

Msscorps Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Msscorps Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

The Authenticity of the Specific Customers' Operating Revenue

The Company's operating revenue was \$1,472,540 thousand in 2022, and the overall operating revenue growth rate was about 10% this year. However, the total operating revenue from major customers (excluding subsidiaries) with higher revenue growth rates than average accounted for approximately 30% of the Company's overall operating revenue, resulting in a significant impact on the financial statements of the Company. Therefore, we assessed that the main risk of occurrence of operating revenue from major customers with higher revenue growth rates than average as a key audit matter. For the accounting policies related to revenue recognition, refer to Note 4 to the financial statements.

The audit procedures that we performed in respect of the operating revenue from the aforementioned customers are as follows:

1. We obtained an understanding of the design of the internal controls related to the recognition of sales revenue, checked that the relevant controls were implemented and designed, and evaluated the appropriate audit procedures on internal controls related to the occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the design and implementation of the Company's internal controls.
2. We obtained the list of the aforementioned customers in 2022, and checked the reasonableness of their relevant backgrounds, transaction amounts, credit amounts and company size.
3. We selected samples from the revenue ledger of the aforementioned customers, and obtained the customer master file, service order, customer acceptance confirmation letter, sales invoice, payment receipt and other materials, and we confirmed the authenticity of the operating revenue.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Keng-Hsi Chang and Chun-Ming Hsueh.



Deloitte & Touche
Taipei, Taiwan
Republic of China



March 15, 2023

Notice to Readers

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

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

MSSCORPS CO., LTD.**BALANCE SHEETS****DECEMBER 31, 2022 AND 2021****(In Thousands of New Taiwan Dollars)**

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 890,752	23	\$ 386,476	14
Notes receivable (Notes 4, 8 and 18)	4,610	-	283	-
Trade receivables (Notes 4, 5, 8 and 18)	479,459	13	383,538	13
Trade receivables from related parties (Notes 4, 5, 18 and 27)	3	-	152	-
Other receivables (Notes 4 and 8)	1	-	-	-
Other receivables from related parties (Notes 4 and 27)	71	-	-	-
Prepayments (Note 13)	<u>68,353</u>	<u>2</u>	<u>69,952</u>	<u>2</u>
Total current assets	<u>1,443,249</u>	<u>38</u>	<u>840,401</u>	<u>29</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	-	-	-	-
Investments accounted for using the equity method (Notes 4 and 9)	640,563	17	481,133	17
Property, plant and equipment (Notes 4, 10, 27 and 28)	1,331,760	35	1,273,875	45
Right-of-use assets (Notes 4 and 11)	97,283	3	124,094	4
Other intangible assets (Notes 4 and 12)	5,228	-	7,040	-
Deferred tax assets (Notes 4 and 20)	10,077	-	9,740	-
Other non-current assets (Notes 4, 13 and 28)	<u>247,489</u>	<u>7</u>	<u>127,964</u>	<u>5</u>
Total non-current assets	<u>2,332,400</u>	<u>62</u>	<u>2,023,846</u>	<u>71</u>
TOTAL	<u>\$ 3,775,649</u>	<u>100</u>	<u>\$ 2,864,247</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 18)	\$ 26,003	1	\$ 13,935	-
Trade payables	31,370	1	25,948	1
Other payables (Notes 15 and 24)	213,803	6	190,270	7
Current tax liabilities (Note 4)	2,597	-	17,824	-
Lease liabilities - current (Notes 4 and 11)	28,717	1	28,627	1
Deferred revenue - current (Notes 4, 15 and 23)	2,385	-	1,773	-
Current portion of long-term borrowings (Notes 4, 14, 23 and 28)	104,140	3	79,393	3
Refund liabilities - current (Notes 4, 15 and 18)	21,980	-	23,630	1
Other current liabilities (Note 15)	<u>9,385</u>	<u>-</u>	<u>7,488</u>	<u>-</u>
Total current liabilities	<u>440,380</u>	<u>12</u>	<u>388,888</u>	<u>13</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 14, 23 and 28)	650,777	17	486,321	17
Lease liabilities - non-current (Notes 4 and 11)	72,773	2	99,337	4
Deferred tax liabilities (Notes 4 and 20)	31,136	1	4,330	-
Deferred revenue - non-current (Notes 4, 15 and 23)	<u>6,862</u>	<u>-</u>	<u>5,645</u>	<u>-</u>
Total non-current liabilities	<u>761,548</u>	<u>20</u>	<u>595,633</u>	<u>21</u>
Total liabilities	<u>1,201,928</u>	<u>32</u>	<u>984,521</u>	<u>34</u>
EQUITY (Notes 4 and 17)				
Share capital				
Ordinary shares	<u>467,812</u>	<u>12</u>	<u>412,772</u>	<u>14</u>
Capital surplus	<u>1,385,494</u>	<u>37</u>	<u>854,066</u>	<u>30</u>
Retained earnings				
Legal reserve	110,460	3	85,211	3
Special reserve	10,947	-	8,388	-
Unappropriated earnings	<u>604,679</u>	<u>16</u>	<u>530,236</u>	<u>19</u>
Total retained earnings	<u>726,086</u>	<u>19</u>	<u>623,835</u>	<u>22</u>
Other equity	<u>(5,671)</u>	<u>-</u>	<u>(10,947)</u>	<u>-</u>
Total equity	<u>2,573,721</u>	<u>68</u>	<u>1,879,726</u>	<u>66</u>
TOTAL	<u>\$ 3,775,649</u>	<u>100</u>	<u>\$ 2,864,247</u>	<u>100</u>

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

MSSCORPS CO., LTD.

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE				
Service revenue (Notes 4, 18 and 27)	\$ 1,472,540	100	\$ 1,336,466	100
OPERATING COSTS				
Service costs (Notes 19 and 27)	(994,741)	(67)	(883,873)	(66)
GROSS PROFIT	477,799	33	452,593	34
OPERATING EXPENSES (Notes 8 and 19)				
Selling and marketing expenses	(31,236)	(2)	(27,501)	(2)
General and administrative expenses	(186,696)	(13)	(158,277)	(12)
Research and development expenses	(57,581)	(4)	(51,715)	(4)
Expected credit loss	(587)	-	-	-
Total operating expenses	(276,100)	(19)	(237,493)	(18)
PROFIT FROM OPERATIONS	201,699	14	215,100	16
NON-OPERATING INCOME AND EXPENSES (Notes 4, 19, 23 and 27)				
Interest income	1,007	-	111	-
Other income	4,787	-	2,993	-
Other gains and losses	(2,937)	-	4,250	-
Finance costs	(11,998)	(1)	(8,596)	-
Share of profit or loss of subsidiaries, associates and joint ventures	134,029	9	64,826	5
Total non-operating income and expenses	124,888	8	63,584	5
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	326,587	22	278,684	21
INCOME TAX EXPENSE (Notes 4 and 20)	(38,589)	(2)	(26,191)	(2)
NET PROFIT FOR THE YEAR	287,998	20	252,493	19

(Continued)

MSSCORPS CO., LTD.

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

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 17 and 20)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 6,595	-	\$ (3,199)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(1,319)</u>	<u>-</u>	<u>640</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>5,276</u>	<u>-</u>	<u>(2,559)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 293,274</u>	<u>20</u>	<u>\$ 249,934</u>	<u>19</u>
EARNINGS PER SHARE (Note 21)				
From continuing operations				
Basic	<u>\$ 6.67</u>		<u>\$ 6.21</u>	
Diluted	<u>\$ 6.61</u>		<u>\$ 6.17</u>	

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

(Concluded)

MSSCORPS CO., LTD.

