Stock Code: 6127

LEATEC Fine Ceramics Co., Ltd.

Parent Company Only Financial Statements and Accountants' Review Report

For Years 2022 and 2021

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INDEPENDENT AUDITORS’ REVIEW REPORT

To LEATEC Fine Ceramics Co., Ltd.:

Audit opinion

We have audited the financial statements of LEATEC Fine Ceramics Co., Ltd., which comprise the Parent Company Only Statement of Financial Position as of December 31, 2022 and December 31, 2021, the Parent Company Only Statement of Comprehensive Income from January 1 to December 31, 2022 and from January 1 to December 31, 2021, Parent Company Only Statement of Change in Equity, Parent Company Only Statement of Cash Flows, and Notes to Parent Company Only Financial Statement (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers so as to give a true and fair view of the parent company only financial position of LEATEC Fine Ceramics Co., Ltd. as of December 2022 and 2021 and of the financial performance, changes in equity and cash flows of LEATEC Fine Ceramics Co., Ltd. from January 1 to December 31, 2022 and 2021.

Basis for audit opinion

We conducted our audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the ‘Accountant’s responsibilities for the audit of the financial statements’ section of our report. We are independent of LEATEC Fine Ceramics Co., Ltd. in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, 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 matter

The key audit matter is which that, in our professional judgment, is most significant to our review of the parent company only financial statements of LEATEC Fine Ceramics Co., Ltd. for

2022. Such matter has been considered in the process of examining the parent company only financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on the matter individually.
The following is the description of the key audit matter in the parent company only financial statements of LEATEC Fine Ceramics Co., Ltd. for 2022:
<u>Authenticity of revenue from specific sales targets</u>
LEATEC Fine Ceramics Co., Ltd.'s sales revenue for the year 2022 amounted to $407,761 thousand, a decrease of 22% compared to the same period last year. The auditor, based on factors such as changes in sales amount and ratio, considered the authenticity of the sales revenue of some specific customers as key audit matters.
The auditor performed the following main audit procedures for the authenticity of the revenue from the aforementioned specific sales targets:

1. Understand the internal control process related to revenue recognition and evaluate whether the design of the relevant controls is effective and implemented;
2. Review and inspect the shipping documents, records, and collections of these customers to test the authenticity of the sales;
3. Review the subsequent sales returns and allowances of these customers to confirm the reasonableness of sales revenue recognition.

Responsibilities of management and directors for the parent company only financial statements

Management's responsibility is to prepare the parent company only financial statements present fairly, in all material respects, according to Regulations Governing the Preparation of Financial Reports by Securities Issuers as well as maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.
In preparing the parent company only financial statements, management is responsible for assessing the ability of LEATEC Fine Ceramics Co., Ltd. to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate LEATEC Fine Ceramics Co., Ltd. or to cease operations, or has no realistic alternative, but to do so.
The responsibilities of the governing body (including the audit committee) include overseeing the financial reporting process of LEATEC Fine Ceramics Co., Ltd.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with GAAS 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 in the basis of these parent company only financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.
2. Obtain an understanding of internal controls 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 internal control effectiveness of LEATEC Fine Ceramics Co., Ltd.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of LEATEC Fine Ceramics Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause LEATEC Fine Ceramics Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the relevant notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We have obtained sufficient and appropriate evidence to audit the parent company only financial information of LEATEC Fine Ceramics Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on LEATEC Fine Ceramics Co., Ltd.

We communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiency in internal controls that we identify during our audit).

We have also provided the governing body with a statement that the independence-regulated personnel of the firm to which we are affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence, and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

We have determined the key audit matter for the audit of the Parent Company Only Financial Statements of LEATEC Fine Ceramics Co., Ltd. for the year ended December 31, 2021 from the communications we have had with the governing body. We identified such matter in our auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, we decided not to communicate those matters in our auditor's report because we reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche

CPA: XU, JIN-MING

CPA: XU, WEN-YA

SFB Approval Number:
Tai-Cai-Zheng-Liu-Zi
No. 0930128050

SFB Approval Number:
Tai-Cai-Zheng-Liu-Zi
No. 0920123784

March 24, 2023

LEATEC FINE CERAMICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
CODE	ASSETS	AMOUNT	%	AMOUNT	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 4 & 6)	$ 96,621	4	$ 59,056	2
1110	Financial assets at fair value through profit or loss – current (Note 4, 7, 28 & 30)	13,607	1	-	-
1150	Notes receivable (Note 4, 8 & 22)	757	-	1,789	-
1170	Accounts receivable (Note 4, 8, 22, 23, 29 & 30)	125,538	5	183,432	7
1200	Other receivables (Note 29)	8,909	-	13,902	1
130X	Inventories (Note 4, 9 & 30)	159,888	6	126,474	5
1410	Prepayments	7,213	-	6,203	-
1476	Other financial assets - current (Note 30)	64,271	2	178,401	7
1479	Other current assets (Note 14 & 24)	478	-	1,484	-
11XX	Total current assets	477,282	18	570,741	22
	NON-CURRENT ASSETS				
1550	Investments accounted for using the equity method (Note 4 & 10)	1,490,776	58	1,399,808	54
1600	Property, plant and equipment (Note 4, 11, 26 & 30)	562,959	22	552,323	21
1755	Right-of-use assets (Note 4 & 20)	3,053	-	4,164	-
1780	Other intangible assets (Note 4 & 13)	4,109	-	5,102	-
1840	Deferred tax assets (Note 4 & 24)	21,797	1	12,876	1
1915	Prepayments for eequipment	5,985	-	4,379	-
1980	Other financial assets - non-current (Note 30)	5,045	-	-	-
1990	Other non-current assets (Note 14)	11,883	1	50,667	2
15XX	Total non-current assets	2,105,607	82	2,029,319	78
1XXX	TOTAL	$ 2,582,889	100	$ 2,600,060	100
CODE	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term loans (Note 15, 30 & 31)	$ 369,781	14	$ 245,612	9
2150	Notes payable (Note 17)	2,403	-	2,718	-
2170	Accounts payable (Note 17 & 29)	37,021	2	45,823	2
2200	Other payables (Note 18, 26 & 29)	115,124	5	88,346	3
2230	Current income tax liabilities (Note 4 & 24)	-	-	82	-
2280	Lease liabilities - current (Note 4 & 12)	1,118	-	1,084	-
2320	Long-term borrowings and corporate bonds payable within one year or operating cycle (Note 15, 16, 30 & 31)	81,660	3	480,598	19
2399	Other current liabilities	6,781	-	1,818	-
21XX	Total current liabilities	613,888	24	866,081	33
	NON-CURRENT LIABILITIES				
2530	Corporate bonds payable (Note 16)	250,000	10	-	-
2540	Long-term loans (Note 15, 30 & 31)	444,405	17	457,032	18
2550	Provision for liabilities - non-current (Note 4 & 29)	930	-	884	-
2570	Deferred tax liabilities (Note 4 & 24)	113,572	4	100,343	4
2580	Lease liabilities - non-current (Note 4 & 20)	2,042	-	3,160	-
2640	Net defined benefit liability - non-current (Note 4 & 20)	21,137	1	23,935	1
25XX	Total non-current liabilities	832,086	32	585,354	23
2XXX	Total liabilities	1,445,974	56	1,451,435	56
	EQUITY (Note 21)				
3110	Ordinary shares	1,080,798	42	1,080,798	41
3200	Capital surplus	102,301	4	353,093	14
	Retained earnings				
3310	Legal reserve	3,166	-	3,166	-
3350	Losses to be compensated	(37,316)	(1)	(253,313)	(10)
3300	Total retained earnings	(34,150)	(1)	(250,147)	(10)
3400	Other equity	(12,034)	(1)	(35,119)	(1)
3XXX	Total equity	1,136,915	44	1,148,625	44
	TOTAL	$ 2,582,889	100	$ 2,600,060	100

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

Chairman: CHEN, QING-JIN General Manager: CHEN, QING-JIN Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2022		2021	
CODE		AMOUNT	%	AMOUNT	%
4000	OPERATING REVENUE (Note 4, 22 & 29)	$ 407,761	100	$ 521,932	100
5000	OPERATING COSTS (Note 9, 23& 29)	(353,914)	(87)	(394,905)	(75)
5900	GROSS PROFIT	53,847	13	127,027	25
5910	UNREALIZED GAINS WITH SUBSIDIARIES	(638)	-	(5,253)	(1)
5920	REALIZED GAINS WITH SUBSIDIARIES	5,253	1	1,681	-
5950	REALIZED GROSS PROFIT	58,462	14	123,455	24
	OPERATING EXPENSES (Note 4, 23& 29)				
6100	Selling and marketing expenses	(9,370)	(2)	(9,053)	(2)
6200	General and administrative expenses	(61,898)	(15)	(58,134)	(11)
6300	Research and development expenses	(28,719)	(7)	(34,684)	(7)
6450	Expected credit impairment gains (losses)	1,425	-	(5,661)	(1)
6000	Total operating expenses	(98,562)	(24)	(107,532)	(21)
6900	(LOSS) PROFIT FROM OPERATIONS	(40,100)	(10)	15,923	3
	NON-OPERATING INCOME AND EXPENSES (Note 4, 10, 23 & 29)				
7100	Interest income	1,001	-	142	-
7010	Other income	3,330	1	8,806	2
7020	Other gains and losses	(22,524)	(5)	(8,371)	(2)
7050	Financial cost	($ 32,062)	(8)	($ 25,033)	(5)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	62,065	15	71,936	14

Code	Item	Amount	%	Amount	%
7000	Total non-operating income and expenses	11,810	3	47,480	9
7900	PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(28,290)	(7)	63,403	12
7950	INCOME TAX EXPENSE (Note 4 & 24)	(5,186)	(1)	(12,569)	(2)
8200	NET (LOSS) PROFIT FOR THE YEAR	(33,476)	(8)	50,834	10
	OTHER COMPREHENSIVE INCOME (Note 19, 20 & 24)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement amounts of defined benefit plans	(4,799)	(1)	(2,682)	-
8349	Income tax related to items not reclassified	960	-	536	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	23,085	6	(7,799)	(2)
8300	Other comprehensive income for the year, net of income tax	19,246	5	(9,945)	(2)
8500	TOTAL COMPREHENSIVE INCOME	($ 14,230)	(3)	$ 40,889	8
	EARNINGS PER SHARE (Note 25)				
9710	Basic	($ 0.31)		$ 0.47	
9810	Diluted	($ 0.31)		$ 0.47	

