SDI Corporation

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

國富浩華聯合會計師事務所
Crowe (TW) CPAs
403554 台中市西區臺灣大道
二段285號15樓
15F., No.285, Sec.2, Taiwan
Blvd., West Dist.,
Taichung City 403554, Taiwan
Tel +886 4 36005588
Fax +886 4 36005577
www.crowe.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SDI Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Parent Company Only 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.

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Key Audit Matters

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

1. Valuation of Inventory Impairment

Description

As of December 31, 2022, inventory accounted for 26% of the Company's total assets. The value of inventory is affected by the volatility of market demand and ever-changing technology, which could make inventory sluggish and obsolete and impair the value of inventory. The allocation of inventory cost elements and estimations of the net realizable value of inventory are subject to management's subjective judgment. Consequently, the valuation of inventories has been identified as a key audit matter.

How our audit addressed the matter

Our main audit procedures include testing of details, verifying the cost of raw materials, labor and manufacturing costs of inventory and comparing the most recent selling prices to the carrying amounts to ensure that the inventory is measured at the lower of cost and net realizable value; obtaining and validating the Company's details of declines in the inventory valuation and inventory aging report and analyzing the changes in inventory aging; assessing the reasonableness of policies relating to the provision of allowance for inventory valuation losses; obtaining data on the quantities of inventory recorded at the end of the year and the data of annual inventory physical count to verify the existence and completeness of the inventory; inspecting the condition of the inventory to assess the appropriateness of the loss allowance for recognized inventory obsolete and spoiled through observing the year-end inventory counts.

2. Revenue Recognition

Description

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Revenue is used by investors and the Company's management as a key indicator for evaluating the Company's financial or operational performance. As the Company sells its goods to Taiwan, Mainland China, Malaysia, United States and other areas, overseas warehouses are set up in response to the needs of certain international customers. The Company recognizes revenue per the various sales terms in each individual contract with customers. Accordingly, significant judgement is required in determining the timing of control of a good transfer to the customer. Therefore, revenue recognition has been identified as a key audit matter.

How our audit addressed the matter

Our main audit procedures include assessing the appropriateness of accounting policies for revenue recognition, testing the effectiveness of the internal controls relevant to revenue recognition, including sampling and testing the validity of sales revenue; evaluating whether any irregularity exists in the transactions with the top ten sales customers and analyzing the reasonableness of the turnover days of accounts receivable; selecting sample transactions after a few days or before the inventory cutoff date and examining the related documents to ensure that revenue is recognized in the appropriate period, and reviewing if there were significant sales return in the subsequent period.

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

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

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

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 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 parent company only financial statements.

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shao, Chao Pin and Lin, Ming Shou.

Crowe TW CPAs

CROWE (TW) CPAs
Taichung, Taiwan (Republic of China)

February 23, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

SDI Corporation

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

		December 31, 2022		December 31, 2021	
ASSETS	NOTES	Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 713,457	6	$ 414,502	4
Notes receivable, net	6(2)	25,641	-	24,050	-
Accounts receivable, net	6(3)	1,375,174	12	1,606,606	15
Accounts receivable - related parties	7	139,882	1	143,633	1
Other receivables		12,875	-	23,601	-
Other receivables - related parties	7	8,790	-	9,481	-
Inventories, net	6(4)	2,685,228	26	2,834,928	26
Prepayments	6(5)	44,734	-	73,333	1
Other financial assets - current	6(6)	6,600	-	6,600	-
Other current assets		193	-	-	-
Total current assets		5,012,574	45	5,136,734	47
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	6(7)	21,023	-	20,222	-
Investments accounted for using equity method	6(8)	2,374,739	21	2,361,882	21
Property, plant and equipment	6(9)	3,245,892	30	3,091,157	28
Right-of-use assets	6(10)	166,792	2	180,460	2
Investment properties	6(11)	37,137	-	39,931	-
Intangible assets	6(12)	55,007	-	41,405	-
Deferred income tax assets	6(28)	101,675	1	90,192	1
Other noncurrent assets	6(13)	55,395	1	82,608	1
Total noncurrent assets		6,057,660	55	5,907,857	53
TOTAL		$ 11,070,234	100	$ 11,044,591	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities	6(23)	95,076	1	93,512	1
Notes payable	6(14)	3,320	-	6,288	-
Accounts payable		653,417	6	1,025,809	9
Accounts payable - related parties	7	155,900	1	161,606	1
Other payables	6(15)	582,088	5	553,297	5
Other payables - related parties	7	2,738	-	2,663	-
Current income tax liabilities	6(28)	266,713	3	171,759	2
Lease liabilities - current	6(10)	12,537	-	11,994	-
Long-term liabilities - current portion	6(16)	311,103	3	80,833	1
Other current liabilities	6(17)	23,404	-	19,891	-
Total current liabilities		2,106,296	19	2,127,652	19
NONCURRENT LIABILITIES					
Long term loans	6(16)	1,834,864	16	2,159,256	20
Deferred income tax liabilities	6(28)	286,865	3	287,065	3
Lease liabilities - noncurrent	6(10)	115,660	1	127,231	1
Net defined benefit liability - noncurrent	6(18)	90,832	1	132,736	1
Other noncurrent liabilities	6(17)	8,072	-	23,843	-
Total noncurrent liabilities		2,336,293	21	2,730,131	25
Total liabilities		4,442,589	40	4,857,783	44
EQUITIES					
Common stocks	6(19)	1,821,403	16	1,821,403	16
Capital surplus	6(20)	485,797	4	485,598	4
Retained earnings	6(21)				
Legal capital reserve		983,960	9	899,980	8
Special capital reserve		139,763	1	134,642	1
Unappropriated earnings		3,312,978	31	2,984,948	28
Others	6(22)	(116,256)	(1)	(139,763)	(1)
Total equity		6,627,645	60	6,186,808	56
TOTAL		$ 11,070,234	100	$ 11,044,591	100

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

SDI Corporation

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

		2022		2021	
	NOTES	Amount	%	Amount	%
NET REVENUE	6(23)、7	$ 9,142,725	100	$ 8,247,659	100
COST OF REVENUE	6(24)	(7,537,227)	(82)	(6,743,958)	(82)
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT		1,605,498	18	1,503,701	18
Unrealized gross profit on sales		(37,638)	-	(34,044)	-
Realized gross profit on sales		34,044	-	33,145	-
GROSS PROFIT		1,601,904	18	1,502,802	18
OPERATING EXPENSES	6(24)				
Marketing		(220,604)	(2)	(211,496)	(3)
General and administrative		(228,949)	(3)	(221,062)	(3)
Research and development		(199,319)	(2)	(204,434)	(2)
Total operating expenses		(648,872)	(7)	(636,992)	(8)
OPERATING PROFIT		953,032	11	865,810	10
NONOPERATING INCOME AND EXPENSES					
Interest income		1,027	-	166	-
Other income	6(17)、6(25)	48,776	-	65,992	1
Other gains and losses	6(26)	137,577	1	(23,504)	-
Finance costs	6(27)	(27,642)	-	(12,643)	-
Share of profits of subsidiaries and associates		59,474	1	152,158	1
Total nonoperating income and expenses		219,212	2	182,169	2
INCOME BEFORE INCOME TAX		1,172,244	13	1,047,979	12
INCOME TAX EXPENSE	6(28)	(231,725)	(3)	(195,735)	(2)
NET INCOME		940,519	10	852,244	10
OTHER COMPREHENSIVE INCOME (LOSS)	6(26)				
Items that will not be reclassified subsequently to profit or loss:	6(29)				
Remeasurement of defined benefit obligation		26,820	1	(14,453)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		813	-	3,324	-
Share of other comprehensive income (loss) of subsidiaries and associates		1,577	-	(882)	-
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(29)	(5,274)	-	2,326	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		28,255	-	(9,850)	-
Income tax benefit (expense) related to items that may be reclassified subsequently		(5,651)	-	1,970	-
Other comprehensive income (loss) for the year, net of income tax		46,540	1	(17,565)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 987,059	11	$ 834,679	10
EARNINGS PER SHARE(IN DOLLARS)					
Basic earnings per share	6(30)	$ 5.16		$ 4.68	
Diluted earnings per share		$ 5.16		$ 4.68	

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

SDI Corporation

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

	Capital Stocks		Retained Earnings			Others			
	Common Stocks	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE, JANUARY 1, 2021	$ 1,821,403	485,403	865,445	155,570	2,486,607	(147,809)	13,167	$ (134,642)	$ 5,679,786
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	(20,928)	20,928	-	-	-	-
Legal capital reserve	-	-	34,535	-	(34,535)	-	-	-	-
Cash dividends to shareholders - NT$1.8 per share	-	-	-	-	(327,852)	-	-	-	(327,852)
Deemed donation from shareholders-dividends give up	-	195	-	-	-	-	-	-	195
Net income in 2021	-	-	-	-	852,244	-	-	-	852,244
Other comprehensive income (loss) in 2021	-	-	-	-	(12,444)	(7,880)	2,759	(5,121)	(17,565)
BALANCE, DECEMBER 31, 2021	1,821,403	485,598	899,980	134,642	2,984,948	(155,689)	15,926	(139,763)	6,186,808
Appropriations of prior year's earnings									
Special capital reserve	-	-	-	5,121	(5,121)	-	-	-	-
Legal capital reserve	-	-	83,980	-	(83,980)	-	-	-	-
Cash dividends to shareholders - NT$ 3 per share	-	-	-	-	(546,421)	-	-	-	(546,421)
Deemed donation from shareholders-dividends give up	-	199	-	-	-	-	-	-	199
Net income in 2022	-	-	-	-	940,519	-	-	-	940,519
Other comprehensive income (loss) in 2022	-	-	-	-	23,033	22,604	903	23,507	46,540
BALANCE, DECEMBER 31, 2022	$ 1,821,403	$ 485,797	$ 983,960	$ 139,763	$ 3,312,978	$ (133,085)	$ 16,829	$ (116,256)	$ 6,627,645

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

SDI Corporation

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 1,172,244	$ 1,047,979
Adjustments to reconcile profit (loss)		
Depreciation	389,076	410,935
Amortization	14,618	15,195
Unrealized (realized) gross profit on subsidiaries	2,764	(291)
Interest expense	27,642	12,643
Interest income	(1,027)	(166)
Dividend income	(1,316)	(392)
Share of profits of subsidiaries accounted for under equity method	(59,474)	(152,158)
Gain on disposal of property, plant and equipment	(1,361)	(1,504)
Net changes in operating assets and liabilities		
Notes receivable	(1,591)	(9,421)
Accounts receivable	231,432	(457,372)
Accounts receivable - related parties	3,751	(89,632)
Other receivables	9,584	28,249
Other receivables - related parties	691	8,015
Inventories	149,700	(1,026,843)
Prepayments	28,599	(16,378)
Other current assets	966	(4,304)
Contract liabilities	1,564	16,766
Notes payable	(2,968)	1,602
Accounts payable	(372,392)	372,280
Accounts payable - related parties	(5,706)	48,172
Other payables	36,654	135,413
Other payables - related parties	75	(9,874)
Other current liabilities	1,660	8,168
Net defined benefit liability	(15,083)	(10,057)
Other operating liabilities	(13,145)	(7,314)
Cash provided from operations	1,596,957	319,711
Interest received	1,010	168
Dividends received	75,002	60,243
Interest paid	(26,674)	(10,617)
Income taxes paid	(159,379)	(77,164)
Net cash provided by operating activities	1,486,916	292,341
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund fund of financial assets at fair value through other comprehensive income	12	-
Acquisition of property, plant and equipment	(525,484)	(876,774)
Proceeds from disposal of Property, plant and equipment	1,521	2,755
Decrease in refundable deposits	417	450
Acquisition of intangible assets	(10,220)	(5,757)
Decrease in other financial assets	-	200
Increase in other noncurrent assets	-	(15,909)
Net cash used in investing activities	(533,754)	(895,035)

(Continued)

SDI Corporation

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

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loans	$ 2,446,000	$ 1,617,080
Repayment of long-term loans	(2,540,834)	(743,333)
Repayments of the principal portion of lease liabilities	(12,892)	(14,307)
Decrease in other noncurrent liabilities	(60)	-
Cash dividends paid	(546,421)	(327,852)
Net cash provided by (used in) financing activities	(654,207)	531,588
NET DECREASE IN CASH AND CASH EQUIVALENTS	298,955	(71,106)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	414,502	485,608
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 713,457	$ 414,502

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SDI Corporation

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATIONS

SDI Corporation (the" Company") was incorporated on October 17, 1967. The Company manufactures mainly in stationery related products before the Company repetitively expanded to produce and manufacture lead frames and molds.