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

	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 392,772	\$ 714,066	\$ 70,020	\$ -	\$ 404,515	\$ (4,138)	\$ (4,250)	\$ 1,572,985
Appropriation of 2020 earnings (Note 17)								
Legal reserve	-	-	15,191	-	(15,191)	-	-	-
Special reserve	-	-	-	8,388	(8,388)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(103,193)	-	-	(103,193)
Issuance of ordinary shares for cash (Note 17)	20,000	140,000	-	-	-	-	-	160,000
Net profit for the year ended December 31, 2021	-	-	-	-	252,493	-	-	252,493
Other comprehensive loss for the year ended December 31, 2021, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,559)</u>	<u>-</u>	<u>(2,559)</u>
Total comprehensive income (loss) for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,493</u>	<u>(2,559)</u>	<u>-</u>	<u>249,934</u>
BALANCE AT DECEMBER 31, 2021	412,772	854,066	85,211	8,388	530,236	(6,697)	(4,250)	1,879,726
Appropriation of 2021 earnings (Note 17)								
Legal reserve	-	-	25,249	-	(25,249)	-	-	-
Appropriated special reserve	-	-	-	2,559	(2,559)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(185,747)	-	-	(185,747)
Issuance of ordinary shares for cash (Note 17)	55,040	530,864	-	-	-	-	-	585,904
Compensation cost of employee share options (Notes 17 and 22)	-	564	-	-	-	-	-	564
Net profit for the year ended December 31, 2022	-	-	-	-	287,998	-	-	287,998
Other comprehensive income for the year ended December 31, 2022, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,276</u>	<u>-</u>	<u>5,276</u>
Total comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,998</u>	<u>5,276</u>	<u>-</u>	<u>293,274</u>
BALANCE AT DECEMBER 31, 2022	<u>\$ 467,812</u>	<u>\$ 1,385,494</u>	<u>\$ 110,460</u>	<u>\$ 10,947</u>	<u>\$ 604,679</u>	<u>\$ (1,421)</u>	<u>\$ (4,250)</u>	<u>\$ 2,573,721</u>

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

MSSCORPS CO., LTD.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 326,587	\$ 278,684
Adjustments for:		
Depreciation expenses	431,838	377,470
Amortization expenses	3,560	2,318
Expected credit loss recognized on trade receivables	587	-
Net loss on fair value changes of financial liabilities at fair value through profit or loss	-	600
Finance costs	11,998	8,596
Interest income	(1,007)	(111)
Compensation cost of employee share options	564	-
Share of (profit)/loss of subsidiaries, associates and joint ventures	(134,029)	(64,826)
Gain on disposal of property, plant and equipment	(477)	(464)
Net (gain) loss on foreign currency exchange	(835)	1,576
Government grants	(2,064)	(1,234)
Unrealized gain on purchase of equipment on behalf of subsidiary	12,443	-
Realized gain on disposal of assets	(207)	-
Changes in operating assets and liabilities		
Notes receivable	(4,327)	1,095
Trade receivables	(96,676)	(87,982)
Trade receivables from related parties	134	2,599
Other receivables	(1)	-
Prepayments	(2,252)	(10,941)
Financial liabilities held for trading	-	(4,086)
Contract liabilities	12,068	2,793
Trade payables	5,422	13,939
Other payables	26,939	47,175
Refund liabilities	(1,650)	8,622
Other current liabilities	1,897	1,127
Cash generated from operations	590,512	576,950
Interest received	1,007	111
Interest paid	(9,022)	(6,823)
Income tax paid	(28,666)	(33,516)
Net cash generated from operating activities	<u>553,831</u>	<u>536,722</u>

CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(417,887)	(484,566)
Proceeds from disposal of property, plant and equipment	994	22,092
Increase in refundable deposits	(1,397)	(981)
Decrease in refundable deposits	30	-
Increase in other receivables from related parties	(73)	-
Decrease in other receivables from related parties	-	34

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MSSCORPS CO., LTD.

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

	2022	2021
Payments for intangible assets	\$ (1,748)	\$ (2,984)
Increase in prepayments for equipment	<u>(160,236)</u>	<u>(63,052)</u>
Net cash used in investing activities	<u>(580,317)</u>	<u>(529,457)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	283,000	263,000
Repayments of long-term borrowings	(92,880)	(81,382)
Repayment of the principal portion of lease liabilities	(29,936)	(26,811)
Dividends paid	(185,747)	(103,193)
Issuance of ordinary shares for cash	588,904	160,000
Acquisition of additional interests in subsidiary	(30,565)	(55,730)
Payments for transaction costs attributable to the issue of ordinary shares	<u>(3,000)</u>	<u>-</u>
Net cash generated from financing activities	<u>529,776</u>	<u>155,884</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>986</u>	<u>(1,789)</u>
NET INCREASE IN CASH	504,276	161,360
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>386,476</u>	<u>225,116</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 890,752</u>	<u>\$ 386,476</u>

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

(Concluded)

MSSCORPS CO., LTD.

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

1. GENERAL INFORMATION

Msscorps Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on July 27, 2005. The Company mainly engages in the test and analysis of electronic materials, electronics components manufacturing, wholesale of electronic materials, retail sale of electronic materials, international trade and product designing.

The Company’s shares have been listed on the emerging stock board of the Taipei Exchange (TPEX) since July 26, 2021. And the Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since August 31, 2022.

The shares are widely distributed among a large pool of investors; therefore, there is no ultimate parent company or ownership interest.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

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

New, Amended and Revised 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 amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 financial statements shall prevail.

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company (including subsidiaries in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period.

e. Investments in subsidiaries

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

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

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

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

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

f. Property, plant and equipment

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

g. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables and refundable deposits).

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

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

Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

j. Revenue recognition

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

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

Revenue from the rendering of services

Revenue from the rendering of services comes from test and analysis of electronic material.

The Company recognizes revenue and trade receivables when the promised goods or services are transferred to customers and the performance obligations are satisfied. Estimated trade discounts are generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities. The receipts in advance received before meeting the aforementioned income recognition conditions are recognized as contract liabilities.

k. Leasing

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

The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

l. Borrowing costs

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

m. Government grants

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

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

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the past default records of the customers, current financial situation and industrial economic situation as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 325	\$ 145
Demand deposits	<u>890,427</u>	<u>386,331</u>
	<u>\$ 890,752</u>	<u>\$ 386,476</u>

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

	December 31	
	2022	2021
Bank balance	0.001%-1.05%	0.001%-0.10%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Ordinary shares - HITEKCORPS CO., LTD.	\$ -	\$ -

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

The Company used the market approach to evaluate the fair value of HITEKCORPS CO., LTD. for the years ended December 31, 2022 and 2021, and considered the financial statements and operating conditions of similar companies.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount - operating	\$ 4,610	\$ 283
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 4,610</u>	<u>\$ 283</u>

(Continued)

	December 31	
	2022	2021
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 482,649	\$ 386,141
Less: Allowance for impairment loss	<u>(3,190)</u>	<u>(2,603)</u>
	<u>\$ 479,459</u>	<u>\$ 383,538</u>
<u>Other receivables</u>		
Other	<u>\$ 1</u>	<u>\$ -</u> (Concluded)

a. Notes receivable

When determining the recoverability of notes receivable, the Company measures any change in credit quality from the original credit date to the balance sheet date. The Company continues to track the counterparty's credit rating, considers the counterparty's past default records, analyzes its current financial position and evaluates the notes receivable to assess whether the credit risk of the notes receivable has increased significantly since initial recognition and to measure the expected credit loss. As of December 31, 2022 and 2021, the Company assessed that there is no need to recognize expected credit losses on notes receivable.

The aging of notes receivable was as follows:

	December 31	
	2022	2021
Not past due	<u>\$ 4,610</u>	<u>\$ 283</u>

The above aging schedule was based on the number of past due days from end of credit term.

b. Trade receivables

The average credit period of sales of services was advance payment to 180 days after the month-end closing. No interest was charged on trade receivables that were past due. In determining the recoverability of trade receivables, the Company measured any change in credit quality from the original credit date to the balance sheet date. Historical experience showed that most accounts were recoverable.

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default records of the customer, the customer's current financial position, and economic condition of the industry. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2022

	Not past due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.47%	0.72%	1.65%	7.56%	13.92%	23.69%-50.95%	100%	
Gross carrying amount	\$ 454,488	\$ 21,561	\$ 2,025	\$ 576	\$ 250	\$ 3,348	\$ 401	\$ 482,649
Loss allowance (Lifetime ECLs)	<u>(1,825)</u>	<u>(133)</u>	<u>(28)</u>	<u>(37)</u>	<u>(30)</u>	<u>(736)</u>	<u>(401)</u>	<u>(3,190)</u>
Amortized cost	<u>\$ 452,663</u>	<u>\$ 21,428</u>	<u>\$ 1,997</u>	<u>\$ 539</u>	<u>\$ 220</u>	<u>\$ 2,612</u>	<u>\$ -</u>	<u>\$ 479,459</u>

December 31, 2021

	Not past due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.34%	0.83%	2.22%	14.51%	29.34%	45.89%-71.17%	100%	
Gross carrying amount	\$ 346,572	\$ 30,117	\$ 8,544	\$ 170	\$ 21	\$ 280	\$ 437	\$ 386,141
Loss allowance (Lifetime ECLs)	<u>(1,435)</u>	<u>(305)</u>	<u>(231)</u>	<u>(30)</u>	<u>(8)</u>	<u>(157)</u>	<u>(437)</u>	<u>(2,603)</u>
Amortized cost	<u>\$ 345,137</u>	<u>\$ 29,812</u>	<u>\$ 8,313</u>	<u>\$ 140</u>	<u>\$ 13</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 383,538</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 2,603	\$ 2,603
Add: Net remeasurement of loss allowance	<u>587</u>	<u>-</u>
Balance at December 31	<u>\$ 3,190</u>	<u>\$ 2,603</u>

c. Other receivables

The Company adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company continues to track the counterparty's credit rating, considers the counterparty's past default records, analyzes its current financial position in order to evaluate whether there has been a significant increase in the credit risk of other receivables since initial recognition and to measure the expected credit loss. As of December 31, 2022, the Company assessed that there is no need to recognize expected credit loss on other receivables.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2022	2021
TRISTATE INTERNATIONAL CO., LTD. (Note)	\$ 640,563	\$ 481,133

Note: As of December 31, 2022 and 2021, the carrying amount included the unrealized gain on disposal of property, plant and equipment of \$3,489 thousand and \$3,966 thousand, respectively. As of December 31, 2022 and 2021, the carrying amount included the unrealized gain on disposal of assets of \$12,236 thousand and \$0 thousand, respectively.