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

Chairman: CHEN, QING-JIN

General Manager: CHEN, QING-JIN

Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021

(In Thousands of New Taiwan Dollars)

Code		Share capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Losses to be compensated	Other equity: Exchange differences on translation of the financial statements of foreign operations	Total equity
A1	Balance on January 1, 2021	$ 1,080,798	$ 353,265	$ 3,166	($ 302,001)	($ 27,320)	$ 1,107,908
C7	Changes in amounts of associates and joint ventures accounted for using the equity method	-	(172)	-	-	-	(172)
D1	Net profit for 2021	-	-	-	50,834	-	50,834
D3	Other comprehensive income (loss) for 2021, net of income tax	-	-	-	(2,146)	(7,799)	(9,945)
D5	Total comprehensive income for 2021	-	-	-	48,688	(7,799)	40,889
Z1	Balance on December 31, 2021	1,080,798	353,093	3,166	(253,313)	(35,119)	1,148,625
C7	Changes in amounts of associates and joint ventures accounted for using the equity method	-	2,520	-	-	-	2,520
C11	Capital reserve to offset losses	-	(253,312)	-	253,312	-	-
D1	Net profit for 2022	-	-	-	(33,476)	-	(33,476)
D3	Other comprehensive income (loss) for 2022, net of income tax	-	-	-	(3,839)	23,085	19,246
D5	Total comprehensive income for 2022	-	-	-	(37,315)	23,085	(14,230)
Z1	Balance on December 31, 2022	$ 1,080,798	$ 102,301	$ 3,166	($ 37,316)	($ 12,034)	$ 1,136,915

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

Chairman: CHEN, QING-JIN General Manager: CHEN, QING-JIN Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit (loss) before tax for the current year	($ 28,290)	$ 63,403
A20010	Income and expense items		
A20100	Depreciation expenses	51,825	50,187
A20200	Amortization expenses	1,959	1,427
A20300	Expected credit impairment (reversal of gains) losses	(1,425)	5,661
A20400	Net loss on financial assets and liabilities at fair value through profit or loss	1,723	-
A20900	Financial cost	32,062	25,033
A21200	Interest income	(1,001)	(142)
A22300	Share of profit (loss) of subsidiaries and associates accounted for using the equity method	(62,065)	(71,936)
A22500	Gain (loss) on disposal and write-off of property, plant, and equipment	(312)	441
A22800	Intangible assets transfer expense	-	654
A23700	Gain from price recovery of inventory	(4,669)	(2,574)
A23900	Unrealized gains with subsidiaries	638	5,253
A24000	Realized gains with subsidiaries	(5,474)	(1,899)
A24100	Loss (gain) on foreign currency exchange	312	(1,088)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	1,042	(1,285)
A31150	Accounts receivable	59,350	(56,598)
A31180	Other receivables	4,480	(4,720)
A31200	Inventories	(28,745)	(3,747)
A31230	Prepayments	(1,010)	2,625
A31240	Other current assets	1,038	(714)
A31250	Other financial assets	109,085	(6,118)
A31990	Other non-current assets	(916)	(929)
A32130	Notes payable	(315)	(2,348)
A32150	Accounts payable	(9,087)	(9,213)
A32180	Other payables	10,521	(2,623)
A32200	Provision for liabilities	46	(105)
A32230	Other current liabilities	4,963	273
A32240	Accrued pension liabilities	(7,597)	(21)
A33000	Cash generated from (used in) operations	$ 128,138	($ 11,103)
A33100	Interest received	818	148
A33300	Interest paid	(31,363)	(25,677)
A33500	Income tax (paid) received	(32)	13
AAAA	Net cash generated from (used in) operating activities	97,561	(36,619)
	CASH FLOWS FROM INVESTING ACTIVITIES		

B00100	Acquisition of financial assets measured at fair value through profit or loss	(15,330)	-
B01800	Acquisition of long-term equity investments accounted for using the equity method	-	(16,517)
B02700	Acquisition of property, plant and equipment	(46,288)	(34,624)
B02800	Disposal of property, plant and equipment	353	-
B03700	Increase in refundable deposits	-	(6,500)
B03800	Decrease in refundable deposits	39,700	-
B04500	Payments for intangible assets	(966)	(1,289)
B07100	(Increase) decrease in prepayments for equipment	(1,606)	2,939
B07600	Dividends received	1,538	-
BBBB	Net cash used in investing activities	(22,599)	(55,991)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase in short-term borrowings	124,615	52,589
C01200	Issuance of corporate bonds	250,000	-
C01300	Repayment of corporate bonds	(250,000)	-
C01600	Proceeds from long-term borrowings	515,300	60,112
C01700	Repayment of long-term loans	(676,865)	-
C04020	Repayment of the principal portion of lease liabilities	(1,084)	(1,051)
CCCC	Net cash generated from (used in) financing activities	(38,034)	111,650
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	637	(737)
EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	37,565	18,303
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	59,056	40,753
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 96,621	$ 59,056

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

Chairman: CHEN, QING-JIN
General Manager: CHEN, QING-JIN
Accounting Supervisor: CHEN, YONG-CANG

LEATEC FINE CERAMICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021

(In thousands of New Taiwan Dollars, unless stated otherwise)

1. GENERAL INFORMATION

LEATEC Fine Ceramics Co., Ltd. (hereinafter referred to as "the Company") was established on December 2, 1991, with the approval of the Ministry of Economic Affairs. The main business items include the manufacture, design, processing, and sales of ceramic substrates, circuit components, and solar junction boxes, as well as general import and export trading. After several capital increases, the paid-in capital amounted to $1,080,798 thousand as of December 31, 2022. The Company's shares were approved by the Securities and Futures Bureau, FSC and listed for trading on the Taipei Exchange on January 10, 2002.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the board of directors on March 24, 2023.

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

i. First-time application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to as "IFRSs") approved and issued by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The application of the amended IFRSs approved and issued by the FSC will not result in significant changes in the Company's accounting policies.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 - “Disclosure of Material Accounting Policy Information”	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: This revision applies to reporting periods beginning on or after January 1, 2023.

Note 2: This revision applies to accounting estimate changes and accounting policy changes occurring during reporting periods beginning on or after January 1, 2023.

Note 3: Except for the temporary differences related to deferred income taxes recognized for lease and decommissioning obligations as of January 1, 2022, this revision applies to transactions occurring on or after January 1, 2022.

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendment explicitly requires the Company to determine the disclosure of significant accounting policy information based on the definition of materiality. If the accounting policy information can be reasonably expected to affect the decisions of the primary users of general-purpose financial statements based on such financial statements, the accounting policy information is material. The amendment also clarifies:

- Accounting policy information related to immaterial transactions, other matters, or circumstances is immaterial, and the Company is not required to disclose such information.
- The Company may determine that the relevant accounting policy information is material due to the nature of the transactions, other matters, or circumstances, even if the amounts are immaterial.
- Not all accounting policy information related to material transactions, other matters, or circumstances is material.

In addition, the amendment provides examples of when the accounting policy information related to material transactions, other matters, or circumstances may be material under the following circumstances:

(1) The Company changes its accounting policies during the reporting period, and the change leads to significant changes in the financial reporting information;

(2) The Company chooses its applicable accounting policies from the options allowed by the standards;

(3) Due to the lack of specific standard provisions, the Company establishes its accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors";

(4) The Company discloses its relevant accounting policies determined by applying significant judgments or assumptions; or

(5) Involving complex accounting treatment provisions, and financial statement users rely on such information to understand the material transactions, other matters, or circumstances.

2. Amendment to IAS 8 "Definition of Accounting Estimates"

The amendment clarifies that accounting estimates are monetary amounts in the financial statements that are affected by measurement uncertainty. When applying accounting policies, the Company may need to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated, thus requiring the use of measurement techniques and input values to develop accounting estimates for this purpose. If the impact of changes in measurement techniques or input values on accounting estimates is not a correction of prior period errors, such changes are considered changes in accounting estimates.

In addition to the above effects, as of the date of approval for issuance of the parent company only financial statements, the Company continues to assess that the amendments to other standards and interpretations will not have a significant impact on the financial position and financial performance.

iii. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 - “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
Amendments to IFRS 16 - “Lease 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 17 and IFRS 9—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 otherwise stated, the above new/amended/revised standards or interpretations are effective for annual reporting periods beginning after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the initial application of IFRS 16.

As of the date of adoption of this parent company only financial statements, the Company is still evaluating the impact of the amendments to other standards and interpretations on the financial position and financial performance, which will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Statement of compliance

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

ii. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis, except for financial instruments 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 the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

In preparing the parent company only financial statements, the Company applies the equity method to its investments in subsidiaries and associates. In order to make the profit or loss for the year, other comprehensive income and equity in the parent company only financial statements the same as the profit or loss for the year, other comprehensive income and equity attributable to the owners of the Company in the consolidated financial statements, certain accounting differences between the parent company only basis and the consolidated basis are adjusted for “investments accounted for under the equity method”, “share of profit or loss of subsidiaries, associates and joint ventures accounted for under the equity method”, “share of other comprehensive income or loss of subsidiaries, associates and joint ventures accounted for under the equity method” and related equity items.

iii. Standard in determining whether the asset or liability are current or non-current

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date (current liabilities are classified as current even if a long-term refinancing or rescheduling agreement is completed after the balance sheet date and before the adoption of the financial statements); and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. However, the terms of the liabilities may be settled by issuing equity instruments at the option of the counter-parties, which does not affect the classification.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

iv. Foreign currency

When preparing financial statements, the Company translates transactions in currencies other than the functional currency of the Company (foreign currencies) into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Non-monetary items measured at fair value in foreign currencies are translated at the exchange rates prevailing on the date when the fair value was determined, and the resulting exchange differences are recognized in profit or loss in the current period.