Since April 25, 1996, the Company's shares have been listed on the Taiwan Stock Exchange (TWSE).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on February 23, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 The adoption of the amendments to 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) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC):

New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB(Note 1)
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note 5)

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB(Note 1)

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

Note 2：The Company shall apply these amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the entity first applies the amendments.

Note 3：The Company shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

Note 4：These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022.

Note 5：The amendments to IFRS 9 apply to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 apply to fair value measurement on or after the beginning of the first annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 apply to the annual reporting periods beginning on or after January 1, 2022.

(1) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments set out that proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for them to be capable of operating in the manner intended by management shall not be recognized as a deduction of the asset. Instead, the proceeds from selling such items and the costs of those items, measured in accordance with IAS 2, shall be recognized in profit or loss in accordance with applicable IFRS Standards.

In addition, the amendments clarify the cost of testing whether the asset is functioning properly. The cost assesses whether the technical and physical performance of such asset that is capable of being used in the production or supply of goods or services, and for rental to others, and/or for administrative purposes.

(2) Amendments to IAS 37 “Onerous Contracts ─ Cost of Fulfilling a Contract”

The amendments set out that, when determining whether a contract is onerous, the cost of fulfilling a contract comprises (a) the incremental costs of fulfilling that contract－for example, direct labor and materials; and (b) an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

(3) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments update a reference to the Framework in IFRS 3 and require the acquirer shall apply IFRIC 21 for a levy that would be within the scope of IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

(4) Annual Improvement to IFRS Standards 2018-2020

The annual improvements amend several Standards. Among which, the amendment to IFRS 9 clarifies that, in determining whether an exchange or modification of the terms of a financial liability is substantially different from the original liability, only fees paid or received between the Company (the borrower) and the lender for the new or modified contract, including fees paid or received by either the Company or the lender on the other's behalf, shall be included in the '10 per cent' test of discounting present value of the cash flows under the new terms.

Based on the Company's assessment, the IFRSs modifications aforementioned have no significant effect on the Company's financial position and financial performance.

3.2 Effect of new issuances and amendments to IFRSs endorsed by the FSC but not yet adopted by the Company:

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

New, Revised or Amended Standards and Interpretations	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 Company shall apply the amendments for annual reporting periods beginning on or after January 1, 2023.

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

Note 3: Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.

(1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclosure the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

(2) Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is changes in accounting estimates unless the change is due to an error from prior period errors.

(3) Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction".

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented. When initially applying the amendments, the information for comparable periods shall be restated.

Based on the Company's assessment, the application of the New IFRSs above will not have any signification impact on the Company's financial position and financial performance.

3.3 The IFRSs issued by the IASB but not yet endorsed by the FSC:

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below:

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
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
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

As of the date the accompanying consolidated financial statements are issued, the Company is continuously assessing the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are used in the preparation of the accompanying parent company only financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Statement of Compliance

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

4.2 Basis of Preparation

A. Except for the following significant items, the accompanying parent company only financial statements have been prepared on the historical cost basis:
   (a) Financial assets and liabilities at fair value through profit or loss (including derivative financial instruments).
   (b) Financial assets and liabilities at fair value through other comprehensive income.
   (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to align with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.

C. The preparation of financial statements in conformity with IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Foreign Currencies

A. Items included in the parent company only financial statements are measured using the functional currency of the Company. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

B. In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (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 on that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising in the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising in the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange difference are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction and are not retranslated.

C. When preparing the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

4.4 Classification of Current and Noncurrent Assets and Liabilities

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the end of reporting period.

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the end of reporting period.

The Company classifies all assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;
(b) Liabilities arising mainly from trading activities;
(c) Liabilities that are to be settled within twelve months from the end of 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 consolidated financial statements are authorized for issue; and
(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of 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.

The Company classifies all liabilities that do not meet the above conditions as non-current.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months).

4.6 Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party of the contractual provisions of the instruments.

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

A. Financial assets

(a) Measurement categories

All regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

Financial assets are classified as financial assets at FVTPL, financial assets at amortized cost and investment in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL include financial assets mandatorily classified as at FVTPL and financial assets designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments that are not designated as at fair value through other comprehensive income (FVTOCI) and debt instruments that do not meet the criteria for being classified as at amortized cost or as at FVTOCI.

Financial assets at FVTPL are stated at fair value, any dividends earned recognized as other income, and interest earned and gains or losses arising from remeasurement recognized in other gains or losses. Fair value is determined in the manner described in Note 12.

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 are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the 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 the financial asset; and

(ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

iii. Investment in equity instruments at FVTOCI

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

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

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

(b) Impairment of financial assets

i. The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, and contract assets.

ii. The Company recognizes loss allowances at an amount equal to lifetime expected credit losses (i.e. ECLs) for accounts receivable and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs for which 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.

iii. Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents 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 represents 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.

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

(c) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

i. The contractual rights to receive cash flows from the financial asset expired.

ii. The contractual rights to receive cash flows from the financial asset which have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

iii. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

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

B. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

C. Financial liabilities

(a) Subsequent measurement

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

i. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term. Derivatives are also categorized as financial liabilities held for trading unless they are financial guarantee contracts or designated and effective hedging derivatives. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) They are hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

iii. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

(b) Derecognition of financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished—i.e. when the obligation is discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

D. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Company applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

4.7 Inventories

Inventories include raw materials, work in progress and finished goods. Inventories are recognized at cost. Inventories are recorded at standard cost ordinarily and stated at the lower of cost or net realizable at the end of each reporting period. Any differences at the end of the reporting period are allocated to cost of sales and ending inventory in proportion. If the actual level of production is lower than normal capacity, the unallocated fixed overhead is recognized as cost of sales. The item-by-item approach is used in applying the lower of cost and net realizable value, except for the same category homogeneous inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Loss for market price decline is stated at cost of goods sold.

4.8 Investments Accounted for Using the Equity Method

A. Investments accounted for using the equity method include investments in subsidiaries.

B. A subsidiary is an entity that is controlled by the Company (including structured entity). The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

C. Unrealized gains and losses on transactions between the Company and subsidiaries have been eliminated. Unrealized losses will also be eliminated if evidence demonstrates that there is no any indication of impairment on assets involved in a transaction. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies applied by the Company.

D. The Company’s share of subsidiaries’ profit or loss is recognized in the Company's statement of comprehensive income, and its share of subsidiaries’ other comprehensive income is recognized in the Company's other comprehensive income. When the Company’s share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

E. Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.

F. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition as a financial asset or the cost on initial recognition of an associate or a joint venture. Any difference between the fair value and the carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary will be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

4.9 Property, Plant and Equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such items and the cost of those item are recognized in profit or loss.

B. Subsequent costs are included in the carrying amount of asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are recognized in profit or loss as incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The residual values of assets, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the residual values of assets and useful lives differ from previous estimates or the patterns of consumption of the future economic benefits of assets embodied in the assets which have changed significantly, any change is accounted for as a change in accounting estimates under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	8~50 years
Machinery	2~25 years
Molds	2~10 years
Other equipment	3~15 years

D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.10 Leases

At the inception of a contract, the Company evaluates a contract to determine whether it is or contains a lease component. For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

A. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

<u>Right-of-use assets</u>

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

Right-of-use assets are presented as a separate line item in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the ownership of the underlying assets is transferred to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

<u>Lease liabilities</u>

Lease liabilities are measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties received for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease, less any lease incentives. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company shall use 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. If there is a change in the assessment of an option to purchase the underlying asset, amounts expected to be payable by the lessee under residual value guarantees or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company shall remeasure the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the leas for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented separately in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

B. The Company as lessor

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

When a lease includes both land and buildings elements, the Company assesses the classification of each element as a finance lease or an operating lease separately allocating lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as an operating lease.

Under operating leases, lease payments, less any lease incentives payable, are recognized as lease income on a straight-line basis over the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized those costs as an expense over the lease term on the same basis as the lease income.

4.11 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation and include land held for a currently undetermined future use. Investment properties also included right-of-use assets that meet the definition of investment property.

Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The Company depreciates investment property on a straight-line basis over 35 years.

Investment property that is being constructed or developed is measured at cost less accumulated impairment loss. The cost of an investment property includes professional fees, borrowing costs eligible for capitalization. The properties shall start to depreciate as they achieve their expected condition for providing services.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

4.12 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: trademarks and patents - the patent term or the contract term; computer software 2 to 5 years. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.13 Impairment of non-financial assets

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the indication of impairment loss recognized in prior years for an asset no longer exist, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

4.14 Employee Benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employee will receive on retirement for their services with the Company in current or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by using the market yields (at the end of the reporting period) on government bonds denominated in the currency in which the benefits are to be paid. The currency and term of the government bonds are consistent with the currency and estimated term of the obligation.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

4.15 Capital Stock and Treasury Stock

A. Capital stock

Common stock is classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recorded as a deduction in equity.

B. Treasury Stock

The Company's repurchased stocks are recognized as treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock.

Upon retirement, treasury stock is derecognized against the capital surplus - premium on stocks and capital stock proportionately according to the ratio of shares retired. The carrying value of treasury stock in excess of the sum of the par value and premium on stocks is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The sum of the par value and premium on treasury shares in excess of the carrying value is credited to capital surplus from the same class of treasury share transactions.

4.16 Income Tax

A. The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity, respectively.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. According to Income Tax Act of ROC, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the subsequent year when the stockholders approve to distribute retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred income tax assets are recognized only to the extent, unused tax losses and unused tax credits that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

4.17 Revenue Recognition

The Company recognizes revenue based on the principle of revenue from customer contracts by applying the following steps:

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to the performance obligations in the contracts; and

(e) Recognize revenue when the entity satisfies a performance obligation.

The contract where the period between the transfer of goods or services to the customer and the payment by the customer is within one year and the major financial component of the contract shall not be adjusted for the transaction price.

A. Revenue from sale of goods

Revenue from the sale of goods comes from sales of lead frame, stationery and others. Revenue is recognized when control of the products has transferred because it is the time when the customer has full discretion over the manner of distribution and over the price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Company does not recognize sales revenue on materials delivered to processing subcontractors due to the delivery does not transfer control of materials.

B. Revenue from rendering of services

Revenue from services is recognized when services are provided by reference to the stage of completion of the services provided.