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
TRISTATE INTERNATIONAL CO., LTD. (Note)	100%	100%

Note: The Company participated in TRISTATE INTERNATIONAL CO., LTD.'s cash capital increase of \$30,565 thousand (US\$1,000 thousand) and \$55,730 thousand (US\$2,000 thousand) in September 2022 and November 2021, respectively.

Refer to Tables 2 and 3 for the details of the subsidiaries indirectly held by the Company.

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of the investment in subsidiaries were calculated based on the subsidiaries' financial statements in 2022 and 2021 which have been audited for the same year.

10. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	Machinery and Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 2,051,203	\$ 20,202	\$ 75,038	\$ 22,879	\$ 2,169,322
Additions	399,045	1,972	9,456	4,042	414,515
Reclassifications (Note)	33,096	-	11,862	971	45,929
Disposals	<u>(336,676)</u>	<u>(7,110)</u>	<u>(13,062)</u>	<u>(10,209)</u>	<u>(367,057)</u>
Balance at December 31, 2022	<u>\$ 2,146,668</u>	<u>\$ 15,064</u>	<u>\$ 83,294</u>	<u>\$ 17,683</u>	<u>\$ 2,262,709</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ 839,616	\$ 11,220	\$ 32,449	\$ 12,162	\$ 895,447
Depreciation expenses	373,789	5,081	17,167	5,528	401,565
Disposals	<u>(335,683)</u>	<u>(7,109)</u>	<u>(13,062)</u>	<u>(10,209)</u>	<u>(366,063)</u>
Balance at December 31, 2022	<u>\$ 877,722</u>	<u>\$ 9,192</u>	<u>\$ 36,554</u>	<u>\$ 7,481</u>	<u>\$ 930,949</u>
Carrying amount at December 31, 2022	<u>\$ 1,268,946</u>	<u>\$ 5,872</u>	<u>\$ 46,740</u>	<u>\$ 10,202</u>	<u>\$ 1,331,760</u>

(Continued)

	Machinery and Equipment	Office Equipment	Lease Improvement	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 1,725,131	\$ 20,448	\$ 52,580	\$ 18,253	\$ 1,816,412
Additions	451,722	2,284	23,282	7,595	484,883
Reclassifications (Note)	167,848	-	4,171	316	172,335
Disposals	<u>(293,498)</u>	<u>(2,530)</u>	<u>(4,995)</u>	<u>(3,285)</u>	<u>(304,308)</u>
Balance at December 31, 2021	<u>\$ 2,051,203</u>	<u>\$ 20,202</u>	<u>\$ 75,038</u>	<u>\$ 22,879</u>	<u>\$ 2,169,322</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ 786,863	\$ 7,837	\$ 23,244	\$ 10,206	\$ 828,150
Depreciation expenses	324,516	5,910	14,200	5,241	349,867
Disposals	<u>(271,763)</u>	<u>(2,527)</u>	<u>(4,995)</u>	<u>(3,285)</u>	<u>(282,570)</u>
Balance at December 31, 2021	<u>\$ 839,616</u>	<u>\$ 11,220</u>	<u>\$ 32,449</u>	<u>\$ 12,162</u>	<u>\$ 895,447</u>
Carrying amount at December 31, 2021	<u>\$ 1,211,587</u>	<u>\$ 8,982</u>	<u>\$ 42,589</u>	<u>\$ 10,717</u>	<u>\$ 1,273,875</u> (Concluded)

Note: Transferred from other non-current assets - prepayments for equipment.

For the years ended December 31, 2022 and 2021, no impairment assessment was performed as there were no indications of impairment.

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

Machinery and equipment	3-10 years
Office equipment	2-3 years
Lease improvement	3-10 years
Other equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ 94,015	\$ 120,418
Office equipment	408	816
Transportation equipment	<u>2,860</u>	<u>2,860</u>
	<u>\$ 97,283</u>	<u>\$ 124,094</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ <u>3,462</u>	\$ <u>18,184</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 28,422	\$ 25,936
Office equipment	408	436
Transportation equipment	<u>1,443</u>	<u>1,231</u>
	\$ <u>30,273</u>	\$ <u>27,603</u>

Except for the above listed additions and recognized depreciation expense, the Company did not recognize or reverse an impairment loss for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 28,717	\$ 28,627
Non-current	<u>72,773</u>	<u>99,337</u>
	\$ <u>101,490</u>	\$ <u>127,964</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.21%-1.72%	1.21%-1.72%
Office equipment	1.66%-1.72%	1.66%-1.72%
Transportation equipment	1.21%-1.72%	1.21%-1.72%

c. Material leasing activities and terms

The Company leases buildings for the use of plants and offices with lease term of 1-10 years, certain office equipment for the use of offices with lease terms of 5 years and transportation equipment for the use of transportation of goods with lease terms of 3 years. The Company does not have bargain purchase options to acquire the buildings, office equipment and transportation equipment at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>3,889</u>	\$ <u>3,674</u>
Expenses relating to low-value asset leases	\$ <u>616</u>	\$ <u>440</u>
Total cash outflow for leases	\$ <u>(36,277)</u>	\$ <u>(33,027)</u>

The Company leases buildings and transportation equipment which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

12. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2022	\$ 9,921
Additions	1,748
Disposals	<u>(512)</u>
Balance at December 31, 2022	<u>\$ 11,157</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 2,881
Amortization expenses	3,560
Disposals	<u>(512)</u>
Balance at December 31, 2022	<u>\$ 5,929</u>
Carrying amount at December 31, 2022	<u>\$ 5,228</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 2,597
Additions	2,984
Reclassifications (Note)	4,658
Disposals	<u>(318)</u>
Balance at December 31, 2021	<u>\$ 9,921</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 881
Amortization expenses	2,318
Disposals	<u>(318)</u>
Balance at December 31, 2021	<u>\$ 2,881</u>
Carrying amount at December 31, 2021	<u>\$ 7,040</u>

Note: Transferred from other non-current assets - prepayments for equipment.

Computer software is amortized on a straight-line basis over its estimated useful life of 3-5 years.

13. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Prepayments for salary	\$ 54,783	\$ 48,263
Prepaid expenses	<u>13,570</u>	<u>21,689</u>
	<u>\$ 68,353</u>	<u>\$ 69,952</u>
<u>Non-current</u>		
Prepayments for equipment (Note 28)	\$ 178,779	\$ 64,472
Prepayments for salary	59,175	55,324
Refundable deposits (Note)	<u>9,535</u>	<u>8,168</u>
	<u>\$ 247,489</u>	<u>\$ 127,964</u>

Note: The Company considers the historical experience, the current market conditions of the debtor and forward-looking information to measure 12-month or lifetime expected credit losses. As of December 31, 2022 and 2021, the Company assessed that there was no need to recognize expected credit loss on refundable deposits.