However, if the change in fair value is recognized in other comprehensive income, the resulting exchange differences are recorded as other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates ruling at the dates of transactions and are not retranslated.

For the purpose of preparing parent company only financial statements, assets and liabilities of the Company and foreign operations (including subsidiaries that operate in countries or currencies different from those of the Company) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate for the period and the resulting exchange differences are included in other comprehensive income.

If the Company disposes of all ownership interests in a foreign operation, disposes of partial ownership interests in a subsidiary of a foreign operation but loses control, or disposes of its remaining interests in a jointly controlled entity or associate of a foreign operation that are financial assets and are accounted for under the accounting policies for financial instruments, all cumulative translation differences related to that foreign operation will be reclassified to profit or loss.

If a partial disposal of a subsidiary of a foreign operation does not result in a loss of control, the cumulative translation differences are incorporated into the equity transaction calculation on a proportional basis, but not recognized as profit or loss. In any other partial disposal of a foreign operation, the cumulative translation differences are reclassified to profit or loss according to the disposal proportion.

v. Inventory

Inventories include raw materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the estimated selling price under normal circumstances, less estimated costs to complete and estimated costs to sell. The cost of inventories is calculated using the weighted-average method.

vi. Investment in subsidiaries

The Company applies the equity method for investments in subsidiaries.

Subsidiaries are entities (including structured entities) over which the Company has control.

Under the equity method, investments are initially recognized at cost, and the carrying amount is adjusted thereafter for the Company's share of the subsidiary's profit or loss and other comprehensive income and distributions. In addition, changes in the Company's entitlement to the subsidiary's other equity are recognized according to the proportion of ownership.

When changes in the Company's ownership interest in a subsidiary do not result in a loss of control, they are treated as equity transactions. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and any other long-term interests that, in substance, form part of the Company's net investment in the subsidiary), losses are recognized according to the proportion of ownership.

The excess of acquisition cost over the Company's share of the fair value of the identifiable assets and liabilities of the subsidiary as of the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and not subject to amortization. If the Company's share of the fair value of the subsidiary's identifiable assets and liabilities as of the acquisition date exceeds the acquisition cost, the excess is recognized as current income.

When assessing impairment, the Company considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount to the carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of impairment loss is recognized as income, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Impairment losses related to goodwill cannot be reversed in subsequent periods.

When control over a subsidiary is lost, the Company measures its remaining investment in the former subsidiary at its fair value as of the date control is lost, and the difference between the fair value of the remaining investment and any disposal proceeds and the carrying amount of the investment as of the date control is lost is recognized in the current period's profit or loss. In addition, the accounting treatment for all amounts recognized in other comprehensive income related to the subsidiary is the same as the basis that would have to be followed if the Company had directly disposed of the related assets or liabilities.

Unrealized gains on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Gains and losses arising from upstream and lateral transactions between the Company and its subsidiaries are recognized in the parent company only financial statements only to the extent that they are unrelated to the Company's interest in the subsidiary.

vii. Investment in associates

Associates are entities over which the Company has significant influence but are not subsidiaries or joint ventures.

The Company accounts for investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost, and the carrying amount is adjusted thereafter for the Company's share of the associate's profit or loss and other comprehensive income and distributions. In addition, the Company recognizes changes in the associate's equity according to the proportion of ownership.

The excess of acquisition cost over the Company's share of the fair value of the identifiable assets and liabilities of the associate as of the acquisition date is recognized as goodwill, which is included in the carrying amount of the investment and not subject to amortization. If the Company's share of the fair value of the associate's identifiable assets and liabilities as of the acquisition date exceeds the acquisition cost, the excess is recognized as current income.

When an associate issues new shares, if the Company does not subscribe according to its proportion of ownership, causing a change in the ownership percentage and consequently an increase or decrease in the net equity value of the investment, the increase or decrease is adjusted to the capital reserve - changes in the net equity value of associates and joint ventures accounted for using the equity method and the investments accounted for using the equity method. However, if the non-subscription or acquisition causes a decrease in the ownership interest in the associate, the amounts recognized in other comprehensive income related to the associate are reclassified according to the reduction ratio, and the accounting basis is the same as the basis that would have to be followed if the associate had directly disposed of the related assets or liabilities. If the adjustment should be debited to capital reserve, and the balance of the capital reserve generated by investments accounted for using the equity method is insufficient, the difference is debited to retained earnings.

When the Company's share of losses in an associate equals or exceeds its interest in the associate (including the carrying amount of the investment in the associate under the equity method and any other long-term interests that, in substance, form part of the Company's net investment in the associate), further losses are not recognized. The Company recognizes additional losses and liabilities only to the extent of legal obligations, constructive obligations, or payments made on behalf of the associate.

When assessing impairment, the Company considers the entire carrying amount of the investment (including goodwill) as a single asset, comparing the recoverable amount with the carrying amount and performing an impairment test, with the recognized impairment loss being part of the carrying amount of the investment. Any reversal of impairment losses is recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The Company ceases to use the equity method from the date when its investment is no longer considered an associate. The retained interest in the former associate is measured at fair value, and the difference between the fair value and the disposal proceeds and the carrying amount of the investment as of the date of ceasing to use the equity method is recognized as current income. In addition, the amounts recognized in other comprehensive income related to the associate are accounted for on the same basis as if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes an investment in a joint venture or the investment in a joint venture becomes an investment in an associate, the Company continues to use the equity method without remeasuring the retained interest.

The Company recognizes gains and losses arising from upstream, downstream, and lateral transactions between the Company and its associates in the parent company only financial statement only to the extent that they are unrelated to the Company's interest in the associate.

viii. Property, plant and equipment

Property, plant, and equipment are recognized by cost, and then measured by cost less accumulated depreciation and accumulated impairment loss.

Construction in progress for property, plant, and equipment is recognized at cost less accumulated impairment losses. The cost includes professional service fees and capitalized borrowing costs that meet the capitalization criteria. Upon completion and reaching the expected condition for use, these assets are reclassified to the appropriate category of property, plant, and equipment and depreciation begins to be recognized.

Property, plant, and equipment are depreciated on a straight-line basis over their estimated useful lives, with each significant component depreciated separately. The Company reviews the estimated useful lives, residual values, and depreciation methods at least at each year-end and applies the effects of changes in accounting estimates on a prospective basis.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

ix. Intangible assets

Intangible assets with limited duration acquired separately were initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized over their useful lives on a straight-line basis and the estimated useful lives, residual values and amortization method are reviewed at least at each year-end and the effect of changes in applicable accounting estimates is deferred. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss of the year when intangible assets are derecognized.

x. Property, plant and equipment, right-of-use assets and intangible assets

At each balance sheet date, the Company assesses whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If there is any indication of impairment, the recoverable amount of the asset is estimated, and if the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest cash-generating unit groups on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

xi. Financial instruments

Financial assets and financial liabilities are recognized in the Parent Company Only Balance Sheet when the Parent Company Only Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement types

The types of financial assets held by the Company are financial assets at fair value through profit or loss and financial assets at amortized cost.

A. Financial assets measured at FVTPL

Financial assets measured at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and those designated as such. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated as measured at fair value through other comprehensive income and debt instrument investments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value.

B. Financial assets at amortized cost

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and

b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets.

Cash equivalents include time deposits that are highly liquid, readily convertible into known amounts of cash and subject to a low risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses represent the weighted-average credit losses based on the risk of default. 12-month expected credit losses represent the expected credit losses arising from possible defaults of financial instruments within 12 months after the reporting date. The 12-month expected credit losses represent the expected credit losses arising from all possible defaults of the financial instruments during the 12-month period after the reporting date.

For internal credit risk management purposes, the Company determines that a financial asset has defaulted in the following situations, without considering the collateral held:

A. Internal or external information indicates that the debtor is unable to repay the debt.

B. Delinquency of more than 90 days, unless there is reasonable and verifiable information indicating that a later default criterion is more appropriate.

Impairment losses on all financial assets are reduced through an allowance account adjusting their carrying amounts.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets are derecognized in their entirety at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss.

2. Financial liability

(1) Subsequent measurement

The financial liabilities of the Company are measured at amortized cost using the effective interest method.

(2) Derecognition of financial liability

Any difference between the carrying amount of a financial liability at the time of derecognition and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

xii. Provision for liabilities

The amount recognized as provision for liabilities is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risk and uncertainty of the obligation. Provision for liabilities is measured at the discounted value of the estimated cash flows from the settlement of the obligation.

xiii. Income recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

For contracts with a time lag between the transfer of goods or services and the receipt of consideration of less than one year, no adjustment is made to the transaction price for significant financial components.

<u>Merchandise sales revenue</u>

Revenue from the sale of goods mainly comes from ceramic substrates, circuit components, processing transactions, and general import and export trade. Except for some sales targets agreed upon when the products arrive at the designated location of the customer, the remaining sales targets are agreed upon at the time of shipment, when the customer has the right to use and the primary responsibility for reselling the goods at a specified price and bears the risk of obsolescence. The Company recognizes revenue and accounts receivable at that point in time.

xiv. Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company as lessor

   Under operating leases, lease payments, net of lease incentives, are recognized as income on a straight-line basis over the term of the relevant lease. The original direct cost incurred in acquiring an operating lease is added to the carrying amount of the subject asset and recognized as an expense on a straight-line basis over the lease term.

2. The Company as lessee

Right-of-use assets and lease liabilities are recognized at the inception date of the lease, except for leases of low-value subject assets to which a recognition exemption applies and short-term leases where lease payments are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured initially at cost (comprising the original measurement of the lease liability, lease payments made prior to the commencement date of the lease less lease incentives received, original direct cost and estimated cost to reinstate the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, with adjustments for remeasurement of the lease liability. Right-of-use assets are presented separately on parent company only balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, substantially fixed payments, and variable lease payments based on indices or rates). If the implicit interest rate in the lease is easily determinable, the lease payments are discounted at that rate. If the rate is not easily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, and interest expense is amortized over the lease term. If there is a change in future lease payments due to changes in the lease period or in the index or rate used to determine the lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly, but if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the parent company only balance sheet.

xv. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an eligible asset are included as part of the cost of the asset until substantially all activities necessary to bring the asset to its intended use or sale condition have been completed.