4.18 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

4.19 Government Grants

Government grants are recognized at fair value when the Company will comply with the conditions attached to them and will receive the grants. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The Company takes Covid-19 pandemic impact into consideration in critical accounting estimates and reviewing basic assumptions and estimates continually. The impacts of the change in accounting estimate shall be recognized currently when the impacts are related to the current period only. However, the impact shall be recognized currently and prospectively when the impacts not only effect current period but also the future periods.

The preparation of these parent company only financial statements in applying the Company's accounting policies and making critical assumptions and estimates are consisted of the following:

5.1 Critical judgments in applying accounting policies

A. Business model assessment of financial assets

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company applies judgement and considers relevant factors such as the measurement of assets performing, the risks affected by the performance and the regulations for related manager's remuneration. The Company monitors the fair value through profit or loss financial assets that are derecognized prior to their maturity to assess whether the purpose of derecognition is consistent with the business model's. If there has been a change in the business model, the Company shall postpone the adjustment of the reclassifications of financial assets in accordance with IFRS 9.

B. Lease terms

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Company occurs.

5.2 Critical accounting estimation and assumption

A. Estimated impairment of financial assets

The provision for impairment of accounts receivable and debt investments is based on assumptions on risk of default and expected loss rates. The Company makes these assumptions and selects inputs for the impairment calculation, based on the Company's historical experience and existing market conditions, as well as forward looking information. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

B. Impairment of tangible and intangible assets

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future.

C. Realizability of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. The Company's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

D. Evaluation of inventories

As inventories are stated at the lower of cost or net realizable value, and the Company uses judgements and actuarial assumptions to determine the net realizable value of inventory at the end of each reporting period. The Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period, and then writes down the cost of inventories to net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

E. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company uses judgements and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate at the end of reporting period. Any changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligation.

F. The lessee's incremental borrowing rate

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, guarantees, etc.) are also taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

6.1 CASH AND CASH EQUIVALENTS

Items	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 507	$ 556
Checking accounts and demand deposits	712,950	413,946
Total	$ 713,457	$ 414,502

(1) Time deposits with original maturities over three months are classified as other financial assets-current as of December 31, 2022 and 2021.

(2) The cash and cash equivalents of the Company are not pledged to others.

6.2 NOTES RECEIVABLE

Items	December 31, 2022	December 31, 2021
Amortized at cost		
Gross carrying amount	$ 25,641	$ 24,050
Less: loss allowance	–	–
Notes receivable, net	$ 25,641	$ 24,050

The notes receivable of the Company is not pledged to others.

6.3 ACOUNTS RECEIVABLE - NONRELATED PARTIES

Items	December 31, 2022	December 31, 2021
Amortized at cost		
Gross carrying amount	$ 1,383,127	$ 1,614,559
Less: loss allowance	(7,953)	(7,953)
Accounts receivable, net	$ 1,375,174	$ 1,606,606

(1) The average credit period of sales of goods ranges from 60 to 150 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability.

(2) The Company applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. The allowance matrix of different customer segments, the provision for loss allowance is based on the number of past due days.

(3) The following table detailed the loss allowance of notes and accounts receivable based on the Company's provision matrix (include overdue and related parties).

December 31, 2022

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,528,392	$ (7,932)	$ 1,520,460
Past due but not impaired			
Past due within 30 days	11,315	(21)	11,294
Past due 31-90 days	8,102	–	8,102
Past due 91-180 days	841	–	841
Past due 181-365 days	–	–	–
Past due over 365 days	–	–	–
Total	$ 1,548,650	$ (7,953)	$ 1,540,697

December 31, 2021

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	$ 1,696,838	$ (3,077)	$ 1,693,761

December 31, 2021

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Past due but not impaired			
Past due within 30 days	$ 76,536	$ (3,406)	$ 73,130
Past due 31-90 days	8,531	(1,275)	7,256
Past due 91-180 days	337	(195)	142
Past due 181-365 days	–	–	–
Past due over 365 days	5,847	(5,847)	–
Total	$ 1,788,089	$ (13,800)	$ 1,744,289

(4) Movements of the loss allowance for notes and accounts receivable (including of which overdue and related parties').

Items	2022	2021
Balance, January 1	$ 13,800	$ 13,800
Add：Provision for (Reversal of) impairment	–	–
Less: Reversal of impairment	(5,847)	–
Balance, December 31	$ 7,953	$ 13,800

(5) The Company has not held any collateral or other credit enhancement for these accounts receivable.

(6) Please refer to Note 12 for information on the Company's management and measurement policies of credit risk.

(7) Accounts receivable of the Company are not pledged to others.

6.4 INVENTORIES AND COST OF GOOD SOLD

Items	December 31, 2022	December 31, 2021
Work-in-process	$ 983,108	$ 977,917
Finished goods	810,513	746,090
Raw materials	788,637	964,384
Merchandise	93,671	92,644
Inventory in transit	9,299	53,893

Items	December 31, 2022	December 31, 2021
Total	$ 2,685,228	$ 2,834,928

(1) The cost of inventories recognized as expense for the period:

Items	2022	2021
Loss on decline (gain on reversal) in market value of inventories	$ 900	$ (6,000)
Unallocated fixed FOH	3,814	810
Loss on inventory given up	36,696	43,990
Total	$ 41,410	$ 38,800

(2) The inventories of the Company are not pledged to others.

6.5 PREPAYMENTS

Items	December 31, 2022	December 31, 2021
Prepaid expenses	$ 22,152	$ 20,960
Prepayment for purchases	294	36,134
Input tax	22,088	16,039
Others	200	200
Total	$ 44,734	$ 73,333

6.6 OTHER FINANCAIL ASSETS – CURRENT

Items	December 31, 2022	December 31, 2021
Pledged time deposits	$ 6,600	$ 6,600
Total	$ 6,600	$ 6,600

Please refer to Note 8 for information on the amounts pledged.

6.7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Items	December 31, 2022	December 31, 2021
Equity instruments		
Unlisted stocks	$ 2,191	$ 2,203
Valuation adjustment	18,832	18,019
Total	$ 21,023	$ 20,222

(1) The Company invests in unlisted stocks for medium and long-term strategic purposes and seeks profit from long-term investments. Management of the Company decided to account the above-mentioned investments in FVTOCI, due to recognizing short term gain or loss with FVTPL would against the medium and long-term investment strategies.
(2) Financial assets at FVTOCI of the Company are not pledged to others.

6.8 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

Items	December 31, 2022	December 31, 2021
Subsidiaries	$ 2,374,739	$ 2,361,882

	Carrying Amount	
Subsidiaries	December 31, 2022	December 31, 2021
CHAO SHIN METAL INDUSTRIAL CORPORATION	$ 246,657	$ 250,215
TEC BRITE TECHNOLOGY CO., LTD	386,232	370,307
SHUEN DER(B. V. I)CO.	1,741,850	1,741,360
	$ 2,374,739	$ 2,361,882

	% of Ownership and Voting Rights Held by the Company	
Subsidiaries	December 31, 2022	December 31, 2021
CHAO SHIN METAL INDUSTRIAL CORPORATION	84. 62%	84. 62%
TEC BRITE TECHNOLOGY CO., LTD	54. 98%	54. 98%
SHUEN DER(B. V. I)CO.	100. 00%	100. 00%

(1) For the information of the subsidiaries of the Company, please refer to Note 4 (3) B of 2022

consolidated financial statements.

(2) The shares of profit or loss and other comprehensive profit and loss of the subsidiaries under equity method for the years ended 2022 and 2021 are recognized according to the audited financial statements for the same periods.

6.9 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2022	December 31, 2021
Land	$ 490,464	$ 173,412
Buildings	1,350,149	1,327,446
Machinery	3,807,056	3,865,408
Molds	1,292,492	1,367,242
Other equipment	924,795	872,391
Equipment to be inspected and construction in progress	847,329	973,422
Total cost	8,712,285	8,579,321
Less: accumulated depreciation and impairment	(5,466,393)	(5,488,164)
Total	$ 3,245,892	$ 3,091,157

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2022	$ 173,412	$ 1,327,446	$ 3,865,408	$ 1,367,242	$ 872,391	$ 973,422	$ 8,579,321
Additions	–	8,446	44,349	8,825	44,131	418,982	524,733
Disposals	–	–	(206,986)	(134,566)	(50,217)	–	(391,769)
Reclassification	317,052	14,257	104,285	50,991	58,490	(545,075)	–
Balance, December 31, 2022	$ 490,464	$ 1,350,149	$ 3,807,056	$ 1,292,492	$ 924,795	$ 847,329	$ 8,712,285
Accumulated depreciation and impairment							
Balance, January 1, 2022	$ –	$ (589,360)	$ (3,009,430)	$ (1,278,007)	$ (611,367)	$ –	$ (5,488,164)
Depreciation expense	–	(40,883)	(180,111)	(79,192)	(69,652)	–	(369,838)
Disposals	–	–	206,943	134,449	50,217	–	391,609
Balance, December 31, 2022	$ –	$ (630,243)	$ (2,982,598)	$ (1,222,750)	$ (630,802)	$ –	$ (5,466,393)

	Land	Buildings	Machinery	Molds	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2021	$ 173,412	$ 1,316,931	$ 3,734,729	$ 1,353,294	$ 809,376	$ 415,610	$ 7,803,352
Additions	–	3,735	49,334	5,523	50,178	811,825	920,595
Disposals	–	–	(91,128)	(42,167)	(11,331)	–	(144,626)
Reclassification	–	6,780	172,473	50,592	24,168	(254,013)	–
Balance, December 31, 2021	$ 173,412	$ 1,327,446	$ 3,865,408	$ 1,367,242	$ 872,391	$ 973,422	$ 8,579,321
Accumulated depreciation and impairment							
Balance, January 1, 2021	$ –	$ (549,928)	$ (2,923,916)	$ (1,205,976)	$ (560,206)	$ –	$ (5,240,026)
Depreciation expense	–	(39,432)	(176,346)	(114,097)	(61,638)	–	(391,513)
Disposals	–	–	90,832	42,066	10,477	–	143,375
Balance, December 31, 2021	$ –	$ (589,360)	$ (3,009,360)	$ (1,278,007)	$ (611,367)	$ –	$ (5,488,164)

(1) In order to fulfill operational and productivity expansion strategies, the Company built a plant in Nantou Industrial Park. The project has still not been completed, please refer to table 3 for relevant information.

(2) Please refer to Note 6(27) for information on interest capitalization.

(3) The property, plants, and equipment of the Company are not pledged to others.

6.10 LEASE AGREEMENT

(1) Right-of-use assets

Items	December 31, 2022	December 31, 2021
Land	$ 141,824	$ 141,816
Buildings	79,751	80,460
Total cost	221,575	222,276
Less: Accumulated depreciation and impairment	(54,783)	(41,816)
Total	$ 166,792	$ 180,460

	Land	Buildings	Total
Cost			
Balance, January 1, 2022	$ 141,816	$ 80,460	$ 222,276
Additions	2,665	221	2,886
Derecognition	(2,657)	(930)	(3,587)

	Land		Buildings		Total
Balance, December 31, 2022	$	141,824	$	79,751	$	221,575
Accumulated depreciation and impairment						
Balance, January 1, 2022	$	(28,577)	$	(13,239)	$	(41,816)
Depreciation expense		(10,654)		(5,790)		(16,444)
Derecognition		2,658		819		3,477
Balance, December 31, 2022	$	(36,573)	$	(18,210)	$	(54,783)

		Land		Buildings		Total
Cost						
Balance, January 1, 2021	$	137,798	$	80,460	$	218,258
Additions		4,018		-		4,018
Balance, December 31, 2021	$	141,816	$	80,460	$	222,276
Accumulated depreciation and impairment						
Balance, January 1, 2021	$	(17,792)	$	(7,396)	$	(25,188)
Depreciation expense		(10,785)		(5,843)		(16,628)
Balance, December 31, 2021	$	(28,577)	$	(13,239)	$	(41,816)

(2) Lease liabilities

Items		December 31, 2022		December 31, 2021
Current	$	12,537	$	11,994
Non-current	$	115,660	$	127,231

Range of discounts rate for lease liabilities was as follow:

	December 31, 2022	December 31, 2021
Land	0.89%~1. 20%	0.90%~1. 20%
Buildings	1. 20%	1. 20%

Please refer to Note 12 for information on the maturity analysis of the lease liabilities.