14. BORROWINGS

Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 28)</u>		
Bank borrowings	\$ 762,600	\$ 572,480
Less: Unamortized discounts on government grants (Note 23)	(7,683)	(6,766)
Less: Current portion	<u>(104,140)</u>	<u>(79,393)</u>
Long-term borrowings	<u>\$ 650,777</u>	<u>\$ 486,321</u>

The Company's borrowings were as follows:

Financing Institution	Mortgage or Secured	Financing Period and Repayment Method	December 31			
			2022		2021	
			Amount	Rate %	Amount	Rate %
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2018.06.07-2023.06.07, monthly amortization of principal, monthly interest payment (early Settlement in December 2022)	\$ -	-	\$ 6,936	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2018.12.26-2023.12.26, monthly amortization of principal, monthly interest payment (early Settlement in December 2022)	-	-	10,738	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2019.01.02-2024.01.02, monthly amortization of principal, monthly interest payment (early Settlement in December 2022)	-	-	8,174	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch (Note 1)	Machinery and equipment (Note 2)	2020.05.29-2027.05.15, 3 years grace period, can be allocated in batches within the deadline, monthly amortization of average principal after maturity, monthly interest payment	238,102	1.81	222,102	1.18

(Continued)

Financing Institution	Mortgage or Secured	Financing Period and Repayment Method	December 31			
			2022		2021	
			Amount	Rate %	Amount	Rate %
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2019.01.19-2024.01.19, monthly amortization of principal, monthly interest payment	\$ 10,833	1.95	\$ 20,833	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2019.02.12-2024.01.19, monthly amortization of principal, monthly interest payment	8,667	1.95	16,667	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch (Note 1)	Machinery and equipment (Note 2)	2020.09.29-2027.09.15, 3 years grace period, can be allocated in batches within the deadline, monthly amortization of average principal after maturity, monthly interest payment	198,500	1.60	134,500	1.10
Cathay United Bank Hsinchu Branch	Machinery and equipment	2019.08.05-2022.05.09, monthly amortization of principal, monthly interest payment	-	-	28,958	1.32
Mega International Commercial Bank Chu Ko Branch	Machinery and equipment	2018.12.06-2023.12.06, monthly amortization of principal, monthly interest payment	10,776	1.99	21,551	1.50
Mega International Commercial Bank Chu Ko Branch	Machinery and equipment	2018.03.21-2023.03.21, monthly amortization of principal, monthly interest payment	1,408	1.99	7,041	1.50
Mega International Commercial Bank Chu Ko Branch (Note 1)	Machinery and equipment (Note 2)	2020.11.20-2027.11.20, 3 years grace period, can be allocated in batches within the deadline, monthly amortization of average principal after maturity, monthly interest payment	232,000	1.81	57,000	1.18
E.Sun Commercial Bank, Ltd. (Note 1)	Machinery and equipment (Note 2)	2020.10.21-2025.10.15, 2 years grace period, can be allocated in batches within the deadline, monthly amortization of average principal after maturity, monthly interest payment	<u>62,314</u>	1.78	<u>37,980</u>	1.15
Less: Unamortized discounts on government grants			762,600		572,480	
Less: Current portion			(7,683)		(6,766)	
			<u>(104,140)</u>		<u>(79,393)</u>	
			<u>\$ 650,777</u>		<u>\$ 486,321</u>	

(Concluded)

Note 1: The Company has obtained a government preferential interest rate loan from the National Development Fund (NDF), "Action Plan for Accelerated Investment by Domestic Corporations", please refer to Note 23 for the details.

Note 2: As of December 31, 2022, it is still in the process of setting up a mortgage guarantee.

The Company used machinery and equipment as collateral to acquire a loan from the bank are set out in Note 28.

15. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Other payable		
Payables for salaries or bonuses	\$ 99,620	\$ 87,117
Payables for compensation of employees	38,134	33,851
Payables for purchases of equipment (Note 24)	27,083	30,455
Payables for business tax	19,147	13,589
Payables for remuneration of directors and supervisors	11,440	10,170
Payables for labor and health insurance	7,227	5,681
Payables for pension	5,287	3,815
Others	<u>5,865</u>	<u>5,592</u>
	<u>\$ 213,803</u>	<u>\$ 190,270</u>

(Continued)

	December 31	
	2022	2021
Deferred revenue		
Government grants (Note 23)	\$ <u>2,385</u>	\$ <u>1,773</u>
Other current liabilities		
Refund liabilities (Note 18)	\$ <u>21,980</u>	\$ <u>23,630</u>
Others		
Receipts under custody	9,291	7,394
Temporary receivables	<u>94</u>	<u>94</u>
	<u>9,385</u>	<u>7,488</u>
	\$ <u>31,365</u>	\$ <u>31,118</u>
<u>Non-current</u>		
Deferred revenue		
Government grants (Note 23)	\$ <u>6,862</u>	\$ <u>5,645</u>
		(Concluded)

16. RETIREMENT BENEFIT PLANS

Defined contribution plans

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

17. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Shares authorized (in thousands of shares)	<u>60,000</u>	<u>60,000</u>
Shares authorized	\$ <u>600,000</u>	\$ <u>600,000</u>
Shares issued and fully paid (in thousands of shares)	<u>46,781</u>	<u>41,277</u>
Shares issued and fully paid	\$ <u>467,812</u>	\$ <u>412,772</u>

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

On February 18, 2021, the Company's board of directors resolved to issue 2,000 thousand ordinary shares with a par value of \$10, for a consideration of \$80 per share to increase the issuance of the share capital, and to the amount of \$412,772 thousand was fully paid. The subscription base date was determined by the board of directors to be April 27, 2021.

On June 27, 2022, the Company's board of directors resolved to issue 5,504 thousand shares with a par value of \$10 for public subscription and underwriting prior to the initial listing, including public subscription of 935 thousand shares, employee subscription of 825 thousand shares and auction shares of 3,744 thousand shares. Both public subscription and employee subscription were issued at a premium of \$100 per share, and auction shares were issued at a premium of \$110.28 per share at the weighted average price of the winning bid, with a total of \$585,904 thousand after the full payment was collected on August 29, 2022 and the relevant underwriting fees \$3,000 were deducted. After increasing the issuance of the share capital, and the amount of \$467,812 thousand was fully paid. The above issuance was declared effective by the TWSE on July 21, 2022, and the subscription base date was August 29, 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (Note)</u>		
Issuance of ordinary shares	<u>\$ 1,385,494</u>	<u>\$ 854,066</u>

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

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 27, 2022 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the Articles after the amendments, where the Company made a profit after considering tax expenses in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit (not applicable when the legal reserve has reached the company's paid-in capital), setting aside a special reserve, cumulative net increases in fair value measurement of investment properties from prior period and cumulative net debit balance reserves from prior period. Before surplus distribution, the same amount of special reserve should be set aside from the undistributed earnings of the prior period. If there is still a deficiency, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings are not sufficient, and then any remaining profit together with the undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The Company's dividend policy adopts the principle of prudence and balance, in determining the Company's dividend distribution policy; the Company's board of directors considers the current investment environment, capital needs for future expansions, and cashflow, and distributes no less than 5% of unappropriated earnings to stockholders as dividends and bonuses. Dividends are distributed in the form of cash or stock dividends, where cash dividends should not be lower than 10% of the total bonuses distributed to shareholders. However, when the accumulated unappropriated earnings are less than 5% of the paid-in capital, it may not be distributed. However, the board of directors may adjust the ratio according to the overall operating conditions and capital status of the year within the range specified above, which should be resolved in the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit after considering taxes expenses in a fiscal year, the profit shall be first utilized for offsetting accumulated losses of previous years, setting aside as a legal reserve 10% of the remaining profit (not applicable when the legal reserve has reached the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The Company's dividend policy adopts the principle of prudence and balance, in determining the Company's dividend distribution policy; the Company's board of directors considers the current investment environment, capital needs for future expansions, and cashflow, and distributes no less than 5% of unappropriated earnings to stockholders as dividends and bonuses. Dividends are distributed in the form of cash or stock dividends, where cash dividends should not be lower than 10% of the total bonuses distributed to shareholders. However, when the accumulated unappropriated earnings are less than 5% of paid-in capital, it may not be distributed. However, the board of directors may adjust the ratio according to the overall operating conditions and capital status of the year within the range specified above, which should be resolved in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, before and after the amendments please refer to compensation of employees and remuneration of directors and supervisors in Note 19(g).

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 27, 2022 and July 1, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 25,249	\$ 15,191
Special reserve	\$ 2,559	\$ 8,388
Cash dividends	\$ 185,747	\$ 103,193
Cash dividends per share (NT\$)	\$ 4.50	\$ 2.50

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

	For the Year Ended December 31, 2022
Legal reserve	\$ 28,800
Special reserve	(5,276)
Cash dividends	\$ 257,297
Cash dividends per share (NT\$)	5.50

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 6, 2023.

d. Special reserve

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 8,388	\$ -
Appropriations in respect of		
Debits to other equity items	<u>2,559</u>	<u>8,388</u>
Balance at December 31	<u>\$ 10,947</u>	<u>\$ 8,388</u>

e. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (6,697)	\$ (4,138)
Recognized for the year		
Exchange differences on the translation of the financial		
statements of foreign operations	6,595	(3,199)
Related income tax	<u>(1,319)</u>	<u>640</u>
Other comprehensive income recognized for the year	<u>5,276</u>	<u>(2,559)</u>
Balance at December 31	<u>\$ (1,421)</u>	<u>\$ (6,697)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (4,250)	\$ (4,250)
Balance at December 31	<u>\$ (4,250)</u>	<u>\$ (4,250)</u>

18. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Test and Analysis Service	<u>\$ 1,472,540</u>	<u>\$ 1,336,466</u>

a. Contract information

The customer contracts entered into by the Company are mainly for the provision of customized test and analysis services of electronic materials in the semiconductor industry, where the Company's performance obligation to issue the test and analysis reports to customers. Customers pay the consideration for the contract in accordance with the agreed credit terms and conditions upon completion of each inspection and after verification of the results of the inspection. As the time lag between the transfer of the test and analysis report and the customer's payment is less than one year, no adjustment is made to the substantial financial component of the contract. Taking into account the discount terms of different customer contracts and past experience gained in dealing with customers, the Company estimates the discount amount based on the most probable amount and adjusts the amount of revenue and recognizes the refund liability accordingly.