Investment income earned on temporary investments of specific borrowings made to fund qualifying capital expenditure is deducted from the borrowing costs that are eligible for capitalization.

Except as described above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

xvi. Employee benefits

1. Short-term employee benefits

   The liability related to short-term employee benefits is measured as the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

   Defined benefit pension plans are recognized as current expenses over the period of service of the employees.

   The defined benefit costs (including service costs, net interest, and remeasurement amounts) of a defined benefit pension plan are actuarially calculated using the projected unit credit method. Service costs (including current service costs and past service costs/settlement gains or losses) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses when incurred, when plan amendments or curtailments occur, and when settlements occur. Remeasurement amounts (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets after deducting interest) are recognized in other comprehensive income and included in retained earnings when they occur, and are not reclassified to profit or loss in subsequent periods.

   The net defined benefit liability (asset) is the shortfall (surplus) of the defined benefit pension plan. The net defined benefit asset shall not exceed the present value of the amount that can be refunded from the plan or can reduce future contributions.

3. Other long-term employee benefits

   The accounting treatment of other long-term employee benefits is the same as that of defined benefit pension plans, except that the related remeasurements are recognized in profit or loss.

xvii. Income tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

The Company determines its current income (loss) according to the laws and regulations of the Republic of China (ROC) and calculates the payable (recoverable) income tax accordingly.

The income tax on undistributed earnings under the Income Tax Act of the ROC is recognized in the year of the resolution of the shareholders' meeting.

Adjustments to prior years' income tax payable are included in the current period's income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized when it is probable that taxable income will be available to offset temporary differences, loss carryforwards, or deductions generated from the purchase of machinery and equipment, research and development, and talent training expenditures.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments and equities only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and the temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred tax

The current and deferred tax are recognized in profit or loss, provided that the current and deferred tax in relation to the items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive income or directly included in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The management will review the estimates and underlying assumptions on an ongoing basis. If an amendment to an estimate affects only the current period, the amendment is recognized in the period in which it is made. If an amendment to an accounting estimate affects both the current and future periods, the amendment is recognized in both the current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 267	$ 290
Checking accounts and demand deposits	96,354	58,666
Cash equivalents (original maturities within 3 months of the investment)		
Time deposits with banks	-	100
	$ 96,621	$ 59,056

The market interest rate range for bank deposits at the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Time deposits with banks	-	0.35%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
Financial assets - current		

mandatorily measured at fair value through profit or loss Non-derivative financial assets - bonds	$ 13,607	$ -

The Company has set up pledges for debt instrument investments measured at fair value through profit or loss as collateral for borrowings. The amount of pledged debt instrument investments is disclosed in Note 30.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Notes receivable		
Incurred due to business	$ 765	$ 1,807
Less: Allowance for losses	(8)	(18)
	$ 757	$ 1,789
Accounts receivable		
Measured at amortized cost		
Total carrying amount	$ 113,517	$ 160,636
Related parties	17,092	29,282
Less: Allowance for losses	(5,071)	(6,486)
	$ 125,538	$ 183,432

The Company's average credit period for sales of goods is 90 to 120 days. No interest is charged on the outstanding balance of notes receivable and accounts receivable. The Company's policy is to rate major customers based on other publicly available financial information and historical transaction records. The Company continuously monitors credit exposure and credit ratings of counterparties and diversifies the total transaction amount among different customers with qualified credit ratings.

To mitigate credit risk, the Company's management level assigns business units to be responsible for decisions on credit limits, credit approvals, and other monitoring procedures to ensure appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on an individual basis at the balance sheet date to ensure that appropriate impairment losses have been recognized for unrecoverable receivables. Based on this, the Company's management believes that the Company's credit risk has been significantly reduced.

The Company recognizes allowances for losses on accounts receivable based on the expected credit losses over the lifetime. The lifetime expected credit losses are calculated using a provision matrix, which takes into account the past default history of customers, their current financial condition, and industry economic conditions. As the Company's historical credit loss experience shows no significant differences in loss patterns among different customer groups, the provision matrix does not further distinguish customer groups and only sets expected credit loss rates based on the number of days accounts receivable are overdue.

If there is evidence that the counterparty is facing severe financial difficulties and the Company cannot reasonably expect the amount to be recovered, such as the counterparty undergoing liquidation, the Company will directly write off the relevant accounts receivable, but will continue collection activities, and the amount recovered from collection will be recognized in profit or loss.

The Company measures the allowance for losses on accounts receivable based on the provision matrix as follows:

December 31, 2022

	Not overdue	Overdue 1-90 days	Overdue more than 90 days	Total
Expected credit loss rate	0%~0.37%	0%~83.89%	0%~100%	
Total carrying amount	$ 121,918	$ 4,168	$ 4,523	$ 130,609
Allowance for losses (lifetime expected credit losses)	(388)	(160)	(4,523)	(5,071)
Amortized cost	$ 121,530	$ 4,008	$ -	$ 125,538

December 31, 2021

	Not overdue	Overdue 1-90 days	Overdue more than 90 days	Total
Expected credit loss rate	0%~0.296%	0%~51.46%	0%~100%	
Total carrying amount	$ 171,606	$ 12,809	$ 5,503	$ 189,918
Allowance for losses (lifetime expected credit losses)	(435)	(573)	(5,478)	(6,486)
Amortized cost	$ 171,171	$ 12,236	$ 25	$ 183,432

The changes in the allowance for losses on notes receivable, accounts receivable, and overdue collection are as follows:

	Notes receivable	Accounts receivable
Balance on January 1, 2021	$ 5	$ 838
Add: Impairment loss provision for the current period	13	5,648
Balance on December 31, 2021	18	6,486
Add: (Reversal of) impairment loss for the current period	(10)	(1,415)
Balance on December 31, 2022	$ 8	$ 5,071

The amount of accounts receivable pledged as collateral for loans by the Company, please refer to Note 30.

9. INVENTORY

	December 31, 2022	December 31, 2021
Merchandise	$ 3,104	$ 1,742
Finished goods	49,028	27,591
Work in progress	59,296	53,216
Raw materials	48,460	41,578
Goods in transit	-	2,347
	$ 159,888	$ 126,474

The cost of goods sold related to inventory for 2022 and 2021 was $353,914 thousand and $394,905 thousand, respectively.

The cost of goods sold for 2022 and 2021 included net realizable value declines and subsequent recovery gains on inventory of $4,669 thousand and $2,574 thousand, respectively.

The amount of inventory pledged as collateral for loans by the Company, please refer to Note 30.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2022	December 31, 2021
Investment in subsidiaries	$ 1,439,432	$ 1,352,710
Investment in associates	51,344	47,098
	$ 1,490,776	$ 1,399,808

i. Investment in subsidiaries

	December 31, 2022	December 31, 2021
Non-listed (OTC) companies		
LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ 1,415,619	$ 1,329,723
COSMOS Harvest International Limited	23,813	22,987
	$ 1,439,432	$ 1,352,710

As of the balance sheet date, the Company's ownership interests and voting rights percentages in subsidiaries are as follows:

	December 31, 2022	December 31, 2021
LEATEC Fine Ceramics (Samoa) Co., Ltd.	100%	100%
COSMOS Harvest International Limited	100%	100%

ii. Investment in associates

	December 31, 2022	December 31, 2021
Significant associates -		
Non-listed (OTC) companies		
ECOCERA Optronics Co., Ltd.	$ 51,344	$ 47,098

As of the balance sheet date, the Company's ownership interests and voting rights percentages in associates are as follows:

	December 31, 2022	December 31, 2021
ECOCERA Optronics Co., Ltd.	12.00%	12.00%

The business nature, principal places of operation, and country of registration information of the above-mentioned associates can be found in Table 6 "Information on Investee Companies, Locations, etc.".

In 2021, the Company did not subscribe to the capital increase shares of ECOCERA Optronics Co., Ltd. according to the shareholding ratio, which reduced the shareholding ratio from 12.48% to 12.00%. However, the Company did not lose significant influence over ECOCERA Optronics Co., Ltd., mainly because the Company still holds one of the four director seats in ECOCERA Optronics Co., Ltd., and has the substantive ability to control its relevant activities. Therefore, the equity method is used for evaluation.

The share of profit and other comprehensive income of subsidiaries and associates accounted for using the equity method for 2022 and 2021 is recognized based on the audited financial statements of each subsidiary and associate for the same period.

The following summarized financial information is prepared based on the IFRSs financial statements of associates and has reflected adjustments made when using the equity method.

ECOCERA Optronics Co., Ltd.