(3) Material lease-in activities and terms

A. Land and Buildings

The Company leases land and plants with lease terms between 2015 and 2037, and paid $4,086 thousand for guaranteed deposit for the lease. The Company and the lessor agreed that a plant may be built on the leased land by the Company. However, title deed of the plant should be registered by the lessor. The Company has the right to use the plant within the lease terms.

(4) Other lease information

A. Please refer to Note 6.11 for information of investment property under operating leases.

B. Cash outflow relating to leases for short-term leases and low-value asset leases is as follows:

Items	2022	2021
Expenses relating to short-term leases	$ 3,650	$ 3,414
Total cash outflow for leases	$ 18,093	$ 19,411

The Company elected to apply the recognition exemption for short-term leases and low-value asset leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

6.11 INVESTMENT PROPERTIES

Items	December 31, 2022	December 31, 2021
Buildings	$ 99,629	$ 99,629
Less: Accumulated depreciation	(62,492)	(59,698)
Total	$ 37,137	$ 39,931

Items	2022	2021
Cost		
Balance, January 1	$ 99,629	$ 99,629
Balance, December 31	$ 99,629	$ 99,629

Items	2022	2021
Accumulated depreciation and impairment		
Balance, January 1	$ (59,698)	$ (56,904)
Depreciation expense	(2,794)	(2,794)
Balance, December 31	$ (62,492)	$ (59,698)

A. Rent revenue and direct operation expenses from investment property:

Items	2022	2021
Rent revenue from investment property	$ 18,144	$ 18,144
Direct operating expenses from the investment of property that generated rental income during the period	$ 2,892	$ 3,216

B. The lease term for buildings under operating leases is 2 years. The lessees do not have an option to acquire the assets at the expiry of the lease periods. Rental income for 2022 was the same as 2021 and amounted to 18,144 thousand. As of December 31, 2022 and 2021, the maturity analysis of minimum rental receivable for the operating lease is as follows:

Items	December 31, 2022	December 31, 2021
Not later than 1 year	$ 18,144	$ 18,144
Later than 1 year and not later than 5 years	18,144	36,288
Total	$ 36,288	$ 54,432

C. The Company's investment property had a fair value of $78,000 thousand and $72,000 thousand as of December 31, 2022 and 2021, respectively. The fair value was not assessed by any independent appraiser but was determined by the Company's management based on the trading price of similar properties on the open market.

D. The investment property of the Company is not pledged to others.

6.12 INTANGIBLE ASSETS

Items	December 31, 2022	December 31, 2021
Patents	$ 51,891	$ 55,416
Trademarks	1,531	2,432
Computer software	41,802	21,843
Total	95,224	79,691
Less: Accumulated amortization	(40,217)	(38,286)
Intangible assets, net	$ 55,007	$ 41,405

	2022			
Items	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 55,416	$ 2,432	$ 21,843	$ 79,691
Additions	1,200	93	26,927	28,220
Disposals	(4,725)	(994)	(6,968)	(12,687)
Balance, December 31	$ 51,891	$ 1,531	$ 41,802	$ 95,224
Accumulated amortization				
Balance, January 1	$ (23,508)	$ (1,567)	$ (13,211)	$ (38,286)
Amortization expense	(5,929)	(284)	(8,405)	(14,618)
Disposals	4,725	994	6,968	12,687
Balance, December 31	$ (24,712)	$ (857)	$ (14,648)	$ (40,217)

	2021			
Items	Patent	Trademarks	Computer software	Total
Cost				
Balance, January 1	$ 62,226	$ 2,674	$ 31,965	$ 96,865
Additions	2,950	208	2,599	5,757
Disposals	(9,760)	(450)	(12,721)	(22,931)
Balance, December 31	$ 55,416	$ 2,432	$ 21,843	$ 79,691
Accumulated amortization				
Balance, January 1	$ (24,394)	$ (1,700)	$ (19,928)	$ (46,022)
Amortization expense	(8,874)	(317)	(6,004)	(15,195)

Items	2021			
	Patent	Trademarks	Computer software	Total
Disposals	$ 9,760	$ 450	$ 12,721	$ 22,931
Balance, December 31	$ (23,508)	$ (1,567)	$ (13,211)	$ (38,286)

6.13 OTHER NON-CURRENT ASSETS

Items	December 31, 2022	December 31, 2021
Prepayments for equipment	$ 45,431	$ 40,727
Refundable deposits	9,964	10,381
Overdue receivables	–	5,847
Less: allowance for bad debts	–	(5,847)
Prepayments for software	–	31,500
Total	$ 55,395	$ 82,608

Please refer to Note 8 for information on the refundable deposits that were pledged to others.

6.14 NOTES PAYABLE

Items	December 31, 2022	December 31, 2021
Notes payable - operating activities	$ 3,320	$ 6,288
Total	$ 3,320	$ 6,288

6.15 OTHER PAYABLES

Items	December 31, 2022	December 31, 2021
Salaries and bonuses payable	$ 300,968	$ 276,594
Payable for equipment and construction	90,090	98,198
Payable for supplies expense	35,333	39,048
Compensation payable to employees, directors and supervisors	32,529	29,081
Payable for repairs and maintenance expense	23,151	21,015

Items	December 31, 2022	December 31, 2021
Payable for insurance	$ 15,405	$ 15,189
Payable for utilities expense	14,166	13,523
Others	70,446	60,649
Total	$ 582,088	$ 553,297

6.16 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31, 2022	December 31, 2021
Unsecured loans	$ 2,153,913	$ 2,248,746
Less: current portion	(311,103)	(80,833)
Discount of government grants (Note 6.17)	(7,946)	(8,657)
Total	$ 1,834,864	$ 2,159,256
Interest rates range	1. 45%~1. 86%	0. 45%~0. 98%
Year to maturity	2023 to 2027	2022 to 2037

(1) The loans from Bank of Taiwan, Mega Bank, E.SUN Bank, and Chang Hwa Bank are repaid in installments, the rest of the loans will be repaid in full on the maturity date.

(2) Under the Company's loan agreement with certain banks, the Company should meet several financial ratios and criteria. The Company had no violation of the aforementioned financial ratio regulations as of December 31, 2022 and 2021.

6.17 GOVERNMENT GRANTS

(1) The Company has obtained a $1,133,913 thousand preferential interest rate loan from a government under the "Action Plan Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" for capital expenditure and operating turnover. The difference between transaction price and fair value is regarded as the government grants. As of December 31, 2022, the fair value of loan is estimated to be $1,125,967 thousand. The difference $7,946 thousand between transaction price and fair value is recognized as deferred income (under other current and non-current liabilities). The deferred revenue is recognized as other income during the loan period. The Company has recognized $4,417 thousand and $2,825 thousand in other income, $17,161 thousand and $7,547 thousand in interest expense for the loan, and has paid $12,744 thousand and $4,722 thousand interests to the bank for the years ended December 31, 2022 and 2021.

(2) The National Development Fund would cease providing the Company related interest subsidies if the Company violated requirements of the project loan due to not using for the construction of plants and relevant facilities, purchasing equipment or using as mid-term working capital. Therefore, the loan interests of the Company will adopt the original agreed interest rate.

6.18 RETIREMENT BENEFIT PLANS

(1) Defined contribution plans

A. The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company make monthly contributions of 6% of each individual employee's salary or wage to employees' pension accounts.

B. The Company recognized expenses in the statement of comprehensive income were \$35,564 thousand and \$40,113 thousand under the contributions rates specified in the plans for years ended December 31, 2022 and 2021, respectively.

(2) Defined benefit plans

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 6% of the employees' monthly salaries and wages to the retirement fund deposited in Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the amount of the balance in the pension fund is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

B. Amounts recognized in the balance sheet are as follows:

Items	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 223,398	\$ 257,918
Fair value of plan assets	(132,566)	(125,182)
Net defined benefit liability	\$ 90,832	\$ 132,736

C. Movements in net defined benefit liability are as follows:

Items	2022 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	$ 257,918	$ (125,182)	$ 132,736
Service costs			
Current service cost	1,087	–	1,087
Interest expense(revenue)	1,934	(983)	951
Amounts recognized in profit and loss	3,021	(983)	2,038
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(10,163)	(10,163)
Actuarial (gains) losses -			
Effect of changes in financial assumptions	(12,314)	–	(12,314)
Experience adjustments	(4,343)	–	(4,343)
Amounts recognized in other comprehensive income (losses)	(16,657)	(10,163)	(26,820)
Pension fund contributions	–	(17,122)	(17,122)
Paid pension	(20,884)	20,884	–
Balance, December 31	$ 223,398	$ (132,566)	$ 90,832

Items	2021 Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	$ 265,117	$ (136,777)	$ 128,340
Service costs			
Current service cost	1,390	–	1,390
Interest expense(revenue)	928	(509)	419
Amounts recognized in profit and loss	2,318	(509)	1,809
Remeasurements:			
Return on plan assets (Amounts included in interest income or expense are excluded)	–	(1,839)	(1,839)

Items	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Actuarial (gains) losses -			
Effect of changes in demographic assumptions	$ 13,561	$ -	$ 13,561
Effect of changes in financial assumptions	11,895	-	11,895
Experience adjustments	(9,164)	-	(9,164)
Amounts recognized in other comprehensive income (losses)	16,292	(1,839)	14,453
Pension fund contributions	-	(11,866)	(11,866)
Paid pension	(25,809)	25,809	-
Balance, December 31	$ 257,918	$ (125,182)	$ 132,736

The pension costs of the aforementioned defined benefit plans are recognized in profit or loss by the following categories:

Items	2022	2021
Cost of revenue	$ 1,319	$ 1,192
Marketing expenses	133	98
General and administrative expenses	362	304
Research and development expenses	224	215
Total	$ 2,038	$ 1,809

D. Information about Fair value of plan assets are as follows:

Item	December 31, 2022	December 31, 2021
Cash and cash equivalents	$ 132,566	$ 125,182

E. Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

i. Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. at the discretion of the Bureau of Labor Funds of Ministry of Labor, or under the mandated management. However, under the Labor Standards Law, the rate of return on plan assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.

ii. 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 debt investments of the plan assets.

iii. 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.

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

	Measurement date	
Items	December 31, 2022	December 31, 2021
Discount rate	1.40%	0.75%
Expected salary increase rate	2.00%	2.00%

Reasonably possible changes to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Items	December 31, 2022	December 31, 2021
Discount rate		
0.25% increase	$ (4,821)	$ (5,820)
0.25% decrease	4,986	6,029
Expected salary increase rate		
0.25% increase	4,819	5,792
0.25% decrease	(4,684)	(5,621)

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

G. The contribution that the Company expects to make to its defined benefit pension plans in next year is $11,156 thousand. The weighted average maturity period of the defined benefit obligation is 11 years.