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 8)	\$ 4,610	\$ 283	\$ 1,378
Trade receivables (Note 8)	479,459	383,538	295,338
Trade receivables from related parties (Note 27)	<u>3</u>	<u>152</u>	<u>2,756</u>
	<u>\$ 484,072</u>	<u>\$ 383,973</u>	<u>\$ 299,472</u>
Contract liabilities			
Detection and Analysis Service	<u>\$ 26,003</u>	<u>\$ 13,935</u>	<u>\$ 11,142</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

c. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2022	2021
Primary geographical areas markets		
Asia	\$ 1,433,919	\$ 1,307,802
America	33,656	22,210
Others	<u>4,965</u>	<u>6,454</u>
	<u>\$ 1,472,540</u>	<u>\$ 1,336,466</u>

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	2022	2021
Bank deposits	<u>\$ 1,007</u>	<u>\$ 111</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2022	2021
Government grant income (Note 23)	\$ 2,064	\$ 1,234
Others	<u>2,723</u>	<u>1,759</u>
	<u>\$ 4,787</u>	<u>\$ 2,993</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange (loss) gain	\$ (4,584)	\$ 4,151
Realized gain on purchase of equipment on behalf (Note 27)	963	235
Gain on disposal of property, plant and equipment (Note 27)	477	464
Gain on disposal of assets (Note 27)	207	-
Loss on financial liabilities held for trading	<u>-</u>	<u>(600)</u>
	<u>\$ (2,937)</u>	<u>\$ 4,250</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans (Note 23)	\$ 10,162	\$ 6,494
Interest on lease liabilities	<u>1,836</u>	<u>2,102</u>
	<u>\$ 11,998</u>	<u>\$ 8,596</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 417,706	\$ 365,235
Operating expenses	<u>14,132</u>	<u>12,235</u>
	<u>\$ 431,838</u>	<u>\$ 377,470</u>
An analysis of amortization by function		
Operating costs	\$ 2,362	\$ 1,295
Operating expenses		
General and administrative expenses	1,008	825
Research and development expenses	<u>190</u>	<u>198</u>
	<u>\$ 3,560</u>	<u>\$ 2,318</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Share-based payment	\$ 564	\$ -
Defined contribution plan	17,493	14,407
Other employee benefits	<u>598,343</u>	<u>524,325</u>
Total employee benefits expense	<u>\$ 616,400</u>	<u>\$ 538,732</u>

(Continued)

	<u>For the Year Ended December 31</u>	
	2022	2021
An analysis of employee benefits expense by function		
Operating costs	\$ 416,729	\$ 355,603
Operating expenses	<u>199,671</u>	<u>183,129</u>
	<u>\$ 616,400</u>	<u>\$ 538,732</u>
		(Concluded)

g. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 9, 2023 and March 31, 2022, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2022	2021
Compensation of employees	10.14%	10.49%
Remuneration of directors and supervisors (Note)	3.04%	3.15%

Amount

	<u>For the Year Ended December 31</u>	
	2022	2021
	Cash	Cash
Compensation of employees	<u>\$ 38,134</u>	<u>\$ 33,851</u>
Remuneration of directors and supervisors (Note)	<u>\$ 11,440</u>	<u>\$ 10,170</u>

Note: In the shareholders' meeting on July 1, 2021, the Company's shareholders approved the substitution of the audit committee for supervisors.

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 7,034	\$ 7,378
Foreign exchange losses	<u>(11,618)</u>	<u>(3,227)</u>
Net foreign exchange (losses) gains	<u>\$ (4,584)</u>	<u>\$ 4,151</u>

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 23,744	\$ 27,902
Adjustments for prior years	<u>(10,305)</u>	<u>(3,774)</u>
	<u>13,439</u>	<u>24,128</u>
Deferred tax		
In respect of the current year	<u>25,150</u>	<u>2,063</u>
Income tax expense recognized in profit or loss	<u>\$ 38,589</u>	<u>\$ 26,191</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	<u>\$ 326,587</u>	<u>\$ 278,684</u>
Income tax expense calculated at the statutory rate	\$ 65,317	\$ 55,737
Nondeductible expenses in determining taxable income	182	373
Investment credits	(16,605)	(16,673)
Unrecognized deductible temporary differences	-	(9,472)
Adjustments for prior years' tax	<u>(10,305)</u>	<u>(3,774)</u>
Income tax expense recognized in profit or loss	<u>\$ 38,589</u>	<u>\$ 26,191</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	<u>\$ 1,319</u>	<u>\$ (640)</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Refund liabilities	\$ 4,726	\$ (330)	\$ -	\$ 4,396
Amortization of expenses	1,416	(146)	-	1,270
Financial assets at FVTOCI	750	-	-	750
Exchange differences on translating the financial statements of foreign operations	1,675	-	(1,319)	356
Unrealized foreign exchange loss	380	(220)	-	160
Unrealized gain on transactions with subsidiaries	<u>793</u>	<u>2,352</u>	<u>-</u>	<u>3,145</u>
	<u>\$ 9,740</u>	<u>\$ 1,656</u>	<u>\$ (1,319)</u>	<u>\$ 10,077</u>

Deferred tax liabilities

Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	<u>\$ 4,330</u>	<u>\$ 26,806</u>	<u>\$ -</u>	<u>\$ 31,136</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on write-down of inventories	\$ 240	\$ (240)	\$ -	\$ -
Refund liabilities	3,002	1,724	-	4,726
Amortization of expenses	1,091	325	-	1,416
Financial liabilities at FVTPL	697	(697)	-	-
Financial assets at FVTOCI	750	-	-	750

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
Exchange differences on translating the financial statements of foreign operations	\$ 1,035	\$ -	\$ 640	\$ 1,675
Unrealized foreign exchange loss	18	362	-	380
Unrealized gain on transactions with subsidiaries	<u>-</u>	<u>793</u>	<u>-</u>	<u>793</u>
	<u>\$ 6,833</u>	<u>\$ 2,267</u>	<u>\$ 640</u>	<u>\$ 9,740</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	<u>\$ -</u>	<u>\$ 4,330</u>	<u>\$ -</u>	<u>\$ 4,330</u> (Concluded)

d. Income tax assessments

The income tax returns through 2020 have been assessed by the tax authorities, and there is no litigation or claim regarding the income tax assessments against the Company.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share		
From continuing operations	<u>\$ 6.67</u>	<u>\$ 6.21</u>
Diluted earnings per share		
From continuing operations	<u>\$ 6.61</u>	<u>\$ 6.17</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 287,998	\$ 252,493
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 287,998</u>	<u>\$ 252,493</u>

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	43,162	40,641
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>439</u>	<u>276</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>43,601</u>	<u>40,917</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. SHARE-BASED PAYMENT ARRANGEMENTS

Retain employee stock subscription through issuance of ordinary shares for cash

The Company's board of directors resolved in their meeting on June 27, 2022 to issue new shares for public underwriting prior to the initial listing. According to the provisions of Article 267 of the Company Act, 15% of the total new shares issued totaling 825 thousand shares were reserved for employees' subscriptions. The employee stock options are fully vested on the grant date.

The grant date of the above employee stock options on cash capital increase is August 8, 2022. The Company calculates the fair value of stock options according to the Black-Scholes-Merton option evaluation model, and the input values used are as follows:

Grant-date share price	\$91.93
Exercise price	\$100.00
Expected volatility	32.58%
Expected life (in years)	0.067
Expected dividend yield	-
Risk-free interest rate	0.6953%
Fair value of stock options on the grant date (per share)	\$0.6831

Compensation costs recognized were \$564 thousand for the year ended December 31, 2022.

23. GOVERNMENT GRANTS

As of December 31, 2022, the Company has obtained a government preferential interest rate loan of \$734,582 thousand from the National Development Fund (NDF), "Action Plan for Accelerated Investment by Domestic Corporations" for the purchase of machinery and equipment. The loan will be amortized by instalments within 5-7 years from the date of first use (including a grace period of 2-3 years). Based on the current market interest rate of 1.10%-1.81%, the fair value of the borrowing is estimated to be \$721,901 thousand. The difference between the loan amount and the fair value of the borrowing of \$12,681 thousand is due to the preferential interest rate of the government grant, and is recognized as deferred income. The deferred income will be transferred to other income in accordance with its service life when the inspection and acceptance of the machinery and equipment are completed. In 2022 and 2021, the amount transferred to

other income was \$2,064 thousand and \$1,234 thousand, respectively, and the interest expense recognized on these loan was \$2,976 thousand and \$1,773 thousand, respectively.