	December 31, 2022	December 31, 2021
Current assets	$ 433,410	$ 485,851
Non-current assets	337,460	372,359
Current liabilities	(286,719)	(439,401)
Non-current liabilities	(56,366)	(35,000)
Equity	$ 427,785	$ 383,809
The Company's shareholding percentage	12.00%	12.00%
Equity held by the Company	$ 51,344	$ 47,098
Investment book value	$ 51,344	$ 47,098

	2022	2021
Operating revenue	$ 472,944	$ 518,290
Net profit for the current period	$ 30,070	$ 36,585
Other comprehensive income	-	-
Total comprehensive income	$ 30,070	$ 36,585

11. PROPERTY, PLANT, AND EQUIPMENT

	Owned land	Buildings	Machinery and equipment	Electrical equipment	Other equipment	Construction in progress	Total
Cost							
Balance on January 1, 2022	$ 119,790	$ 274,173	$ 708,834	$ 135,759	$ 113,541	$ 13,111	$ 1,365,208
Addition	-	3,808	44,091	1,261	2,847	8,896	60,903
Disposal	-	-	(18,500)	(190)	(829)	-	(19,519)
Interest capitalization	-	-	-	-	-	488	488
Reclassification	-	-	491	-	-	(491)	-
Balance on December 31, 2022	$ 119,790	$ 277,981	$ 734,916	$ 136,830	$ 115,559	$ 22,004	$ 1,407,080
Accumulated depreciation and impairment							
Balance on January 1, 2022	$ -	$ 111,568	$ 523,600	$ 69,964	$ 107,753	$ -	$ 812,885
Disposal	-	-	(18,459)	(190)	(829)	-	(19,478)
Depreciation expense	-	7,789	32,635	7,526	2,764	-	50,714
Balance on December 31, 2022	$ -	$ 119,357	$ 537,776	$ 77,300	$ 109,688	$ -	$ 844,121
Net amount on December 31, 2022	$ 119,790	$ 158,624	$ 197,140	$ 59,530	$ 5,871	$ 22,004	$ 562,959
Cost							
Balance on January 1, 2021	$ 119,790	$ 275,847	$ 692,248	$ 134,166	$ 123,462	$ 957	$ 1,346,470
Addition	-	310	16,885	1,593	1,080	12,760	32,628
Disposal	-	(1,984)	(1,256)	-	(11,001)	-	(14,241)
Interest capitalization	-	-	-	-	-	351	351
Reclassification	-	-	957	-	-	(957)	-
Balance on December 31, 2021	$ 119,790	$ 274,173	$ 708,834	$ 135,759	$ 113,541	$ 13,111	$ 1,365,208
Accumulated depreciation and impairment							
Balance on January 1, 2021	$ -	$ 105,343	$ 494,663	$ 62,480	$ 115,122	$ -	$ 777,608
Disposal	-	(1,571)	(1,243)	-	(10,986)	-	(13,800)
Depreciation expense	-	7,796	30,180	7,484	3,617	-	49,077
Balance on December 31, 2021	$ -	$ 111,568	$ 523,600	$ 69,964	$ 107,753	$ -	$ 812,885
Net amount on December 31, 2021	$ 119,790	$ 162,605	$ 185,234	$ 65,795	$ 5,788	$ 13,111	$ 552,323

The Company's property, plant, and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	5 to 25 years
Machinery and equipment	3 to 20 years
Electrical equipment	5 to 25 years
Other equipment	3 to 10 years

The major components of the Company's buildings include decoration works and others, which are depreciated over their useful life of 20 years. The amount of property, plant, and equipment pledged by the Company as collateral for loans, please refer to Note 30.

12. LEASE AGREEMENTS

i. Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Buildings	$ 3,053	$ 4,164

	2022	2021
Depreciation expense of right-of-use assets		
Buildings	$ 1,111	$ 1,110

ii. Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 1,118	$ 1,084
Non-current	2,042	3,160
	$ 3,160	$ 4,244

The discount rate range for lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Buildings	3%	3%

iii. Significant leasing activities and terms

The Company leases buildings for use as factories with a lease term of 5 years. At the end of the lease term, the Company has no preferential purchase rights for the leased buildings, and it is agreed that the Company shall not sublease or transfer all or part of the leased object without the consent of the lessor.

iv. Other lease information

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Short-term lease expenses	$ 119	$ 149
Total cash (used in) for leases	($ 1,319)	($ 1,349)

13. OTHER INTANGIBLE ASSETS

	Computer software	Trademark rights	Patent rights	Total
Cost				
Balance on January 1, 2022	$ 8,542	$ 1,350	$ 16,032	$ 25,924
Acquired separately	966	-	-	966
Disposal	(7,397)	-	-	(7,397)
Balance on December 31,	$ 2,111	$ 1,350	$ 16,032	$ 19,493

2022

Accumulated amortization and impairment				
Balance on January 1, 2022	$ 7,456	$ 1,350	$ 12,016	$ 20,822
Amortization expense	721	-	1,238	1,959
Disposal	(7,397)	-	-	(7,397)
Balance on December 31, 2022	$ 780	$ 1,350	$ 13,254	$ 15,384
Net amount on December 31, 2022	$ 1,331	$ -	$ 2,778	$ 4,109
Cost				
Balance on January 1, 2021	$ 7,907	$ 1,350	$ 16,032	$ 25,289
Acquired separately	1,289	-	-	1,289
Reclassification expense	(654)	-	-	(654)
Balance on December 31, 2021	$ 8,542	$ 1,350	$ 16,032	$ 25,924
Accumulated amortization and impairment				
Balance on January 1, 2021	$ 7,267	$ 1,350	$ 10,778	$ 19,395
Amortization expense	189	-	1,238	1,427
Balance on December 31, 2021	$ 7,456	$ 1,350	$ 12,016	$ 20,822
Net amount on December 31, 2021	$ 1,086	$ -	$ 4,016	$ 5,102

The above limited-useful-life intangible assets are amortized on a straight-line basis over the following useful lives:

Computer software	10 years
Trademark rights	10 years
Patent rights	10 years

14. OTHER ASSETS

	December 31, 2022	December 31, 2021
Current		
Current income tax assets	$ 37	$ 5
Advance payments	441	239
Payments on behalf of others	-	1,240
	$ 478	$ 1,484
Non-current		
Prepaid expenses	$ 3,483	$ 2,567
Refundable deposits	8,400	48,100

	December 31, 2022	December 31, 2021
	$ 11,883	$ 50,667

15. BORROWINGS

i. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings (Note 30)		
－Bank loans	$ 192,744	$ 206,209
Unsecured borrowings		
－Bank loans	171,978	31,806
－Commercial paper payable	5,059	7,597
	$ 369,781	$ 245,612

The borrowing interest rates as of December 31, 2022, and 2021, were 1.6566%~7.0087% and 1.72%~6.647235%, respectively. For collateral information, please refer to Note 30.

ii. Long-term borrowings

	December 31, 2022	December 31, 2021
Secured borrowings		
Chailease Finance Co., Ltd.	$ 11,335	$ 37,843
IBT Leasing Co., Ltd.	-	31,514
Co-operative Assets Management Co. Ltd.	-	28,125
Infinite Finance Co., Ltd.	-	2,640
TBB International Leasing Co., Ltd.	-	8,537
Sunny Bank (1)	-	20,363
Sunny Bank (2)	-	345,000
Sunny Bank (3)	-	72,700
Hotai Finance Co., Ltd.	-	13,715
Taichung Bank Leasing Corporation Limited	-	16,074
Shinshin Credit Corporation	-	11,067
Hua Nan International Leasing Co., Ltd.	-	35,178
Bank of Panhsin (1)	-	15,833
Bank of Panhsin (2)	15,128	-
Bank of Shanghai	$ 15,811	$ 29,500
CTBC Finance Co., Ltd.	-	19,541
Hua Nan Commercial Bank Ltd.	10,000	-
Bank of Kaohsiung Co., Ltd. (1)	442,500	-
Bank of Kaohsiung Co., Ltd. (2)	25,991	-
Cathay United Bank	5,300	-

	December 31, 2022	December 31, 2021
	526,065	687,630
Less: portion due within one year	(81,660)	(230,598)
Long-term borrowings	$ 444,405	$ 457,032

The interest rates for bank revolving loans are as follows:

	December 31, 2022	December 31, 2021
Long-term borrowings	2.88%~5.79%	1.72%~6.65%

For the years 2022 and 2021, secured borrowings were collateralized by the Company's commercial paper, financial assets measured at fair value through profit or loss, accounts receivable, inventories, other financial assets, and property, plant, and equipment (see Notes 30 and 31). The repayment and interest payment methods according to the contract are as follows:

Institution name	Borrowing period	Repayment and interest payment method
Chailease Finance Co., Ltd.	2021.11~2023.05	Repay principal and interest monthly for a total of 18 periods.
IBT Leasing Co., Ltd.	2021.09~2023.03	Repay principal monthly for a total of 18 periods, with early repayment in 2022.
Co-operative Assets Management Co. Ltd.	2021.03~2023.03	Repay principal monthly for a total of 24 periods, with early repayment in 2022.
Infinite Finance Co., Ltd.	2020.09~2022.03	Repay principal monthly for a total of 18 periods.
TBB International Leasing Co., Ltd.	2020.11~2022.05	Repay principal monthly for a total of 18 periods.
Sunny Bank (1)	2019.06~2026.06	Repay principal and interest monthly for a total of 84 periods, with early repayment in 2022.
Sunny Bank (2)	2019.06~2026.06	Repay principal and interest quarterly for a total of 27 periods, with early repayment in 2022.
Sunny Bank (3)	2021.11~2028.11	Repay principal and interest quarterly for a total of 84 periods, with early repayment in 2022.
Hotai Finance Co., Ltd.	2020.12~2022.06	Repay principal and interest monthly for a total of 18 periods.
Taichung Bank Leasing Corporation Limited	2021.10~2023.04	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Shinshin Credit Corporation	2021.01~2023.01	Repay principal and interest monthly for a total of 24 periods, with early repayment in 2022.
Hua Nan International Leasing Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Bank of Panhsin (1)	2020.07~2023.07	Repay principal and interest monthly for a total of 36 periods, with early repayment in 2022.

Institution name	Borrowing period	Repayment and interest payment method
Bank of Panhsin (2)	2022.06~2024.06	Repay principal and interest monthly for a total of 24 periods.
Hua Nan International Leasing Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Bank of Shanghai	2020.12~2023.12	One-year principal grace period, repay principal and interest monthly for a total of 24 periods.
CTBC Finance Co., Ltd.	2021.08~2023.02	Repay principal and interest monthly for a total of 18 periods, with early repayment in 2022.
Hua Nan Commercial Bank Ltd.	2022.05~2025.05	One-year principal grace period, repay principal and interest monthly for a total of 24 periods.
Bank of Kaohsiung Co., Ltd. (1)	2022.07~2029.07	Repay principal and interest quarterly for a total of 28 periods.
Bank of Kaohsiung Co., Ltd. (2)	2022.07~2025.07	Repay principal and interest monthly for a total of 36 periods.
Cathay United Bank	2022.11~2025.10	Half-year principal grace period, repay principal and interest monthly for a total of 30 periods.