6.19 COMMON STOCKS

(1) The movements in the number of the Company’s ordinary shares outstanding are as follows:

	2022			2021		
Items	Shares		Capital	Shares		Capital
Balance, January 1	182,140	$	1,821,403	182,140	$	1,821,403
Balance, December 31	182,140	$	1,821,403	182,140	$	1,821,403

The par value of common stock is $10 per share, and every share has one voting right and the right to gain dividends.

(2) The Company’s authorized capital was $2,700,000 thousand, consisting of 270,000 thousand shares as of December 31, 2022.

6.20 CAPITAL SURPLUS

Item		December 31, 2022		December 31, 2021
Additional paid-in capital	$	451,220	$	451,220
Long-term investments at equity		3,546		3,546
Treasury stock transactions		30,359		30,359
Others		672		473
Total	$	485,797	$	485,598

(1) Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal reserve is insufficient.

(2) The capital surplus from shares of changes in equities and stock options may not be used for any purpose.

6.21 RETAINED EARNINGS AND DIVIDEND POLICY

(1) According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset prior years' operating losses, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's paid-in capital then reversal or set aside a special capital reserve in accordance with relevant laws or regulations. Any balance left over shall be allocated with unappropriated earnings submitted by the Board of Directors to be approved at a shareholders' meeting according to the Company's Articles of Incorporation 32 para 1 ad finem .

The Company's dividend policy was established by the Board of Directors according to operating plans, investment plans, capital budgets and the changes in internal and external environment. Due to the Company's steady growth, distribution of earnings will first consider to be allocated by cash dividend before stock dividend. Stock dividends distributed shall not excess be higher than 50% of the gross amount of total dividends.

(2) Legal reserve may be used to offset a deficit or to distribute as dividend in cash or in stock for the portion in excess of 25% of the Company's paid-in capital.

(3) Special reserve

Items	December 31, 2022	December 31, 2021
Special reserve	$ 139,763	$ 134,642

A. In accordance with the regulation, the Company shall set aside special reserve from the debit balance on other equity item at the end of the year before distributing earnings. When debit balance on other equity is reversed subsequently, the reversed amount could be included in the distributable earnings.

B. On initial application of IFRSs, the unrealized revaluation increments and cumulative translation adjustment should be reclassified into retained earnings, and was set aside as special reserve $53,205 thousand. When the relevant assets are used, disposal of or reclassified subsequently, the special reserve set aside previously shall be reversed to distributable earnings proportionately.

(4) The appropriations of 2021 and 2020 earnings have been approved by shareholders' meetings held on May 27, 2022 and August 26, 2021, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
Items	For Year 2021	For Year 2020	For Year 2021	For Year 2020
Legal reserve	$ 83,980	$ 34,535		
Special reserve	5,121	(20,928)		

Items	Appropriation of Earnings For Year 2021	Appropriation of Earnings For Year 2020	Dividends Per Share (NT$) For Year 2021	Dividends Per Share (NT$) For Year 2020
Cash dividends	$ 546,421	$ 327,852	$ 3. 00	$ 1. 80

(5) The Company's appropriation of earnings for 2022 had been approved in the meeting of the Board of Directors held on February 23, 2023. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 96,355	
Special reserve	(23,507)	
Cash dividends	582,849	$ 3. 20

The appropriations of earnings for 2022 are to be presented for approval in the shareholders' meeting to be held in May, 2023.

(6) Information on the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

6.22 OTHER EQUITY ITEMS

Item	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on valuation of financial assets at FVTOCI	Total
Balance, January 1, 2022	$ (155,689)	$ 15,926	$ (139,763)
Exchange differences on translation of foreign financial statements	22,604	-	22,604
Unrealized gain (loss) on valuation of financial assets at FVTOCI	-	903	903
Balance, December 31, 2022	$ (133,085)	$ 16,829	$ (116,256)
Balance, January 1, 2021	$ (147,809)	$ 13,167	$ (134,642)
Exchange differences on translation of foreign financial statements	(7,880)	-	(7,880)

Item	Exchange differences on translation of foreign financial statements		Unrealized gain (loss) on valuation of financial assets at FVTOCI		Total	
Unrealized gain (loss) on valuation of financial assets at FVTOCI	$	–	$	2,759	$	2,759
Balance, December 31, 2021	$	(155,689)	$	15,926	$	(139,763)

6.23 OPERATING REVENUE

Items	2022		2021	
Revenue from contracts with customers				
Sale of goods	$	9,129,580	$	8,225,981
Other operating revenues		13,145		21,678
Total	$	9,142,725	$	8,247,659

(1) Description of customer contract

The Company is mainly engaged in the sale of lead frames and stationery products. The main target customers are downstream vendors and agents, etc., and the Company sells at price stipulated in contract. The consideration is classified as short-term receivables, and is therefore measured at invoice price.

(2) Disaggregation of revenue from contracts with customers

Major products /Service line	2022											
	China		Taiwan		Japan		Malaysia		Others		Total	
Electronic	$	2,988,706	$	796,841	$	1,188,668	$	1,027,468	$	1,689,760	$	7,691,443
Stationery		28,635		541,280		76,730		7,430		595,282		1,249,357
Others		88,769		11,558		9,959		49,959		28,535		188,780
Total	$	3,106,110	$	1,349,679	$	1,275,357	$	1,084,857	$	2,313,577	$	9,129,580

Major products /Service line	2021											
	China		Taiwan		Japan		Malaysia		Others		Total	
Electronic	$	2,767,316	$	891,837	$	1,086,036	$	722,645	$	1,475,019	$	6,942,853
Stationery		35,999		518,104		69,128		2,853		533,995		1,160,079
Others		65,033		4,308		5,716		25,801		22,191		123,049

Major products /Service line	2021					
	China	Taiwan	Japan	Malaysia	Others	Total
Total	$ 2,868,348	$ 1,414,249	$ 1,160,880	$ 751,299	$ 2,031,205	$ 8,225,981

(3) The Company recognizes contract liabilities arising from contracts with customers as follows:

Items	December 31, 2022	December 31, 2021
Contract liabilities - current	$ 95,076	$ 93,512

6.24 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The information of employee benefits, depreciation, depletion, and amortization are as follows:

By nature	2022			2021		
	Cost of sales	Operating expense (include not operating)	Total	Cost of sales	Operating expense (include not operating)	Total
Personnel						
Salary	$ 780,453	$ 335,954	$ 1,116,407	$ 751,128	$ 320,533	$ 1,071,661
Remuneration to directors	–	15,437	15,437	–	13,630	13,630
Labor insurance	75,059	21,602	96,661	68,925	21,192	90,117
Pension	27,845	9,757	37,602	27,076	14,846	41,922
Other	73,029	12,737	85,766	63,992	16,390	80,382
Depreciation	356,623	32,453	389,076	376,305	34,630	410,935
Amortization	3,779	10,839	14,618	849	14,346	15,195
Total	$ 1,316,788	$ 438,779	$ 1,755,567	$ 1,288,275	$ 435,567	$ 1,723,842

(1) The average numbers of employees of the Company in 2022 and 2021 were 1,519 and 1,490, respectively. The numbers of non-employee Directors were 6 and 6 for 2022 and 2021, respectively.

(2) The average employee benefits expenses were $883 thousand and $865 thousand for 2022 and 2021, respectively.

(3) The average salaries were $738 thousand and $722 thousand for 2022 and 2021, respectively. The average salaries of 2022 and 2021 increased by 20%.

(4) The supervisors’ remuneration for 2021 was $40 thousand.

(5) In accordance with the Company's Article of incorporation, the Company shall allocate 1.5% and not higher than 1.5% of annual profits before tax during the period to employees' compensation and directors' remuneration, respectively. If there is a change in the proposed amount after the annual financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

(6) The appropriations of employees' compensation and directors' remuneration for 2022 and 2021 have been approved by the board of directors held on February 23, 2023, and February 24, 2022, respectively. The amount of approved and recognized in financial statement is shown as follows.

	For Year 2022		For Year 2021	
	Employees' compensation	Directors' remuneration	Employees' compensation	Directors' remuneration
Amounts approved in meeting	$ 18,072	$ 14,457	$ 16,156	$ 12,925
Amounts recognized in financial reports	18,072	14,457	16,156	12,925
Difference	$ -	$ -	$ -	$ -

The employees' compensation of 2022 and 2021 is distributed in cash.

(7) Information on employees' compensation and directors' remuneration of the Company is available from the Market Observation Post System at the website of the TWSE.

6.25 OTHER INCOME

Items	2022	2021
Rental income	$ 19,583	$ 19,480
Government subsidies	8,863	11,046
Dividend income	1,316	392
Commission income	89	11,914
Others	18,925	23,160
Total	$ 48,776	$ 65,992

6.26 OTHER GAINS AND LOSSES

Items	2022	2021
Foreign exchange gains (losses), net	$ 139,538	$ (22,357)
Gain on disposal of property, plant and equipment	2,192	2,694
Others	(4,153)	(3,841)
Total	$ 137,577	$ (23,504)

6.27 FINANCIAL COSTS

Items	2022	2021
Interest expense		
Bank loans	$ 31,630	$ 13,767
Interest on lease liabilities	1,551	1,690
Less: capitalized amount for qualified assets	(5,539)	(2,814)
Financial costs	$ 27,642	$ 12,643
Interest capitalization rates	0.71%~1.60%	0.66%~0.71%

6.28 INCOME TAX

A. Income tax expense recognized in profit or loss

(1) Components of income tax expense:

Items	2022	2021
Current income tax expense		
Current tax expense (benefit) recognized in the current year	$ 242,429	$ 185,729
Tax on unappropriated earnings	10,214	195
Adjustments for prior years	1,690	3,110
Current tax	254,333	189,034
Deferred income tax expense		
The origination and reversal of temporary differences	(22,608)	6,701
Deferred tax	(22,608)	6,701
Income tax expense recognized in profit or loss	$ 231,725	$ 195,735

(2) Income tax expenses (benefits) recognized in other comprehensive income were as follows:

Items	2022	2021
Exchange differences on translation of foreign operations	$ 5,651	$ (1,970)
Unrealized gains (losses) on financial assets at FVTOCI	(90)	565
Remeasurement of defined benefit obligation	5,364	(2,891)
Total	$ 10,925	$ (4,296)

B. Reconciliation between accounting profit and income tax expense recognized in profit or loss：

Items	2022	2021
Income before tax	$ 1,172,244	$ 1,047,979
Income tax expense at the statutory rate	$ 234,449	$ 209,596
Tax effect of adjusting items:		
Deductible items in determining taxable income	7,980	(23,867)
Income tax on unappropriated earnings	10,214	195
Income tax adjustments on prior years	1,690	3,110
Net changes on deferred income tax	(22,608)	6,701
Income tax expense recognized in profit or loss	$ 231,725	$ 195,735

The corporate income tax rate for entities subject to the R.O,C, Income Tax Act 20%, and the tax rate for unappropriated earnings 5%.