If the Company fails to meet the key points of the project loan identification during the loan period, and the NDF suspends or stops the loan interest grant, the Company will change to the original agreed interest rate.

24. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows for the years ended December 31, 2022 and 2021:

The Company acquired property, plant and equipment that had not yet been paid in the amounts of \$27,083 thousand and \$30,455 thousand, which were recorded as other payables on December 31, 2022 and 2021, respectively.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Finance Costs	Fair Value Adjustments		
Long-term borrowings	\$ 565,714	\$ 190,120	\$ -	\$ 2,976	\$ (3,893)	\$ -	\$ 754,917
Lease liabilities	127,964	(29,936)	3,462	1,836	-	(1,836)	101,490
	<u>\$ 693,678</u>	<u>\$ 160,184</u>	<u>\$ 3,462</u>	<u>\$ 4,812</u>	<u>\$ (3,893)</u>	<u>\$ (1,836)</u>	<u>\$ 856,407</u>

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Finance Costs	Fair Value Adjustments		
Long-term borrowings	\$ 387,181	\$ 181,618	\$ -	\$ 1,773	\$ (4,858)	\$ -	\$ 565,714
Lease liabilities	136,591	(26,811)	18,184	2,102	-	(2,102)	127,964
	<u>\$ 523,772</u>	<u>\$ 154,807</u>	<u>\$ 18,184</u>	<u>\$ 3,875</u>	<u>\$ (4,858)</u>	<u>\$ (2,102)</u>	<u>\$ 693,678</u>

25. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

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

26. FINANCIAL INSTRUMENTS

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

The management of the Company considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ -	\$ -

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ -	\$ -

There were no transfers between Levels 1 and 2 in 2022 and 2021.

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

The fair value of domestic unlisted shares is estimated using the market approach, with reference to the financial statements and operating conditions of the Company and other similar companies.

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,384,431	\$ 778,617
<u>Financial liabilities</u>		
Amortized cost (2)	819,235	627,709

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties) and refundable deposits.

- 2) The balances include financial liabilities at amortized cost, which comprise accounts payable, other payables (excluding payables for salaries and bonuses, payables for compensation of employees, payables for business tax, payables for remuneration of directors and supervisors, payables for labor and health insurance and payables for pension) and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, investments in equity instruments, receivables, long-term borrowings, payables and lease liabilities. The financial risks relating to the operations of the Company's financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 30.

Sensitivity analysis

The Company is mainly exposed to the exchange movements in the USD and JPY.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ 969	\$ 332
	JPY Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ 74	\$ 36

The result was mainly attributable to the exposure on outstanding cash and cash equivalents, receivables and payables in USD and JPY at the end of the year.

The Company's sensitivity to the USD increased during the current year mainly due to an increase in USD denominated net assets; the Company's sensitivity to the JPY increased during the current year mainly due to an increase in JPY denominated net assets.

b) Interest rate risk

The Company was exposed to interest rate risk because its deposits, bank loans and lease liabilities are at both fixed and floating interest rates.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	<u>\$ 101,490</u>	<u>\$ 127,964</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 890,427</u>	<u>\$ 386,331</u>
Financial liabilities	<u>\$ 754,917</u>	<u>\$ 565,714</u>

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,355 thousand and decreased/increased by \$1,794 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loans.

There has been decreased in the sensitivity to the interest rates during the current year, mainly attributable to the increase in bank deposits during the period.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Company does not actively trade these investments.

Sensitivity analysis

As of December 31, 2022 and 2021, the fair value of equity financial instruments were both \$0. The Company assesses that the reasonably possible changes in its relevant risk variables on that date will not affect pre-tax other comprehensive income for the years ended December 31, 2022 and 2021.

2) Credit risk

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

According to the Company's policy, the Company only dealing with creditworthy counterparties, and would secure sufficient guarantee to mitigate the risk of financial loss caused by delinquent payment, if necessary. The Company rates its mainly customers based on the customers' credit data files created by it pursuant to the regulations governing customers' credit management, and other financial information accessible to the public and both parties' past trading records. The Company continues to monitor the exposure to credit risk and counterparties' credit ratings, and controls the exposure to credit risk through credit limits granted to the counterparties that have been reviewed and approved by management.

To minimize credit risk, the Company's management appoints a dedicated team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Meanwhile, the Company reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Given this, the Company's management believes that the Company's credit risk should have been significantly reduced.

The Company's concentration of credit risk of 37% and 31% in total trade receivables as of December 31, 2022 and 2021, respectively, was related to the Company's mainly customers A company and B company (annual service revenue amounts of other customers do not exceed 10% of the Company's total revenue).

3) Liquidity risk

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

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

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise this right. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

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

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 30,142	\$ 33,345	\$ 831	\$ -	\$ -
Lease liabilities	2,563	5,079	22,474	71,036	3,774
Variable interest rate liabilities	<u>5,526</u>	<u>10,957</u>	<u>96,856</u>	<u>675,210</u>	<u>-</u>
	<u>\$ 38,231</u>	<u>\$ 49,381</u>	<u>\$ 120,161</u>	<u>\$ 746,246</u>	<u>\$ 3,774</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 52,256	\$ 9,739	\$ -	\$ -	\$ -
Lease liabilities	2,551	5,101	22,799	87,715	15,015
Variable interest rate liabilities	<u>5,404</u>	<u>10,768</u>	<u>67,327</u>	<u>440,284</u>	<u>61,677</u>
	<u>\$ 60,211</u>	<u>\$ 25,608</u>	<u>\$ 90,126</u>	<u>\$ 527,999</u>	<u>\$ 76,692</u>

b) Financing facilities

	December 31	
	2022	2021
Secured bank loan facilities:		
Amount used	\$ 762,600	\$ 572,480
Amount unused	<u>269,084</u>	<u>548,418</u>
	<u>\$ 1,031,684</u>	<u>\$ 1,120,898</u>
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>230,000</u>	<u>280,000</u>
	<u>\$ 230,000</u>	<u>\$ 280,000</u>

27. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Msscorps Co., Ltd. (Nanjing)	Subsidiary

b. Operating revenue

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Service revenue - test and analysis service	Subsidiaries	<u>\$ 28,181</u>	<u>\$ 26,589</u>

The test and analysis service prices to related parties were determined based on the market price and agreed by both parties, and the collection period for related parties was 60 days after the month-end closing. The prices to third parties were determined in accordance with mutual agreements, and the collection period for third parties was advance receipt or 30 to 180 days after the month-end closing.

c. Operating costs

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Service costs - test and analysis service	Subsidiaries	<u>\$ 11,534</u>	<u>\$ 16,996</u>

The test and analysis service costs from related parties was determined based on the market and agreed by both parties. The payment period for related parties was 60 days after the month-end closing. The costs from third parties were determined in accordance with mutual agreements, and the payment period was 30 to 60 days after the month-end closing.

d. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Trade receivables	Subsidiaries	<u>\$ 3</u>	<u>\$ 152</u>
Other receivables - purchasing equipment on behalf	Subsidiaries Msscorps Co., Ltd. (Nanjing)	<u>\$ 71</u>	<u>\$ -</u>

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

The Company occurred and recognized gain on the purchase of equipment on behalf for Msscorps Co., Ltd. (Nanjing) was \$963 and \$235 thousand for the years ended December 31, 2022 and 2021, respectively.

e. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Subsidiaries				
Msscorps Co., Ltd. (Nanjing)	\$ 994	\$ 21,980	\$ -	\$ 244
Add: Realized gain on disposal of property, plant and equipment			477	452
Loss: Unrealized gain on disposal of property, plant and equipment			-	(232)
			\$ 477	\$ 464

f. Disposal of assets

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Subsidiaries				
Msscorps Co., Ltd. (Nanjing)	\$ 12,443	\$ -	\$ 12,443	\$ -
Add: Realized gain on disposal of assets			207	-
Loss: Unrealized gain on disposal of assets			(12,443)	-
			\$ 207	\$ -

g. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 37,364	\$ 36,700
Share-based payments	143	-
Other long-term employee benefits	2,924	5,156
Post-employment benefits	540	540
	\$ 40,971	\$ 42,396

The remuneration of directors and key executives was determined by the remuneration committee and is based on the performance of individuals and market trends for the year ended December 31, 2022 and from July 1 to December 31, 2022 and 2021; the remuneration of directors and key executives was determined by the Company and is based on the performance of individuals and market trends from January 1 to June 30, 2021.