16. CORPORATE BONDS PAYABLE

	December 31, 2022	December 31, 2021
Domestic secured ordinary corporate bonds	$ 250,000	$ 250,000
Less: portion due within 1 year	-	(250,000)
	$ 250,000	$ -

The Company issued the first domestic secured ordinary corporate bonds in 2022 on December 9, 2022, with a total issuance amount of $250,000 thousand, a face interest rate of 2.03%, and simple interest calculated annually. Interest is paid once a year, and the bonds will mature on December 9, 2025.

The Company issued the first domestic secured ordinary corporate bonds in 2019 on December 13, 2019, with a total issuance amount of $250,000 thousand, a face interest rate of 0.9%, and simple interest calculated annually. Interest is paid once a year, and the bonds will mature on December 12, 2022.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2022	December 31, 2021
Notes payable		
Not arising from operations	$ 2,403	$ 2,718
Accounts payable		
Arising from operations	$ 27,950	$ 27,114
Related parties	9,071	18,709

	December 31, 2022	December 31, 2021
	$ 37,021	$ 45,823

i. Notes payable

As of December 31, 2022 and 2021, mainly for notes payable for equipment and labor suppliers.

ii. Accounts payable

The Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit terms, and unpaid balances do not accrue interest.

18. OTHER PAYABLES

	December 31, 2022	December 31, 2021
Salaries payable	$ 20,297	$ 19,616
Equipment payables	20,182	5,079
Other payables expenses	32,318	30,702
Other payables - related parties	42,327	32,949
	$ 115,124	$ 88,346

19. PROVISIONS FOR LIABILITIES

	December 31, 2022	December 31, 2021
Employee benefits - non-current	$ 930	$ 884

	員工福利
Balance on January 1, 2021	$ 989
Additions this year	371
Payments this year	(440)
Actuarial gains	(36)
Balance on December 31, 2021	884
Additions this year	259
Payments this year	(570)
Actuarial losses	357
Balance on December 31, 2022	$ 930

Employee benefit provisions for liabilities are estimates of employees' vested long-term service rights.

In 2022 and 2021, the Company recognized actuarial losses (gains) of $357 thousand and $(36) thousand in other comprehensive income, respectively. As of December 31, 2022, and 2021, the cumulative amount of actuarial losses recognized in other comprehensive income was $715 thousand and $358 thousand, respectively.

20. POST-RETIREMENT BENEFIT PLANS

i. Defined contribution plan

The pension system applicable to the Company under the "Labor Pension Act" is a government-managed defined contribution pension plan, which allocates 6% of employees' monthly salaries to individual accounts with the Bureau of Labor Insurance.

ii. Defined benefit plan

The Company's pension system in accordance with Taiwan's "Labor Standards Act" is a government-managed defined benefit pension plan. The payment of employees' pensions is calculated based on the years of service and the average wage of the 6 months before the approved retirement date. The Company allocates 2% of the total monthly salaries of employees for pensions, which are deposited into a special account with the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. Before the end of the year, if the estimated balance of the special account is insufficient to pay the workers who are expected to meet the retirement conditions within the next year, the difference will be allocated once before the end of March of the following year. The special account is entrusted to the Bureau of Labor Funds, MOL, and the Company has no right to influence the investment management strategy.

The amounts of defined benefit plans included in the parent company only balance sheet are shown as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 34,206	$ 31,054
Fair value of plan assets	(13,069)	(7,119)
Contribution shortfall	21,137	23,935
Net defined benefit liability	$ 21,137	$ 23,935

The changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2021	$ 27,572	($ 6,298)	$ 21,274
Service cost			
Current service cost	563	-	563
Interest expense (income)	110	(25)	85
Recognized in profit or loss	673	(25)	648
Remeasurement			

Actuarial losses (gains) - changes in financial assumptions	2,809	(91)	2,718
Recognized in other comprehensive income	2,809	(91)	2,718
Employer contributions	-	(705)	(705)
December 31, 2021	$ 31,054	($ 7,119)	$ 23,935
Service cost			
Current service cost	603	-	603
Interest expense (income)	160	(37)	123
Recognized in profit or loss	763	(37)	726
Remeasurement			
Actuarial losses (gains) - changes in financial assumptions	5,015	(573)	4,442
Recognized in other comprehensive income	5,015	(573)	4,442
Employer contributions	-	(7,966)	(7,966)
Benefit payments	(2,626)	2,626	-
December 31, 2022	$ 34,206	($ 13,069)	$ 21,137

The Company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk: The Bureau of Labor Funds, MOL invests the labor pension fund in domestic (foreign) equity securities, debt securities, and bank deposits through self-management and entrusted management. However, the plan assets' distributable income is calculated based on a return not lower than the local bank's 2-year fixed deposit rate.
2. Interest rate risk: A decline in government bond rates will increase the present value of defined benefit obligations, but the return on debt investments of plan assets will also increase. Both have a partially offsetting effect on the net defined benefit liability.
3. Salary risk: The calculation of the present value of defined benefit obligations takes into account the future salaries of plan members. Therefore, an increase in plan members' salaries will increase the present value of defined benefit obligations.

The present value of the Company's defined benefit obligations is actuarially determined by a qualified actuary, and the significant assumptions at the measurement date are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.4019%	0.5170%

	December 31, 2022	December 31, 2021
Expected salary increase rate	1.5%	1%

If significant actuarial assumptions change reasonably, the increase (decrease) in the present value of defined benefit obligations under the condition that all other assumptions remain unchanged is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 795)	($ 822)
Decrease by 0.25%	$ 824	$ 854
Expected salary increase rate		
Increase by 0.5%	$ 1,639	$ 1,704
Decrease by 0.5%	($ 1,539)	($ 1,592)

Due to the possible correlation between actuarial assumptions, the likelihood of a single assumption change is low, so the above sensitivity analysis may not reflect the actual changes in the present value of defined benefit obligations.

	December 31, 2022	December 31, 2021
Expected contributions within one year	$ 455	$ 439
Average duration of defined benefit obligations	13 years	13 years

21. EQUITY

i. Share capital

Common shares

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	150,000	150,000
Authorized share capital	$ 1,500,000	$ 1,500,000
Issued and fully paid-up shares (in thousands)	108,080	108,080
Issued share capital	$ 1,080,798	$ 1,080,798

Each issued common share has a par value of $10, with one voting right and the right to receive dividends per share.

The share capital reserved for the issuance of employee stock warrants in the authorized share capital is 5,000 thousand shares.

ii. Capital surplus

	December 31, 2022	December 31, 2021

	December 31, 2022	December 31, 2021
Available for covering losses, distributing cash, or increasing share capital (Note)		
Premium on issuance of shares	$ 99,781	$ 113,870
Conversion premium on convertible corporate bonds	-	163,256
Treasury stock transactions	-	47,746
Available only for covering losses		
Gain on disposal of assets	-	86
Changes in the net value of associates recognized under the equity method	2,520	28,135
	$ 102,301	$ 353,093

Note: This type of capital surplus can be used to cover losses or, when the Company has no losses, to distribute cash or increase share capital, but the increase in share capital is limited to a certain percentage of paid-up share capital per year.

The Company's shareholders' meeting held on June 23, 2022, resolved to use the capital surplus of $253,312 thousand to cover losses.

iii. Retained earnings and dividend policy

The Company's articles of incorporation stipulate that if the Company has a profit for the year, after paying taxes and covering accumulated losses, 10% of the profit should be allocated as a legal reserve, and the remainder should be allocated or reversed as a special reserve according to the law. If there is still a balance, it should be combined with the accumulated undistributed earnings, and the board of directors should propose a dividend distribution plan to be submitted to the shareholders' meeting for approval.

The Company's employee and director compensation distribution policy can be found in Note 23, Net profit from continuing operations (viii.) Employee compensation and director compensation.

Furthermore, according to the Company's articles of incorporation, dividends can be distributed in cash or as stock dividends.

Legal reserves should be allocated until the balance reaches the total amount of the company's paid-up share capital. Legal reserves can be used to cover losses. When the company has no losses, the portion of legal reserves exceeding 25% of the paid-up share capital can be distributed in cash or added to share capital.

The Company allocates and reverses special reserves from the undistributed earnings of previous periods according to the law.

The Company held shareholders' meetings on June 23, 2022, and July 22, 2021, to resolve the profit and loss allocation plans for 2021 and 2020, respectively, as follows:

	Profit and loss allocation plan	
	2021	2020
Losses to be compensated	($ 253,313)	($ 302,001)
Capital surplus to cover losses	253,312	-

The Company's board of directors proposed a profit and loss allocation plan for 2022 on March 24, 2023. Due to the net loss after tax, there is no proposal to allocate legal reserves or distribute dividends.

The profit and loss allocation plan for 2022 is subject to the approval of the shareholders' meeting scheduled to be held on June 20, 2023.