C. Income tax liabilities

Items	December 31, 2022	December 31, 2021
Income tax liabilities	$ 266,713	$ 171,759

D. Deferred tax assets or liabilities arising from temporary differences, operating loss carryforward, and investment tax credit:

Items	2022			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 21,700	$ 180	$ -	$ 21,880
Net defined benefit liability	25,691	(2,833)	(5,364)	17,494
Cutoff	32,869	16,918	-	49,787
Others	9,932	2,582	-	12,514
Subtotal	90,192	16,847	(5,364)	101,675
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(197,908)	5,138	-	(192,770)
Exchange differences arising on translation of foreign operations	(6,508)	-	(5,651)	(12,159)
Reserve for land revaluation increment tax	(78,957)	-	-	(78,957)
Others	(3,692)	623	90	(2,979)
Subtotal	(287,065)	5,761	(5,561)	(286,865)
Total	$ (196,873)	$ 22,608	$ (10,925)	$ (185,190)

Items	2021			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	$ 22,900	$ (1,200)	$ -	$ 21,700

Items	2021 January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Net defined benefit liability	$ 24,621	$ (1,821)	$ 2,891	$ 25,691
Cutoff	23,635	9,234	–	32,869
Others	8,944	988	–	9,932
Subtotal	80,100	7,201	2,891	90,192
Deferred tax liabilities				
Temporary differences				
Gain on foreign investments accounted for using the equity method	(184,401)	(13,507)	–	(197,908)
Exchange differences arising on translation of foreign operations	(8,478)	–	1,970	(6,508)
Reserve for land revaluation increment tax	(78,957)	–	–	(78,957)
Others	(2,732)	(395)	(565)	(3,692)
Subtotal	(274,568)	(13,902)	1,405	(287,065)
Total	$ (194,468)	$ (6,701)	$ 4,296	$ (196,873)

E. The income tax returns of the Company have examined through 2020 by tax authority.

6.29 OTHER COMPREHENSIVE INCOME

Items	2022 Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ 26,820	$ (5,364)	$ 21,456
Share of other comprehensive income of investments accounted for using the equity method	1,577	–	1,577

	2022		
Items	Before tax	Income tax (expense) benefit	After tax
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	$ 813	$ 90	$ 903
Subtotal	29,210	(5,274)	23,936
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	28,255	(5,651)	22,604
Subtotal	28,255	(5,651)	22,604
Total	$ 57,465	$ (10,925)	$ 46,540

	2021		
Items	Before tax	Income tax (expense) benefit	After tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ (14,453)	$ 2,891	$ (11,562)
Share of other comprehensive income of investments accounted for using the equity method	(882)	–	(882)
Unrealized gains (losses) on valuation of equity investments at fair value through other comprehensive income	3,324	(565)	2,759
Subtotal	(12,011)	2,326	(9,685)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(9,850)	1,970	(7,880)
Subtotal	(9,850)	1,970	(7,880)
Total	$ (21,861)	$ 4,296	$ (17,565)

6.30 EARNINGS PER SHARE

The earnings for earnings per share calculated and weighted average number of ordinary shares are as follows：

Items	2022	2021
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 940,519	$ 852,244
Net income for calculating basic earnings per share	$ 940,519	$ 852,244
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Basic earnings per share (after tax) (in dollars)	$ 5.16	$ 4. 68
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	$ 940,519	$ 852,244
Net income for calculating diluted earnings per share	$ 940,519	$ 852,244
Weighted average number of shares outstanding (share in thousands)	182,140	182,140
Effect of dilutive potential common shares		
Employees' compensation (share in thousands)	222	106
Weighted average number of shares outstanding for diluted earnings per share (thousand shares)	182,362	182,246
Diluted earnings per share (after tax) (in dollars)	$ 5.16	$ 4. 68

If the Company offered to settle the compensation on bonuses paid to employees in shares or cash at its option, the company assumed that the entire amount of compensation or bonuses will be settled in shares. The resulting potential shares are included in the weighted average number of shares outstanding used in calculating diluted earnings per share if the effect is dilutive. The dilutive effect of potential shares is included in calculating diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

7. RELATED PARTY TRANSACTIONS

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

A. Related party name and categories

Related Party Name	Related Party Categories
CHAO SHIN METAL INDUSTRIAL CORPORATION (Chao Shin Metal)	Subsidiaries
TEC BRITE TECHNOLOGY CO., LTD. (TEC Brite Technology)	Subsidiaries
SHUEN DER INDUSTRY (JIANGSU) CO.,LTD (SDI (JIANGSU))	Subsidiaries
SJD Industries（M）Sdn. Bhd	Other related parties
SDI JAPAN CO. ,LTD.	Other related parties

B. Significant transactions between related parties

Significant transactions between the Company and its related parties for the years ended December 31, 2022 and 2021 are as follow:

(a) Revenue

Related Party	2022	2021
Subsidiaries	$ 200,567	$ 224,657
Other related parties	35,187	35,548
Total	$ 235,754	$ 260,205

Sales price with related parties was determined and negotiated referring to related market price. The payment term was T/T 30~240 days.

(b) Purchases

Related Party	2022	2021
Subsidiaries	$ 296,653	$ 233,465
SDI (JIANGSU)	854,068	769,208
Other related parties	10,337	4,643
Total	$ 1,161,058	$ 1,007,316

Purchases price with related parties was determined and negotiated referring to related market price. The payment term was T/T 60~90 days.

(c) Receivables due from related parties

Items	Related Party	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiaries	$ 118,461	$ 126,323
	Other related parties	21,421	17,310
	Total	$ 139,882	$ 143,633
Other receivables	Subsidiaries	$ 477	$ 792
	TEC Brite Technology	8,116	8,571
	Other related parties	197	118
	Total	$ 8,790	$ 9,481

(d) Payables due to related parties

Items	Related Party	December 31, 2022	December 31, 2021
Accounts payable	Subsidiaries	$ 58,020	$ 74,537
	TEC Brite Technology	97,880	85,949
	Other related parties	-	1,120
	Total	$ 155,900	$ 161,606
Other payables	Subsidiaries	$ 2,738	$ 1,803
	Other related parties	-	860
	Total	$ 2,738	$ 2,663

(e) Property transactions

(1) Disposal of property, plant and equipment

	2022		2021	
Related Party	Price	Profit (Loss)	Price	Profit (Loss)
Subsidiaries	$ 146	$ 29	$ 117	$ 16
Total	$ 146	$ 29	$ 117	$ 16

The unrealized gains from selling equipment as mentioned above have been deferred.

(f)Selling parts

Related Party	2022 Price	2022 Profit (Loss)	2021 Price	2021 Profit (Loss)
Subsidiaries	$ 147	$ 13	$ 2,333	$ 243

The stationaries and electric parts the subsidiaries needed for production were purchased by the Company. The unrealized gains as mentioned above have been deferred.

(g) Endorsement and Guarantees

Party being guaranteed	Matter being guaranteed	December 31, 2022	December 31, 2021
SDI(JIANGSU)	Banking facilities	$ 1,355,685	$ 1,436,168
	Total	$ 1,355,685	$ 1,436,168

(h) Other transactions

Items	Related Party	2022	2021
Processing fee	Chao Shin Metal	$ 3,996	$ 6,747
Other expenses	Subsidiaries	$ 9,314	$ 8,312
	Total	$ 9,314	$ 8,312
Rental income	Subsidiaries	$ 144	$ 144
	TEC Brite Technology	18,744	18,744
	Total	$ 18,888	$ 18,888
Other income	Subsidiaries	$ 7,367	$ 20,681
	Other related parties	133	317
	Total	$ 7,500	$ 20,998
Deduction of expenses	Subsidiaries	$ 4,464	$ 7,281
	Other related parties	252	153
	Total	$ 4,716	$ 7,434

(i) Lease agreement

Items	Related Party	December 31, 2022	December 31, 2021
Lease liabilities－current	Chao Shin Metal	$ 3,127	$ 2,571
Lease liabilities－non-current	Chao Shin Metal	$ 32,275	$ 34,876

Items	Related Party	2022	2021
Depreciation	Subsidiaries	$ 2,726	$ 2,726
Interests expense	Subsidiaries	$ 429	$ 460

C. Compensation of key management personnel

Items	2022	2021
Short-term employee benefits	$ 63,311	$ 58,045
Post- employment benefits	481	474
Total	$ 63,792	$ 58,519

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows：

Items	December 31, 2022	December 31, 2021
Pledge time deposit (recognized as other financial assets - current)	$ 6,600	$ 6,600
Refundable deposits (recognized as other non-current assets)	514	494
Total	$ 7,114	$ 7,094

9. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS:

(1) Capital expenditures committed but not yet incurred are as follows:

Items	December 31, 2022	December 31, 2021
Property, plant, and equipment	$ 187,561	$ 190,286

10. SIGNIFICANT DISASTERS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12. OTHERS:

12.1 Capital risk management

The Company requires an adequate capital structure to enable the expansion and enhancement of its plant and equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources and operating plan to fund its working capital needs, capital asset purchases, development expenditure, and debt service requirements and other business requirements associated with its existing operations over the next 12 months.

12.2 Financial instruments

(1) Financial risks on financial instruments

Financial risk management policies

The Company's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on its financial performance.

The Company's material financial activities are approved by the Board of Directors (and Audit Committee) in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

Significant financial risks and degrees of financial risks

A. Market risk

a. Foreign exchange risk

i. The Company's sales, purchase and borrowing activities denominated in foreign currencies are exposed to foreign currency risk. The Company's functional currency is New Taiwan dollars. The main foreign currencies of those thousand transactions are US dollars and JPY, etc. To protect against reductions in value and the volatility of future cash flows results from changes in foreign exchange rates, the Company hedges its foreign exchange risk exposure by using foreign currency loans and derivatives, such as forward exchange agreements. The usage of derivative financial instruments can assist the Company to reduce but not completely eliminate the influence of changes in foreign exchange rates.

ii. Sensitivity analysis of foreign currency risk

Items	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 63,547	30. 70	$ 1,950,901
JPY	156,149	0. 23	36,421
Non-monetary Items			
Investments accounted for using equity method			
USD	58,017	30. 70	1,781,130
Financial Liabilities			
Monetary Items			
USD	13,987	30. 70	429,390
JPY	253,170	0. 23	59,052

Items	December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
Financial Assets			
Monetary Items			
USD	$ 65,921	27. 67	$ 1,824,041
JPY	140,957	0. 24	33,907
Non-monetary Items			
Investments accounted for using equity method			
USD	64,278	27. 67	1,778,567
Financial Liabilities			
Monetary Items			
USD	28,829	27. 67	797,706
JPY	219,633	0. 24	52,833

The Company is mainly exposed to US dollar and JPY. The sensitivity analysis rate for the Company is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 % change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currency with all other variables held constant in the amounts of $14,881 thousand and $10,074 thousand for the years ended December 31, 2022 and 2021, respectively.

b. Price risk

The Company is exposed to the price risk of funds and unlisted equity securities because these equity investments held by the Company are classified as either financial assets at fair value through profit/loss or financial assets at fair value through other comprehensive income.

The Company mainly invests in equity instrument of unlisted stocks. The prices of equity instrument of unlisted stocks would change due to the uncertainty of the future value.

If the prices of these equity securities had increased/decreased by 1%, the other comprehensive income before tax would have increased/decreased by $210 thousand and $202 thousand for the years ended December 31, 2022 and 2021, respectively, due to the fair value of the financial assets at fair value through other comprehensive income increased/decreased.

c. Interest rate risk

The carrying amounts of interest – bearing financial instruments held by the Company as of the reporting date are as follows:

Items	Carrying Amounts December 31, 2022	 December 31, 2021
Fair value interest rate risk		
Financial assets	$ 600	$ 1,094
Net	$ 600	$ 1,094
Cash flow interest rate risk		
Financial assets	$ 716,830	$ 412,486
Financial liabilities	(2,145,967)	(2,240,089)
Net	$ (1,429,137)	$ (1,827,603)

i. Sensitivity analysis for instruments with fair value interest rate risk：

The Company does not classify any fixed-rate instruments as financial assets measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedge instruments under the fair value hedge accounting model. Therefore, the change in interest rate on the reporting date has no effect on profit or loss and other comprehensive income.

ii. Sensitivity analysis for instruments with cash flow interest rate risk：

The effective interest rates for the Company's floating interest rate financial instruments are susceptible to the market interest rate, affecting the Company's future cash flows. If the market interest rate increases (decreases) 1%, the profit before tax will increase (decrease) $14,291 thousand and $18,276 thousand for the years ended December 31, 2022 and 2021, respectively.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities, primarily bank deposits and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business - related credit risk

In order to maintain the credit quality of the trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed taking into account relevant factors that may affects a customer's paying ability, such as the customer's financial condition and historical transaction records, internal and external credit rating and economic conditions.