Note: In the board of directors meeting on July 9, 2021, the Company's board of directors approved determined to establish the remuneration committee.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2022	2021
Machinery and equipment, net	\$ 868,778	\$ 831,764
Prepayment for equipment	<u>97,868</u>	<u>-</u>
	<u>\$ 966,646</u>	<u>\$ 831,764</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Company at December 31, 2022 and 2021 were as follows:

a. Significant unrecognized commitments

1) Unused letters of credit were as follows:

(In Thousands of Foreign Currency)

	December 31	
	2022	2021
Acquisition of property, plant and equipment		
USD	<u>\$ 122</u>	<u>\$ 407</u>
JPY	<u>\$ 6,770</u>	<u>\$ -</u>

2) Unrecognized commitments were as follows:

(In Thousands of Foreign Currency)

	December 31	
	2022	2021
Acquisition of property, plant and equipment		
USD	<u>\$ 1,515</u>	<u>\$ 10,543</u>
JPY	<u>\$ 6,770</u>	<u>\$ 48,445</u>
NTD	<u>\$ 3,544</u>	<u>\$ 4,885</u>

b. Contingencies

Significant litigations

Materials Analysis Technology Inc. filed a criminal lawsuit against the Company and the person responsible for the Company, Liu Chi Lun, in November 2019 for infringement of business secrets. The case was not prosecuted by the Hsinchu District Prosecutor's Office on October 14, 2020 for No. 830 and No. 7035 of the 2020 Annual Detail Marks. On January 5, 2021, the Company was informed that Materials Analysis Technology Inc. applied for reconsideration of the ruling, and the case was sent back by the Taiwan High Prosecutor Office for further investigation. On June 10, 2021, the case was not prosecuted by the Hsinchu District Prosecutor Office for No. 10. On July 1, 2021, the Company was informed that Materials Analysis Technology Inc. applied for reconsideration of the ruling, and the case was dismissed on July 22, 2021 by the Taiwan High Prosecutor Office with the Resolution No. 300 of

the 2021 proposal. Subsequently, Materials Analysis Technology Inc. filed a petition with the Hsinchu District Court on August 5, 2021 for adjudication, and the case was rejected by the Hsinchu District Court on December 21, 2021. On January 8, 2021, Materials Analysis Technology Inc. also filed the above case as a civil case against the Company and the Company's responsible person, Liu Chi Lun, for the damages due to infringement of its business secrets and demanded a compensation of \$20,000 thousand. On February 15, 2022, the case was dismissed by the Intellectual Property and Commercial Court with the 2021 Private Court of Appeal No. 1, but Materials Analysis Technology Inc. appealed on March 11, 2022. On July 26, 2022, the Company filed a statement of application for an extension of the lawsuit, expanding the claim for damages in the amount of \$51,650 thousand. The aforementioned case is still under trial. In January 2023, the Company was informed that Materials Analysis Technology Inc. filed a civil lawsuit against the Company for the infringement of its business secrets, claiming compensation of \$1,200 thousand (this case seems to be the same case as the previous case), and this case is still not in preliminary proceeding yet. No preparatory procedure was performed. According to the observation of the Company's legal experts based on the current data, the Company has a high probability of winning the two previous cases. The final outcome is subject to future proceedings, and this case will not have a material impact on the Company's operations.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,422	30.710 (USD:NTD)	<u>\$ 105,074</u>
JPY	31,694	0.232 (JPY:NTD)	<u>\$ 7,366</u>
Non-monetary items			
Investments in subsidiaries accounted for using the equity method			
USD	21,371	30.710 (USD:NTD)	<u>\$ 656,288</u>
<u>Financial liabilities</u>			
Monetary items			
USD	265	30.710 (USD:NTD)	<u>\$ 8,143</u>

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,670	27.680 (USD:NTD)	\$ 46,229
JPY	16,523	0.241 (JPY:NTD)	\$ 3,974
Non-monetary items			
Investments in subsidiaries accounted for using the equity method			
USD	17,525	27.680 (USD:NTD)	\$ 485,099
<u>Financial liabilities</u>			
Monetary items			
USD	471	27.680 (USD:NTD)	\$ 13,039
JPY	1,361	0.241 (JPY:NTD)	\$ 327

For the years ended December 31, 2022 and 2021, net foreign exchange gains (losses) were \$(4,584) thousand and \$4,151 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the Company.

31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

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

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

TABLE 1

MSSCORPS CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares (In Thousands of Shares)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value	
The Company	<u>Stock</u> HITEKCORPS CO., LTD.	-	Financial assets at FVTOCI - non-current	375	\$ -	5.31	\$ -	Note 2

Note 1: The balance of the carrying amount at fair value upon adjustment.

Note 2: The impairment loss of the shares of HITEKCORPS CO., LTD. held by the Company has been fully recognized.

TABLE 2

MSSCORPS CO., LTD.

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note 2)		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands of Shares)	%	Carrying Amount			
The Company	TRISTATE INTERNATIONAL CO., LTD.	Mauritius	Investment holding	\$ 501,896 (US\$ 16,415)	\$ 471,331 (US\$ 15,415)	16,415	100	\$ 640,563	\$ 134,029	\$ 134,029	Note 1
TRISTATE INTERNATIONAL CO., LTD.	GOOD ACTION INT'L CORP.	Mauritius	Investment holding	501,411 (US\$ 16,400)	470,846 (US\$ 15,400)	16,400	100	655,821	134,029	134,029	Note 1

Note 1: The share of profit (loss) was recognized according to the investees’ financial statements audited by the parent company’s CPA in the ROC for the same year.

Note 2: The amounts were translated into foreign currencies using the exchange rate on each actual transaction date.

Note 3: Refer to Table 3 for information on investments in mainland China.

TABLE 3

MSSCORPS CO., LTD.

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

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 b.(2))	Carrying Amount as of December 31, 2022 (Note 2 b.(2))	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Msscrops Co., Ltd. (Shanghai)	Test and analysis of electronic materials	RMB 7,609 (US\$ 1,050)	b	\$ 34,039	\$ -	\$ -	\$ 34,039	\$ (1,753)	100	\$ (1,753)	\$ 15,709	\$ -
Msscrops Co., Ltd. (Nanjing)	Test and analysis of electronic materials	RMB 105,416 (US\$ 15,350)	b	436,807	30,565	-	467,372	135,782	100	135,782	640,099	-

2. Limit on the amount of investments in the mainland China area:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$501,411 (Note 3)	\$501,411 (Note 3)	\$1,544,233

Note 1: The two methods of investing in mainland China are as follows:

- a. Direct investments in mainland China.
- b. Investment in mainland China through a company registered in a third region (GOOD ACTION INT’L CORP.)

Note 2: In the column of investment gain (loss)

- a. If the company is still in the preparatory stage and there is no investment gain (loss), it will be specified.
- b. The basis for recognizing investment gain (loss) is as follows:
 - 1) Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
 - 2) Based on financial statements audited by the accounting firm of the parent company in Taiwan.
 - 3) Others.

Note 3: The amounts were translated into foreign currencies using the exchange rate on each actual transaction date.

TABLE 4**MSSCORPS CO., LTD.**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
2. The amount and percentage of sales and the balance and percentage of the related payables at the end of the period:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Msscorps Co., Ltd. (Nanjing)	Service revenue - test and analysis service	\$ 28,181	2	Note	60 days after the month-end closing	Not significantly different	\$ 3	-	\$ -	-
	Service costs - test and analysis service	(11,534)	(1)	Note	60 days after the month-end closing	Not significantly different	-	-	-	-

Note: The test and analysis service prices and costs to related parties were determined based on the market and agreed by both parties.

3. The amount of property transactions and the amount of the resultant gains or losses:

Investee Company	Transaction Type	Disposal of Property, Plant and Equipment		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
Msscorps Co., Ltd. (Nanjing)	Selling of equipment	\$ 994	-	By contract	60 days after acceptance	Not significantly different	\$ -	-	\$ -	-

4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services:

Investee Company	Transaction Type	Amount	%	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
					Payment Terms	Comparison with General Transactions	Ending Balance	%		
Msscorps Co., Ltd. (Nanjing)	Selling of assets	\$ 12,443	53	By contract	60 days after acceptance	Not significantly different	\$ -	-	\$ 12,236	-
	Purchase of equipment on behalf	6,223	25	By contract	60 days after acceptance	Not significantly different	-	-	-	-

TABLE 5**MSSCORPS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownerships(%)
China Development Advantage Venture Capital Limited Partnership	5,175,000	11.06
Shun Investment Co., Ltd.	2,556,815	5.46

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

MSSCORPS CO., LTD.