22. REVENUE

	2022	2021
Customer contract revenue		
Product sales revenue	$ 407,761	$ 521,932

i. Description of customer contracts

Product sales revenue

Product sales revenue mainly comes from the sales of ceramic substrates, circuit components, processing transactions, and general import and export trade. Except for some sales targets that agree to recognize revenue when the products arrive at the customer-designated location, the remaining sales targets agree to recognize revenue and accounts receivable when the products are shipped. At that point, the customer has agreed on the price and usage rights for the goods, bears the primary responsibility for resale, and assumes the risk of obsolescence.

ii. Contract balances

	December 31, 2022	December 31, 2021
Accounts receivable (Note 8)	$ 126,295	$ 185,221

23. NET PROFIT FROM CONTINUING OPERATIONS

i. Interest income

	2022	2021
Bank deposits		

	2022	2021
Financial assets measured at amortized cost	$ 540	$ 98
Interest on loans to related parties	-	44
Other	461	-
	$ 1,001	$ 142

ii. Other income

	2022	2021
Other	$ 3,330	$ 8,806

iii. Other gains and losses

	2022	2021
Net foreign exchange (loss) gain	($ 7,533)	$ 443
Gain (loss) on disposal of property, plant, and equipment	312	(441)
Loss on financial assets mandatorily measured at fair value through profit or loss	(1,723)	-
Other expenses	(13,580)	(8,373)
	($ 22,524)	($ 8,371)

iv. Finance costs

	2022	2021
Interest on bank loans, loans from related parties, and corporate bonds	$ 32,413	$ 25,185
Lease liabilities	116	149
Other interest expenses	21	50
Less: Amounts included in the cost of qualifying assets	(488)	(351)
	$ 32,062	$ 25,033

Information related to interest capitalization is as follows:

	2022	2021
Amount of interest capitalized	$ 488	$ 351
Interest capitalization rate	2.83%	2.47%

v. Financial asset impairment (reversal of gains) loss

	2022	2021

	2022	2021
Impairment loss (reversal of gains) on accounts receivable	($ 1,425)	$ 5,661

vi. Depreciation and amortization

	2022	2021
Property, plant, and equipment	$ 50,714	$ 49,077
Right-of-use assets	1,111	1,110
Other intangible assets	1,959	1,427
Total	$ 53,784	$ 51,614
Depreciation expenses summarized by function		
Operating costs	$ 39,534	$ 37,541
Operating expenses	12,291	12,646
	$ 51,825	$ 50,187
Amortization expenses summarized by function		
Operating costs	$ 237	$ 59
Operating expenses	1,722	1,368
	$ 1,959	$ 1,427

vii. Employee benefit expenses

	2022	2021
Short-term employee benefits	$ 157,351	$ 158,008
Post-retirement benefits (Note 20)		
Defined contribution plans	4,965	4,881
Defined benefit plans	726	648
	5,691	5,529
Long-term employee benefits (Note 19)	259	371
Total employee benefit expenses	$ 163,301	$ 163,908
Summarized by function		
Operating costs	$ 124,144	$ 121,293
Operating expenses	39,157	42,615
	$ 163,301	$ 163,908

vii. Employee compensation and director compensation

The Company allocates employee compensation and director/supervisor compensation based on 1.5% to 15% and not more than 5% of the pre-tax profit before deducting employee and director/supervisor compensation for the current year.

However, when the Company has accumulated losses, it should reserve the amount to offset the losses before allocating employee compensation and director/supervisor compensation. In 2022 and 2021, there were accumulated losses, so no employee compensation and director/supervisor compensation were accrued, which were approved by the board of directors on March 24, 2023, and March 25, 2022.

If the amounts still change after the approval date of the parent company only financial statements for the year, the accounting estimate changes will be adjusted in the following year.

There were no differences between the actual distribution amounts of employee compensation and director/supervisor compensation for 2021 and 2020 and the amounts recognized in the 2021 and 2020 parent company only financial statements.

For information about the Company's employee compensation and director/supervisor compensation resolutions of the board of directors in 2023 and 2022, please visit the Taiwan Stock Exchange's "Market Observation Post System".

ix. Foreign exchange gain/loss

	2022	2021
Total foreign exchange gain	$ 18,108	$ 4,917
Total foreign exchange loss	(25,641)	(4,474)
Net (loss) gain	($ 7,533)	$ 443

x. Reversal gain on impairment of non-financial assets

	2022	2021
Inventory (included in operating costs)	$ 4,669	$ 2,574

24. INCOME TAX OF CONTINUING OPERATIONS

i. Income tax recognized in profit or loss

The main components of income tax expense (benefit) are as follows:

	2022	2021
Current income tax		
Adjustments for prior years	($ 82)	($ 9)
Deferred income tax		
Generated in the current year	5,067	12,578
Adjustments for prior years	201	-
	5,268	12,578
Income tax expense recognized in profit or loss	$ 5,186	$ 12,569

The reconciliation of accounting income and income tax expense is as follows:

	2022	2021
Pre-tax net (loss) profit of continuing operations	($ 28,290)	$ 63,403
Income tax expense calculated at the statutory tax rate on pre-tax net profit	($ 5,658)	$ 12,680
Non-deductible expenses for tax purposes	1,574	239
Unrecognized temporary differences		
－Losses recognized on investments accounted for using the equity method	(325)	(509)
－Others	(242)	168
Unrecognized loss carryforwards	9,718	-
Adjustments for current and deferred income tax expenses of prior years in the current year	119	(9)
Income tax expense recognized in profit or loss	$ 5,186	$ 12,569

ii. Income tax recognized in other comprehensive income

	December 31, 2022	December 31, 2021
Deferred income tax		
Generated in the current year		
－Remeasurement of defined benefit plans	$ 960	$ 536

iii. Current income tax assets and liabilities

	December 31, 2022	December 31, 2021
Current income tax assets		
Receivable tax refunds	$ 37	$ 5
Current income tax liabilities		
Payable income tax	$ -	$ 82

iv. Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2022

	Beginning balance	Recognized in profit or loss	Recognized in other	Ending balance

Deferred tax assets			comprehensive income	
Temporary differences				
Unrealized inventory valuation losses	$ 7,152	($ 934)	$ -	$ 6,218
Unrealized expected impairment losses	917	(164)	-	753
Unrealized profits of subsidiaries	1,041	(725)	-	316
Financial asset valuation losses	-	344	-	344
Defined benefit pension plans	$ 2,962	$ -	$ 960	$ 3,922
Property, plant, and equipment	138	(77)	-	61
	12,210	(1,556)	960	11,614
Loss carryforwards	666	9,517	-	10,183
	$ 12,876	$ 7,961	$ 960	$ 21,797

Deferred tax liabilities				
Temporary differences				
Property, plant, and equipment	$ 1,856	$ 200	$ -	$ 2,056
Investment gains recognized using the equity method	98,459	12,088	-	110,547
Unrealized foreign exchange gains	28	941	-	969
	$ 100,343	$ 13,229	$ -	$ 113,572

2021

Deferred tax assets	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized inventory valuation losses	$ 7,667	($ 515)	$ -	$ 7,152
Unrealized expected impairment losses	-	917	-	917
Unrealized profits of subsidiaries	538	503	-	1,041
Defined benefit pension plans	2,426	-	536	2,962
Property, plant, and equipment	126	12	-	138
	10,757	917	536	12,210
Loss carryforwards	-	666	-	666
	$ 10,757	$ 1,583	$ 536	$ 12,876

Deferred tax liabilities				
Temporary differences				
Property, plant, and equipment	$ 1,517	$ 339	$ -	$ 1,856
Investment gains recognized using the equity method	84,581	13,878	-	98,459

Unrealized foreign exchange gains	84	(56)	-	28
	$ 86,182	$ 14,161	$ -	$ 100,343

v. Deductible temporary differences, unused loss carryforwards, and unused investment tax credits not recognized as deferred income tax assets in the balance sheet

	December 31, 2022	December 31, 2021
Loss carryforwards		
Expiring in 2022	$ -	$ 58,237
Expiring in 2023	51,065	51,065
Expiring in 2024	51,783	51,783
Expiring in 2025	70,819	70,819
Expiring in 2026	5,149	5,149
Expiring in 2027	17,161	17,161
Expiring in 2028	29,495	29,495
Expiring in 2029	122,856	122,856
Expiring in 2030	78,174	90,270
Expiring in 2032	48,589	-
	$ 475,091	$ 496,835
Deductible temporary differences		
Losses recognized on investments accounted for using the equity method	$ 45,829	$ 47,453

vi. Information on unused loss carryforwards

As of December 31, 2022, the information on loss carryforwards is as follows:

Unutilized balance	Final deduction year
$ 51,065	2023
51,783	2024
70,819	2025
5,149	2026
17,161	2027
29,495	2028
122,856	2029
78,174	2030
2,324	2031
97,179	2032
$ 526,005	

vii. Income tax assessment status

The Company's profit-seeking enterprise income tax returns have been assessed by the tax authorities up to 2020.

25. EARNINGS (LOSS) PER SHARE

Unit: per share in dollars

	2022	2021
Basic earnings (loss) per share		
From continuing operations	($ 0.31)	$ 0.47
Diluted earnings (loss) per share		
From continuing operations	($ 0.31)	$ 0.47

The net profit and weighted average number of common shares used to calculate earnings (loss) per share from continuing operations are as follows:

Current period net (loss) profit

	2022	2021
Net (loss) profit attributable to the owners of the Company	($ 33,476)	$ 50,834

Number of shares

Unit: thousand shares

	2022	2021
Weighted average number of common shares used to calculate basic earnings (loss) per share	108,080	108,080

26. NON-CASH TRANSACTIONS

The Company conducted the following non-cash investment activities in 2022 and 2021:

	December 31, 2022	December 31, 2021
Investment activities affecting both cash and non-cash transactions		
Increase in property, plant, and equipment	$ 61,391	$ 32,979
Net change in equipment payables	(15,103)	1,645
Cash paid for the purchase of property, plant, and equipment	$ 46,288	$ 34,624

27. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities within the group can continue to operate while optimizing the balance of debt and equity, in order to maximize shareholder returns. There have been no significant changes in the Company's overall strategy.

The Company's capital structure consists of its net debt (i.e., borrowings less cash and cash equivalents) and equity attributable to the owners of the Company (i.e., share capital, capital reserves, retained earnings, and other equity items).

The Company's senior management, in collaboration with the Board of Directors, reviews the group's capital structure at least quarterly, taking into account the costs and risks associated with various types of capital. Based on the recommendations of senior management, the Company will balance its overall capital structure by issuing new shares, repurchasing shares, and issuing new debt or repaying old debt. The Company's target debt ratio (i.e., the ratio of total liabilities to total assets) is set at 50% or below. As of December 31, 2022, the debt ratio was 56%, slightly higher than the target debt ratio range. The Company expects to reduce the debt ratio to an appropriate range by improving its operating performance.

