law, but if the payment for supplies should be made still depends on the court's ruling.

31. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 32,585	30.710	\$ 1,000,685
CNY	701	4.408	3,090
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 705	30.710	\$ 21,651
JPY	10	0.2324	2
EUR	10	32.720	327
GBP	10	37.090	371

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 45,516	27.680	\$ 1,259,883
CNY	775	4.344	3,367
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 1,514	27.680	\$ 41,908
JPY	4,304	0.2405	1,035
EUR	42	31.320	1,315
GBP	9	37.300	336

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$103,497 thousand and \$(30,930) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the entities in the Group.

32. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees and b. Information on investees:

- 1) Financings provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held: See Table 1 attached.
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: Refer to Note 7.

- 10) Intercompany relationships and significant intercompany transactions: See Table 2 attached.
- b. Information on investees: See Table 3 attached.
- c. Information on investments in Mainland China
- 1) Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and the limit on the amount of investment in the Mainland China area: See Table 4 attached.
 - 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 2 attached.
 - a) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resulting gains or losses.
 - d) The ending balance of negotiable instrument endorsements or guarantees or collateral pledged and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current-period interest with respect to financing.
 - f) Other transactions with a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
 - d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder: See Table 5 attached.

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments are as follows:

a. Segment revenue and results

The following was an analysis of the Company's revenue and results from continuing operations by reportable segments:

	Equipment Development Business Group	Others	Total
<u>For the Year Ended December 31, 2022</u>			
Revenue from external customers	\$ 1,474,819	\$ 2,610	\$ 1,477,429
Inter-segment revenue	-	-	-
Segment revenue	<u>\$ 1,474,819</u>	<u>\$ 2,610</u>	<u>1,477,429</u>
Eliminations	-	-	-
Consolidated revenue			<u>\$ 1,477,429</u>
Segment income	<u>\$ 228,621</u>	<u>\$ 1,381</u>	<u>\$ 230,002</u>
Unallocated amount:			
Non-operating income and expenses			<u>102,299</u>
Profit before tax (continuing operations)			<u>\$ 332,301</u>

	Equipment Development Business Group	Others	Total
<u>For the Year Ended December 31, 2021</u>			
Revenue from external customers	\$ 1,406,301	\$ 2,953	\$ 1,409,254
Inter-segment revenue	-	-	-
Segment revenue	<u>\$ 1,406,301</u>	<u>\$ 2,953</u>	1,409,254
Eliminations			-
Consolidated revenue			<u>\$ 1,409,254</u>
Segment income	<u>\$ 126,657</u>	<u>\$ 531</u>	\$ 127,188
Unallocated amount:			
Non-operating income and expenses			(26,593)
Profit before tax (continuing operations)			<u>\$ 100,595</u>

Segment profit represents the profit before tax earned by each segment without non-operating income and expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

- b. Total segment assets and liabilities

	December 31	
	2022	2021
<u>Segment assets</u>		
Continuing operations		
Equipment Development Business Group	\$ 1,225,233	\$ 914,653
Others	<u>34</u>	<u>318,627</u>
Total segment assets	1,225,267	1,233,280
Unallocated assets	<u>853,461</u>	<u>971,484</u>
Consolidated total assets	<u>\$ 2,078,728</u>	<u>\$ 2,204,764</u>
<u>Segment liabilities</u>		
Unallocated liabilities	<u>\$ 863,101</u>	<u>\$ 1,233,577</u>
Consolidated total liabilities	<u>\$ 863,101</u>	<u>\$ 1,233,577</u>

Unallocated assets mainly include cash and cash equivalents, other financial assets, and deferred tax assets.

TABLE 1

Favite, Inc. and Subsidiaries
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
The Company	Camels Vision Technologies Inc.	—	Financial assets at FVTPL - non-current	910	\$ 2,440	19	\$ 2,240	-
	Favepc Inc.	The chairman is the same person.	Financial assets at FVTPL - non-current	3,265	-	18	-	-
	Wakom Semiconductor Corporation	—	Financial assets at FVTPL - non-current	387	-	11	-	-

TABLE 2

Favite, Inc. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Relationship (Note 3)	Transaction Details			
				Financial Statement Accounts	Amount	Terms	Percentage of Consolidated Operating Revenue or Total Assets
0	FAVITE, INC.	Favite (Shanghai)	1	Operating expenses	\$ 58,654	Note 1	3.97%
				Other payables	\$ 33,276	Note 1	1.60%

Note 1: The transaction terms were based on negotiations, and were not comparable to market terms.

Note 2: The transaction payment terms were similar to normal commercial terms.

Note 3: No. 1 represents the transactions from parent company to subsidiary.

TABLE 3

Favite, Inc. and Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee (Note 1)	Share of Profit (Loss) (Note 1)	Note
				December 31, 2022 (Note 2)	December 31, 2021 (Note 2)	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
FAVITE, INC.	Favite Limited	Samoa	Investment	\$ 61,470 (US\$ 2,000)	\$ 61,470 (US\$ 2,000)	2,000	100	\$ 36,827	\$ 3,570	\$ 3,570	Subsidiary

Note 1: Based on the reviewed financial statements of investees in the same period.
Note 2: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the dates of the transactions.

TABLE 4

Favite, Inc. and Subsidiaries
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 3)	Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (Note 3)	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the investee	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
Favite (Shanghai)	Software design and sales of electronic components	\$ 61,470 (US\$ 2,000)	(Note 1)	\$ 61,470 (US\$ 2,000)	\$ 61,470 (US\$ 2,000)	100%	\$ 3,570	\$ 3,570	\$ 36,769	\$ -

Accumulated Investment in Mainland China as of December 31, 2022 (Note 3)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 3)	Limit on Investment
\$ 61,470 (US\$ 2,000)	\$ 61,470 (US\$ 2,000)	\$729,376

Note 1: Indirect investment in a company located in Mainland China through investment in a company located in a third country

Note 2: Based on the reviewed financial statements of investees in the same period.

Note 3: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the dates of the transactions.

Table 5**Favite, Inc. and Subsidiaries****INFORMATION OF MAJOR SHAREHOLDERS****FOR THE YEAR ENDED DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Utechzone Co., Ltd.	11,379,272	14.39%

Note 1: The information of major shareholders presented in this table is provided by Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (included treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.