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STATEMENT 1**MSSCORPS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash on hand and revolving funds		\$ <u>325</u>
Bank deposits		
Demand deposits		<u>813,815</u>
Foreign currency deposits		
USD	2,252 thousand @30.71	69,159
JPY	31,694 thousand @0.2324	7,366
RMB	7 thousand @4.408	31
EUR	2 thousand @32.72	<u>56</u>
		<u>76,612</u>
		<u>890,427</u>
		\$ <u>890,752</u>

MSSCORPS CO., LTD.**STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Unrelated parties		
Customer B	Test and analysis service	\$ 113,579
Customer A	Test and analysis service	64,603
Customer E	Test and analysis service	60,107
Customer C	Test and analysis service	37,063
Others (Note)	Test and analysis service	<u>207,297</u>
		482,649
Less: Allowance for impairment loss		<u>(3,190)</u>
		<u>\$ 479,459</u>
Related parties		
Msscorps Co., Ltd. (Nanjing)	Test and analysis service	<u>\$ 3</u>

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

MSSCORPS CO., LTD.

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

Investees	Balance, January 1, 2022		Increase in the Current Year		Decrease in the Current Year		Gain (Losses) on Investments Accounted for Using the Equity Method	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2022			Market Value or Net Asset Value (Note 1)		Collateral
	Number of Shares (In Thousands of Shares)	Amount	Number of Shares (In Thousands of Shares)	Amount	Number of Shares (In Thousands of Shares)	Amount			Number of Shares (In Thousands of Shares)	%	Amount	Unit Price (NT\$)	Total Amount	
TRISTATE INTERNATIONAL CO., LTD.	15,415	\$ 481,133	1,000	\$ 31,249	-	\$ (12,443)	\$ 134,029	\$ 6,595	16,415	100	\$ 640,563	39.02	\$ 640,563	None

- Note 1: Amount was estimated based on the net asset value of the investee company as of December 31, 2022 as shown on the financial statements which have been audited by the auditor of the parent company for the same periods and adjusted for unrealized gain on intercompany transactions.
- Note 2: The increase in the current year included participated in a cash capital increase of \$30,565 thousand (US\$1,000 thousand) in TRISTATE INTERNATIONAL CO., LTD. and recognized the realized gain on intercompany transactions amounting to \$684 thousand for the year.
- Note 3: This decrease in the current year included the unrealized gain on intercompany transactions amounting to \$12,443 thousand.

MSSCORPS CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Item	Buildings	Office Equipment	Transportation Equipment	Total
Cost				
Balance, January 1, 2022	\$ 180,626	\$ 2,063	\$ 4,386	\$ 187,075
Additions	2,019	-	1,443	3,462
Disposals	<u>(1,992)</u>	<u>(338)</u>	<u>(946)</u>	<u>(3,276)</u>
Balance at December 31, 2022	<u>\$ 180,653</u>	<u>\$ 1,725</u>	<u>\$ 4,883</u>	<u>\$ 187,261</u>
Accumulated depreciation				
Balance, January 1, 2022	\$ 60,208	\$ 1,247	\$ 1,526	\$ 62,981
Additions	28,422	408	1,443	30,273
Disposals	<u>(1,992)</u>	<u>(338)</u>	<u>(946)</u>	<u>(3,276)</u>
Balance at December 31, 2022	<u>\$ 86,638</u>	<u>\$ 1,317</u>	<u>\$ 2,023</u>	<u>\$ 89,978</u>
Carrying amount at December 31, 2022	<u>\$ 94,015</u>	<u>\$ 408</u>	<u>\$ 2,860</u>	<u>\$ 97,283</u>

MSSCORPS CO., LTD.**STATEMENT OF TRADE PAYABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Vendor Name	Description	Amount
Supplier D	Payments	\$ 6,677
Supplier G	Payments	3,334
Supplier F	Payments	2,600
Supplier H	Payments	2,119
Others (Note)	Payments	<u>16,640</u>
		<u>\$ 31,370</u>

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

MSSCORPS CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Description	Lease Term	Discount Rate	Amount
Buildings	Plants and offices	2018.2.1-2028.4.30	1.21%-1.72%	\$ 98,195
Office equipment	Photocopier	2018.2.1-2025.8.31	1.66%-1.72%	419
Transportation equipment	Official car	2020.4.1-2025.11.8	1.21%-1.72%	<u>2,876</u>
				101,490
Less: Lease liabilities due within one year				<u>(28,717)</u>
				<u>\$ 72,773</u>

MSSCORPS CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Depreciation expense	\$ 417,706
Salary expense (Note 1)	355,195
Consumables	97,771
Others (Note 2)	<u>124,069</u>
	<u>\$ 994,741</u>

Note 1: Including salary expense, pension expense and share-based payment.

Note 2: The amount of each individual item included in others does not exceed 5% of the amount.

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

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss
Salary expense (Note 1)	\$ 20,921	\$ 124,443	\$ 34,387	\$ -
Insurance expense	1,583	12,746	1,592	-
Testing and inspection fees	272	5	7,471	-
Depreciation expense	1,727	9,430	2,975	-
Consumables	2	318	7,304	-
Expected credit loss	-	-	-	587
Others (Note 2)	<u>6,731</u>	<u>39,754</u>	<u>3,852</u>	<u>-</u>
	<u>\$ 31,236</u>	<u>\$ 186,696</u>	<u>\$ 57,581</u>	<u>\$ 587</u>

Note 1: Including salary expense, remuneration of directors, pension expense and share-based payment.

Note 2: The amount of each individual item included in others does not exceed 5% of the amount.

MSSCORPS CO., LTD.

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

	2022			2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expenses						
Share-based payment	\$ 398	\$ 166	\$ 564	\$ -	\$ -	\$ -
Salary expense	342,211	163,076	505,287	292,198	151,766	443,964
Remuneration of directors	-	11,602	11,602	-	8,897	8,897
Labor and health insurance	22,774	12,573	35,347	18,743	11,144	29,887
Pension	12,586	4,907	17,493	10,119	4,288	14,407
Others	38,760	7,347	46,107	34,543	7,034	41,577
	<u>\$ 416,729</u>	<u>\$ 199,671</u>	<u>\$ 616,400</u>	<u>\$ 355,603</u>	<u>\$ 183,129</u>	<u>\$ 538,732</u>
Depreciation	<u>\$ 417,706</u>	<u>\$ 14,132</u>	<u>\$ 431,838</u>	<u>\$ 365,235</u>	<u>\$ 12,235</u>	<u>\$ 377,470</u>
Amortization	<u>\$ 2,362</u>	<u>\$ 1,198</u>	<u>\$ 3,560</u>	<u>\$ 1,295</u>	<u>\$ 1,023</u>	<u>\$ 2,318</u>

Note:

- For the years ended December 31, 2022 and 2021, the average number of the Company's employees was 402 and 345, respectively, and the number of directors who were not employees was 6 and 4, respectively. The calculation basis is consistent with the employee benefit expense.
- For the year ended December 31, 2022, the Company's average employee benefits were \$1,527 thousand. (The total amount of employee benefits of current year - the total amount of remuneration of directors ÷ the number of employees of the current year - the number of directors who were not employees)

For the year ended December 31, 2021, the Company's average employee benefits were \$1,554 thousand. (The total amount of employee benefits of the prior year - the total amount of remuneration of directors ÷ the number of employees of the prior year - the number of directors who were not employees)

- For the year ended December 31, 2022, the Company's average salary expense was \$1,276 thousand. (The total amount of salary expenses of prior year ÷ The numbers of employees of current year - The numbers of directors who were not employees)

For the year ended December 31, 2021, the Company's average salary expense was \$1,302 thousand. (The total amount of salary expenses of the prior year ÷ the number of employees of the prior year - the number of directors who were not employees)

- The percentage change in the average salary expenses was -2.00%. (The total amount of average salary expenses of the current year - the total amount of average salary expenses of the prior year ÷ the total amount of average salary expenses of the prior year)
- The remuneration of supervisors for the year ended December 31, 2022 was \$0 thousand, and the remuneration of supervisors for the year ended December 31, 2021 was \$1,465 thousand.
- The Company's policies on the remuneration and salary of directors and supervisors were as follows:

The remuneration of directors and supervisors of the Company shall not be higher than 5% according to the provisions of the Company's Articles. Remuneration of directors for business execution shall be determined in accordance with the "Regulations on the Payment of Directors and Managers' Remuneration", based on their participation in the Company's operations and the value of their contributions, and with reference to industry standards.

- The Company's policies on the compensation of managers and employees were as follows:

The Company's compensation policies for managers and employees mainly include salaries, additional allowances, severance pay, various bonuses, and employees' compensation. Salary is determined with reference to Taiwan's human resources market, other companies in the same industry, and the Company's salary and welfare policies; employees' compensation should not be less than 10% in accordance with the Company's Articles; year-end bonuses are issued according to the Company's operational performance and individual employee performance.