The Company does not hold any collateral or other credit enhancement to hedge against the credit risk of financial assets.

b. Financial credit risk

The Company's exposure to financial credit risk which pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company's treasury function. The Company only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i.Credit concentration risk

As of December 31, 2022 and 2021, the proportion of the accounts receivable exceeds 10% of the total accounts receivable, representing 42% and 37%, respectively. The credit concentration risk associated with other accounts receivable is relatively insignificant.

ii.Measurement of expected credit losses

(i) Accounts receivable: The Company applies simplified approach to its accounts receivable. Please refer to Note 6(3) for more information.

(ii) The criteria used to determine whether credit risk has increased significantly: The Company considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

iii.Holding collateral and other credit enhancement to hedge against credit risk of financial assets: None.

iv.Credit risk of financial assets measured at amortized cost:

Please refer to Note 6(3) for information on the Company's credit exposures associated with notes receivable and accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit losses. After assessment, the Company determined that no material impairment occurred.

C. Liquidity risk

a. Liquidity risk management

The objective of the Company's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Company has sufficient financial flexibility for its operations.

b. Maturity analysis for financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities:

	December 31, 2022				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 3,320	$ –	$ –	$ 3,320	$ 3,320
Accounts payable	809,317	–	–	809,317	809,317
Other payables	561,017	–	–	561,017	561,017
Lease liabilities	13,534	40,559	83,488	137,581	128,197
Long-term loan (include current portion)	342,065	1,839,673	32,736	2,214,474	2,145,967
Guarantee deposits	–	–	27	27	27
Total	$ 1,729,253	$ 1,880,232	$ 116,251	$ 3,725,736	$ 3,647,845

Further information on maturity analysis for lease liabilities：

	December 31, 2022					
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 13,534	$ 40,559	$ 47,460	$ 36,028	$ –	$ 137,581

	December 31, 2021				
Non-derivative Financial Liabilities	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	$ 6,288	$ –	$ –	$ 6,288	$ 6,288
Accounts payable	1,187,415	–	–	1,187,415	1,187,415
Other payables	532,217	–	–	532,217	532,217

Non-derivative Financial Liabilities	December 31, 2021 Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Lease liabilities	$ 13,300	$ 44,597	$ 92,784	$ 150,681	$ 139,225
Long-term loan (include current portion)	99,998	2,140,733	50,769	2,291,500	2,240,089
Guarantee deposits	–	–	87	87	87
Total	$ 1,839,218	$ 2,185,330	$ 143,640	$ 4,168,188	$ 4,105,321

Further information on maturity analysis for lease liabilities：

	December 31, 2021 Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Total undiscounted lease payment
Lease liabilities	$ 13,300	$ 44,597	$ 47,460	$ 42,589	$ 2,735	$ 150,681

The Company does not expect the cash flows on the maturity analysis to occur significantly earlier or with a considerable difference from the actual amounts.

12.3 Category of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 2,279,742	$ 2,225,504
Financial assets at fair value through other comprehensive income	21,023	20,222
Financial liability		
Financial liabilities measured at amortized cost (Note 2)	3,519,648	3,966,096

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes payable, accounts payable, other payables, long-term loan (include current portion) and guarantee deposits received.

12.4 Fair value information of financial instruments

(1) Definition of fair value measurements are grouped into Level 1 to 3 as follows:

Level 1: Relevant inputs are quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date

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

Level 3:Inputs are unobservable inputs that used to measure fair value to the extent when relevant observable inputs are not available.

(2) Financial instruments that are not measured at fair value

The fair value of the Company's financial instruments not measured at fair value including cash and cash equivalents, accounts receivable, other financial assets, refundable deposits, short-term loan, accounts payables, long-term loan (including current portion) and other financial liabilities approximate their fair value.

(3) Financial instruments that are measured at fair value:

The financial instruments that are measured at fair value on a recurring basis, the information of fair value is as follow:

	December 31, 2022			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTOCI - noncurrent				
Equity instruments				
Unlisted stocks	$ -	$ -	$ 21,023	$ 21,023
Total	$ -	$ -	$ 21,023	$ 21,023

	December 31, 2021			
Items	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at FVTOCI - noncurrent				
Equity instruments				
Unlisted stocks	$ -	$ -	$ 20,222	$ 20,222

Items	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Total	$ -	$ -	$ 20,222	$ 20,222

(4) The methods and assumptions the Company used to measure fair value are as follows:

A. The Company measures the fair values of its financial instruments with an active market using their quoted prices in the active market.

B. Fair value of equity investment of unlisted stocks without active market was estimated through the market approach that is mainly referenced to the same type of companies' evaluation, quotes from third parties, net assets and state of operation. The significant and unobservable input parameter for assessing the unlisted stocks mainly relates to liquidly discount rate. Since the possible changes of liquidity discount rate may not cause significant influence on financial standing, the quantitative information will not be disclosed.

C. Fair value of other financial assets and financial liabilities (except for aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.

(5) Transfer between Level 1 and Level 2 of the fair value hierarchy: none.

(6) Changes in level 3 instruments:

Items	2022	2021
Financial assets at FVTOCI		
Beginning Balance	$ 20,222	$ 16,898
Unrealized valuation gains or losses on equity investments at FVTOCI	813	3,324
Derecognition	(12)	-
Ending Balance	$ 21,023	$ 20,222

13. SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions information

(1) Financings provided to others: None;

(2) Endorsement and guarantee provided to others: Please see Table 1 attached;

(3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period) : Please see Table 2 attached;

(4) Marketable securities acquired and 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 properties at costs of at least NT$300 million or 20% of the paid-in capital: Please see Table 3 attached;

(6) Disposal of individual real estate properties 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 of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid- in capital: Please see Table 5 attached;

(9) Information on the derivative instrument transactions: None;

(10) The business relationship between the parent and the subsidiaries and significant transaction between then: Please see Table 6 attached;

13.2 Information on investees : Please see Table 7 attached;

13.3 Information on investment in Mainland China

(1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached;

(2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 6 attached.

13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): None.

14. SEGMENT INFORMATION

The company has provided the segment information disclosure in the consolidated financial statements for the year ended December 31, 2022.

SDI CORPORATION

ENDORSEMENTS / GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 1

Amounts in Thousands of New Taiwan Dollars

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period		Ending Balance		Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship													
0	SDI	SDI (JIANGSU)	(3)	NTD 2,982,440	NTD USD RMB	1,509,965 19,750 205,000	NTD USD RMB	1,355,685 19,750 170,000	NTD 565,190	NTD -	20.46%	NTD 3,313,823	Y	N	Y	

Note 1：The numbers filled in for the financing company represent the following：

(1) The Company is ‘0’.

Note 2：Relationships between the endorser/guarantor and the party being endorsed/guaranteed：

(1) Trading parties.

(2) The Company direct and indirect owns over 50% ownership of subsidiaries.

(3) The Company and its subsidiaries own over 50% ownership of the investee company.

Note 3：The total amount of the guarantee provided by SDI to any individual entity shall not exceed forty-five percent (45%) of Company’s net worth.

Note 4：The total amount of guarantee shall not exceed fifty percent (50%) of Company’s net worth.

Note 5："Y” represents the endorsement and guarantee provide by listed parent company to subsidiaries, subsidiaries to listed parent company, or take place in Mainland China.

SDI CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

TABLE 2

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	DECEMBER 31, 2022				Remarks
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
SDI	Chang Hwa Golf Club	—	Financial Assets at Fair Value through Other Comprehensive Income－Noncurrent	90	$ 9,375	0.24%	$ 9,375	
	SDI ELECTRONICS JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income－Noncurrent	30	7,527	15.00%	7,527	
	SDI JAPAN CO., LTD	—	Financial Assets at Fair Value through Other Comprehensive Income－Noncurrent	200	4,121	19.61%	4,121	

SDI CORPORATION

ACQUISITION OF INDIVIDUL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 3 Amounts in Thousands of New Taiwan Dollars

Company Name	Types of Property	Date of Occurrence (Note 1)	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Remarks
							Owner	Relationships	Transfer Date	Amount			
SDI	Building H construction (Nantou)	November 8, 2019	$ 331,500	$ 283,050	HSING YA CONSTRUCTION ENGINEERING CO., LTD.	—	—	—	—	$ -	Price comparison and price negotiation	Plant Expansion	—

Note 1：Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Note 2：The Company and XING YA originally signed a construction contract for the Nantou plant with a total price of NT$314.5 million. Due to factors such as market raw material prices, an additional construction payment contract of NT$17 million was added. The Company has paid the original contract balance and additional payment in February 2023. However, The Company still retains a construction retention payment of NT$3 million. The Company also obtained a usage permit authorized by local authorities after making the payment in February 2023.

SDI CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 4

Amounts in Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
SDI	SDI Jiangsu	Sub-Subsidiary	Sales	$ 189,380	2. 07%	As prescribed by the agreement	—	—	$ 116,847	7. 58%	
SDI Jiangsu	SDI	The ultimate parent of the Company	Sales	865,304	28. 54%	As prescribed by the agreement	—	—	54,672	9. 47%	
TEC BRITE TECHNOLOGY CO., LTD	SDI	The ultimate parent of the Company	Sales	281,082	35. 70%	As prescribed by the agreement	—	—	99,496	37. 33%	

SDI CORPORATION

RECEIVEALES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

TABLE 5

Amounts in Thousands of New Taiwan Dollars

Creditor	Counterparty	Relationship	General ledger account	Balance	Turnover rate	Overdue receivables		Subsequent collections	Allowance for bad doubtful accounts
						Amount	Action taken		
SDI	SDI Jiangsu	Sub-subsidary	Accounts Receivable	$ 116,847	1.62	$ 30,382	-	$ 10,099	$ -
			Other Receivables	36		-	-	-	-

SDI CORPORATION

SUBSIDIARIESINTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 6 Amounts in Thousands of New Taiwan Dollars

No.	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	SDI	SDI (JIANGSU)	1	Sales revenue	$ 189,380	Note 3	1.62%
		SDI (JIANGSU)	1	Accounts receivable	116,847	Note 3	1.06%
		SDI (JIANGSU)	1	Other receivables	36	—	—
		Chao Shin Metal	1	Sales revenue	11,175	Note 3	0.10%
		Chao Shin Metal	1	Accounts receivable	1,608	Note 3	0.01%
		Chao Shin Metal	1	Other receivables	441	—	—
		TEC Brite Technology	1	Sales revenue	12	Note 3	—
		TEC Brite Technology	1	Accounts receivable	6	Note 3	—
		TEC Brite Technology	1	Other receivables	8,116	—	0.07%
1	SDI (JIANGSU)	SDI	2	Sales revenue	865,304	Note 3	7.38%
		SDI	2	Accounts receivable	54,672	Note 3	0.49%
		SDI	2	Other receivables	74	—	—
2	Chao Shin Metal	SDI	2	Sales revenue	18,803	Note 3	0.16%
		SDI	2	Processing revenue	4,034	Note 3	0.03%
		SDI	2	Accounts receivable	4,921	Note 3	0.04%
		SDI (JIANGSU)	3	Sales revenue	76,250	Note 3	0.65%
		SDI (JIANGSU)	3	Accounts receivable	17,927	Note 3	0.16%
3	TEC Brite Technology	SDI	2	Sales revenue	281,082	Note 3	2.40%
		SDI	2	Accounts receivable	99,496	Note 3	0.90%
		Chao Shin Metal	3	Sales revenue	116	Note 3	—

Note 1: The numbers filled in for the transaction company represent the follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationships between transaction companies and counterparties are classified into the following three categories as listed below：

‘1’represents parent company to subsidiary.

‘2’ represents subsidiary to parent company.

‘3’ represents subsidiary to subsidiary.

Note 3: Sale price with related parties were determined and negotiated referring to related market price.

SDI CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2022

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
SDI	CHAO SHIN METAL INDUSTRIAL CORP.	Taiwan	Smelting and rolling of metal strips	$ 106,953	$ 106,953	14,810	84.62%	$ 246,657	$ 17,761	$ 15,185	Note 1
	TEC BRITE TECHNOLOGY CO., LTD	Taiwan	Manufacturing of electronic components and international trade	98,969	98,969	9,897	54.98%	386,232	125,275	69,290	Note 1
	SHUEN DER (B.V.I.)	BVI	Holding Company	706,100	636,410	8,920	100.00%	1,741,850	(25,692)	(25,001)	Note 1,2

Note 1：The difference of the shares of profits/losses of investee is recognized as unrealized gross profit.

Note 2：Please refer to Table 8 for information of investees of China Mainland.

SDI CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

TABLE 8

Amounts in Thousands of New Taiwan Dollars

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1,2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/ Losses	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Remarks
					Outflow	Inflow							
SDI Jiangsu	Manufacture, process and sales of integrated circuit frame, blades, stationary, etc.	NTD 1,074,500	Note 1	NTD 706,100	NTD –	NTD –	NTD 706,100	NTD (25,600)	100. 00%	NTD(25,600)	NTD 1,778,800	NTD –	
		USD 35,000		USD 23,000			USD 23,000	USD (859)					

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 706,100	NTD 1,074,500	NTD 4,191,638
USD 23,000	USD 35,000	

Note 1：Reinvesting in the Mainland China through third-region companies.

Note 2：Amounts is recognized based on the audited financial statements.

Note 3：Foreign currencies aforementioned are translated into NTD using the exchange rate at the reporting date or average exchange rate for the year ended.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

SDI Corporation

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

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

Statement 1

Item	Description			Amount
Cash on hand			$	507
Cash in banks				
New Taiwan Dollars				
Checking accounts deposits				2,634
Demand deposits				136,814
Foreign currency				
Demand deposits	(US)	18,159,515		557,497
	(¥)	46,743,192		10,903
	(EUR)	152,684		5,002
	(CHF)	2,747		92
	(RMB)	1,794		8
Subtotal				712,950
Total			$	713,457

Note：USD $1 = NT $30.7

JPY $1 = NT $0.23325

EUR $1 = NT $32.76

CHF $1 = NT $33.25

RMB $1 = NT $4.41

SDI Corporation

STATEMENT OF NOTES RECEIVABLE, NET

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 2

Client Name	Description	Amount	Remark
Client A	Payment for goods	$ 9,182	
Client B	Payment for goods	3,236	
Client C	Payment for goods	2,857	
Client D	Payment for goods	1,732	
Others (Note)	Payment for goods	8,634	
Subtotal		25,641	
Total		$ 25,641	

Note：The amount of individual client included in others does not exceed 5% of the account balance.

SDI Corporation

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2022

（In Thousands of New Taiwan Dollars）

Statement 3

Client Name	Description	Amount	Remark
Accounts receivable - nonrelated parties			
Client E	Payment for goods	$ 202,830	
Client F	Payment for goods	117,896	
Client G	Payment for goods	110,585	
Client H	Payment for goods	106,406	
Client I	Payment for goods	88,310	
Client J	Payment for goods	83,405	
Client K	Payment for goods	79,445	
Others (Note)	Payment for goods	594,250	
Subtotal		1,383,127	
Less：loss allowance		（7,953）	
Total		$ 1,375,174	

Note：The amount of individual client included in others does not exceed 5% of the account balance.

SDI Corporation

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 4

Item	Description	Amount		Remark
		Cost	Net Realizable Value	
Work-in-process		$ 983,108	$ 1,299,220	
Finished goods		810,513	1,047,884	
Raw materials		788,637	843,693	
Merchandise		93,671	127,087	
Inventory in transit		9,299	9,299	
Total		$ 2,685,228	$ 3,327,183	

SDI Corporation

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Thousands of Shares)

Statement 5

	Balance, January 1, 2022		Addition(Note1)		Decrease(Note2)		Balance, December 31, 2022					
Investees	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Net Assets Value	Collateral	Remark
Chao Shin Metal	14,810	$ 250,215	–	$ 15,695	–	$ (19,253)	14,810	84.62%	$ 246,657	$ 253,771	Nil	
TEC Brite Technology	9,897	370,307	–	70,358	–	(54,433)	9,897	54.98%	386,232	386,873	Nil	
SHUEN DER(B. V. I)	8,920	1,741,360	–	3,253	–	(2,763)	8,920	100%	1,741,850	1,781,130	Nil	
Total		$ 2,361,882		$ 89,306		$ (76,449)			$ 2,374,739	$ 2,421,774		

Note 1：Information of Addition is as follows：

Share of profit or loss of subsidiaries accounted for using equity method (Note 3)	$ 59,474
Exchange differences arising from translation of foreign operations	28,255
Share of other comprehensive income of subsidiaries accounted for using equity method	1,577
Total	$ 89,306

Note 2：Information of Decrease is as follows:

Receiving cash dividends of investees	$ 73,686
Unrealized gain or loss on upstream transactions	2,763
Total	$ 76,449

Note 3：Amounts includes $58,783 thousand from the Company's share of subsidiaries' profits or losses accounted for using the equity method and $ 691 thousand from the deferred income tax of unrealized profit under upstream transactions recognized in parent company only financial statements.

SDI Corporation

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 6

Vendor Name	Description	Amount	Remark
Vendor A	Payment for material	$ 530	
Vendor B	Expense	444	
Vendor C	Expense	437	
Vendor D	Payment for material	426	
Vendor E	Expense	189	
Vendor F	Payment for material	183	
Vendor G	Payment for material	177	
Others (Note)		934	
Total		$ 3,320	

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

SDI Corporation

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 7

Vendor Name	Description	Amount	Remark
Vendor G	Payment for material	$ 258,575	
Vendor H	Payment for material	79,488	
Others (Note)		315,354	
Total		$ 653,417	

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

SDI Corporation

STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 8

Creditor	Description	Amount	Contract Period	Collateral	Remark
Mizuho Bank	Unsecured loans	$ 100,000	2024. 12. 30	Nil	
Mega International Commercial Bank	Unsecured loans	150,000	2026. 09. 15	Nil	
Taishin International Bank	Unsecured loans	200,000	2024. 07. 31	Nil	
HSBC Bank	Unsecured loans	100,000	2024. 09. 22	Nil	
Bank of Taiwan	Unsecured loans	420,000	2024. 08. 05	Nil	
Bank of Taiwan	Unsecured loans	162,580	2026. 12. 15	Nil	
Bank of Taiwan	Unsecured loans	146,667	2026. 08. 15	Nil	
E.SUN Bank	Unsecured loans	65,500	2027. 08. 15	Nil	
E.SUN Bank	Unsecured loans	200,000	2025. 02. 15	Nil	
E.SUN Bank	Unsecured loans	200,000	2025. 01. 15	Nil	
Chang Hwa Commercial Bank	Unsecured loans	170,000	2026. 11. 15	Nil	
Chang Hwa Commercial Bank	Unsecured loans	39,166	2026. 11. 15	Nil	
CTBC Bank	Unsecured loans	200,000	2024. 12. 16	Nil	
Subtotal		2,153,913			
Less：Current portion		(311,103)			
Less：Discount on subsidies for project loans		(7,946)			
Total		$ 1,834,864			

Note：The range of interest rates is 1.45% ～1.86%

SDI Corporation

STATEMENT OF NET REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 9

Item	QTY (in thousand PCE)	Amount	Remark
Stationery products			
Correction tapes	23,839	$ 368,248	
Scissors	97,246	402,483	
Staplers	7,285	266,573	
Others		229,796	
Subtotal		1,267,100	
Electronic products			
Electronic monomers	66,775 thousand KPC	5,354,858	
Electronic integrated circuits	6,743 thousand KPC	2,117,488	
Others		275,435	
Subtotal		7,747,781	
Others		201,925	
Total		9,216,806	
Sales allowances		(74,081)	
Net revenue		$ 9,142,725	

SDI Corporation

STATEMENT OF COST OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 10

Item	Amount	
	Subtotal	Total
Cost of purchased goods sold		
Balance, beginning of year	$ 92,296	
Purchase	1,170,140	
Balance, end of year	(93,671)	
Transferred to raw materials	(249,900)	
Scrapped losses	(233)	
Transferred to expenses	-	$ 918,632
Cost of self-manufactured goods sold		
Raw materials:		
Balance, beginning of year	999,833	
Purchase	4,387,086	
Transferred in from outsourcing	249,900	
Balance, end of year	(776,195)	
Raw materials sold	(40,135)	
Scrapped losses	(21,680)	
Transferred to expenses	(64,829)	4,733,980
Direct labor		462,376
Manufacturing expenses		1,536,699
Manufacturing cost		$ 6,733,055
Add：Work in process, beginning of year		878,082
Less：Work in process, end of year		(872,897)
Scrapped losses		(12,851)
Transferred to expenses		(2,064)
Cost of finished goods		6,723,325
Add：Finished goods, beginning of year		730,879
Less：Finished goods, end of year		(800,002)
Scrapped losses		(37,524)
Transferred to assets		(236,137)
Transferred to expenses		(8)
Total cost of goods sold		7,299,165
Other cost of goods sold		
Molds and parts sold		168,526
Raw materials sold		40,135
Others		(10,000)
Unallocated fixed overhead		3,814
Scrapped losses	72,288	
Revenue from sale of obsolete inventories	(35,592)	36,696
Less：Revenue from sale of scraps		(1,109)
Total cost of revenue		$ 7,537,227

SDI Corporation

STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 11

Item	Description	Amount	Remark
Indirect labor		$ 345,922	
Repair and maintenance expenses		218,879	
Utilities expenses		159,152	
Insurance expenses		81,245	
Depreciation		340,163	
Consumable expenses		179,953	
Others (Note)		211,385	
Total		$ 1,536,699	

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

SDI Corporation

STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 12

Item	Marketing	Administrative	R&D	Total
Salaries	$ 72,725	$ 150,944	$ 137,480	$ 361,149
Shipping expenses	47,754	44	299	48,097
Insurance expenses	5,775	7,533	11,292	24,600
Depreciation	1,256	23,534	7,663	32,453
Export charges	33,656	−	−	33,656
Inspection expenses	12,886	−	−	12,886
Others (Note)	46,552	46,894	42,585	136,031
Total	$ 220,604	$ 228,949	$ 199,319	$ 648,872

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