28. FINANCIAL INSTRUMENTS

i. Fair value information - Financial instruments not measured at fair value

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

ii. Fair value information - Financial instruments measured at fair value

Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Domestic debt instrument investments	$ 13,607	$ -	$ -	$ 13,607

There were no transfers between Level 1 and Level 2 fair value measurements from January 1 to December 31, 2022.

iii. Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at fair value through profit or loss		
Mandatorily measured at fair value through profit or loss	$ 13,607	$ -
Financial assets measured at amortized cost (Note 1)	309,541	484,680

<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,280,097	1,300,513

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, notes payable, accounts payable, other payables, corporate bonds payable, and long-term borrowings.

iv. Financial risk management objectives and policies

The Company's main financial instruments include debt instrument investments, accounts receivable, accounts payable, corporate bonds payable, and borrowings. The Company's financial management department provides services to various business units, coordinating and coordinating access to domestic and international financial markets, and supervising and managing the Company's operating-related financial risks through internal risk reports that analyze exposures according to the degree and breadth of risk. These risks include market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The financial management department submits quarterly reports to the Company's Board of Directors, which supervises risks and oversees the implementation of policies to mitigate risks.

1. Market risk

The main financial risks borne by the Company's operating activities are foreign currency exchange rate fluctuations and interest rate fluctuations. The Company closely monitors exchange rate changes and effectively interacts with banks to manage the foreign currency exchange rate and interest rate risks it bears. The Company measures the impact of financial instruments on fair value and cash flows under the assumption of changes in all relevant market risk variables using sensitivity analysis. The Company expects reasonable changes in the relevant risk variables at the end of the reporting period as follows:

NTD Market interest rate	10 basis points
USD Market interest rate	10 basis points
NTD/USD and other currencies	5%

(1) Exchange rate risk

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date are shown in Note 33.

Sensitivity analysis

The Company is mainly affected by fluctuations in the USD and JPY exchange rates.

The table below provides a detailed explanation of the Company's sensitivity analysis when the New Taiwan Dollar (functional currency) appreciates or depreciates by 5% against each relevant foreign currency. The 5% represents the sensitivity ratio used for internal reporting of exchange rate risk to the main management level and also represents the management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis only includes foreign currency monetary items outstanding and adjusts their period-end conversions by changing the exchange rate by 5%. The positive numbers in the table indicate that when there is a net foreign currency asset, a 5% depreciation of the New Taiwan Dollar against each relevant currency will increase (decrease) pre-tax net profit; when there is a net foreign currency liability, a 5% depreciation of the New Taiwan Dollar against each relevant foreign currency will have the same amount of negative impact on pre-tax net profit.

	Impact of USD		Impact of JPY	
	2022	2021	2022	2021
Profit or loss	($ 6,288) (i)	$ 7,941 (i)	$ 1,342 (ii)	($ 190) (ii)

(i) Mainly arising from the USD-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(ii) Mainly arising from the JPY-denominated receivables and payables outstanding at the balance sheet date that have not been hedged for cash flow.

(2) Other price risks

The Company is exposed to price risks due to bond investments, mainly holding bonds for interest and spread gains.

Sensitivity analysis

The following sensitivity analysis is based on bond price exposures as of the balance sheet date.

If bond prices increase/decrease by 10%, the pre-tax profit or loss for the period from January 1, 2022 to December 31, 2022 will increase/decrease by $1,361 thousand due to the fair value increase/decrease of financial assets measured at fair value through profit or loss.

(3) Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The management discusses an appropriate mix of fixed and floating interest rates with the lending banks through a deep understanding of financial markets and negotiations.

The carrying amounts of financial liabilities exposed to interest rate risk as of the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk	$ 308,049	$ 511,582
Cash flow interest rate risk	837,797	671,660

Sensitivity analysis

The sensitivity analysis below is determined based on non-derivative instruments' interest rate exposure as of the balance sheet date. For floating rate liabilities, the analysis assumes that the amount of liabilities outstanding as of the balance sheet date remains outstanding throughout the year. The rate of change used for internal reporting of interest rates to the main management level is an increase or decrease of 10 basis points, which also represents management's assessment of the reasonably possible range of changes in interest rates.

Financial assets are minimally affected by changes in interest rates due to the low level of market deposit interest rates. Interest rate sensitivity analysis is performed on financial liabilities for profit and loss impact. The change in fair value and cash flow estimates due to interest rate changes are analyzed under the assumption of other variables remaining constant, at the end of the reporting period, and with an increase/decrease of 10 basis points. The pre-tax net (loss) profit of the Company for 2022 and 2021 will increase (decrease) by $838 thousand / $(838) thousand and $672 thousand / $(672) thousand, respectively.

The Company's sensitivity to interest rates increased during the period, mainly due to an increase in variable-rate debt instruments.

2. Credit risk

Credit risk is the risk of financial loss to the Group due to counterparty default on contractual obligations. As of the balance sheet date, the Company's maximum exposure to credit risk, which may result from the counterparty's failure to fulfill its obligations and the Company's provision of financial guarantees, mainly arises from:

(1) The carrying amount of financial assets recognized in the parent company only balance sheet.

(2) The maximum amount that the Company may need to pay for providing financial guarantees, regardless of the likelihood of occurrence.

The Company's policy is to only engage in transactions with reputable counterparties and to obtain sufficient collateral when necessary to mitigate the risk of financial losses due to defaults. The Company only transacts with businesses that meet the conditions assessed by internal credit management procedures or external credit rating agencies. The Company continuously monitors credit exposure and counterparties' credit ratings and effectively manages the credit limits of counterparties through annual reviews and approvals by the management department to reduce risk.

To mitigate credit risk, the Company's management assigns a dedicated team responsible for determining credit limits, approving credit, and other monitoring procedures to ensure that appropriate actions are taken for the collection of overdue receivables. In addition, the Company reviews the recoverable amount of receivables individually as of the balance sheet date to ensure that uncollectible receivables have been adequately impaired. As a result, the Company's management believes that the Company's credit risk has been significantly reduced.

Receivables are distributed among numerous customers across different industries and geographical regions. The Company continuously assesses the financial condition of its accounts receivable customers.

The Company's credit risk is primarily concentrated on Customer A. As of the December 31, 2022 and 2021, the percentage of total receivables from the aforementioned customer was 31% and 23%, respectively.

3. Liquidity risk

As of December 31, 2022, the Company's current assets were $477,282 thousand, current liabilities were $613,888 thousand, and the debt ratio was 56%. To improve liquidity, the Company obtained funds from the capital market by issuing secured corporate bonds in 2022.

The Company plans appropriate fundraising methods based on operating conditions and the economic environment, and manages and maintains safe cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The Company's management coordinates the use and review of bank financing limits and ensures compliance with loan contract terms.

The ultimate responsibility for managing the Company's liquidity risk lies with the Board of Directors. The management department plans appropriate measures to reduce liquidity risk in response to the Company's short-term, medium-term, and long-term financing and liquidity management needs. The Company manages liquidity risk by maintaining adequate reserves, bank financing limits, obtaining loan commitments, continuously monitoring projected and actual cash flows, and matching the maturity composition of financial assets and liabilities.

(1) Liquidity and interest rate risk table

The following table provides a detailed description of the remaining contractual maturities of the Company's non-derivative financial liabilities, which are based on the earliest possible repayment dates required by the Company and prepared using undiscounted cash flows of financial liabilities, including cash flows for interest and principal.

Bank loans that can be demanded for immediate repayment by the Company are included in the earliest period in the table below, without considering the probability of the bank exercising that right immediately; other non-derivative financial liability maturity analyses are prepared according to the agreed repayment dates.

For cash flows of interest paid at floating interest rates, the undiscounted interest amounts are derived from the yield curve as of the balance sheet date.

December 31, 2022

	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Interest-free liabilities	$ -	$ 62,671	$ 71,580	$ -	$ -
Lease liabilities	92	184	842	2,042	-
Floating rate instruments	10,447	157,136	225,809	151,905	292,500
Fixed rate instruments	14,367	25,087	18,595	-	-
Corporate bonds payable	-	-	-	250,000	-
	$ 24,906	$ 245,078	$ 316,826	$ 403,947	$ 292,500

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 1,118	$ 2,042	$ -	$ -	$ -	$ -

December 31, 2021

	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Non-derivative financial liabilities					
Interest-free liabilities	$ -	$ 80,150	$ 56,737	$ -	$ -
Lease liabilities	89	269	726	3,160	-
Floating rate instruments	1,761	71,938	175,124	368,137	54,700
Fixed rate instruments	18,157	36,490	172,740	34,195	-
Corporate bonds payable	-	-	250,000	-	-
	$ 20,007	$ 188,847	$ 655,327	$ 405,492	$ 54,700

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 1,084	$ 3,160	$ -	$ -	$ -	$ -

(2) Financing limit

	December 31, 2022	December 31, 2021
Bank loan limit		
Amount utilized	$ 1,145,846	$ 1,183,242
Unused amount	203,769	362,926
	$ 1,349,615	$ 1,546,168

29. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties are as follows.

i. Related party names and their relationship

Related party name	Relationship with the Company
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Subsidiary
LEATEC Fine Ceramics (Samoa) Co., Ltd.	Subsidiary
Kunshan Leatec Optoelectronics Technology Co., Ltd.	Subsidiary
COSMOS Harvest International Limited	Subsidiary
ECOCERA Optronics Co., Ltd.	Associate

ii. Operating revenue

Account item	Related party category/name	2022	2021
Sales revenue	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 37,251	$ 40,597
	Subsidiary/ Other	-	11,572
		37,251	52,169
	Associate/Other	1,160	902
		$ 38,411	$ 53,071

The Company's pricing strategy for sales to related parties varies depending on their market size and competitiveness. The collection period for accounts receivable from various related parties is 150 days EOM.

iii. Purchase

Related party category/name	2022	2021
Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 25,117	$ 37,163

After referring to market price quotations and negotiating, the payment terms are set at 60 days EOM.

iv. Receivables from related parties (excluding loans to related parties)

Account item	Related party category/name	December 31, 2022	December 31, 2021
Accounts receivable - related parties	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 11,811	$ 16,756

	Subsidiary/Other	4,090	12,102
	Associate/Other	1,191	424
		$ 17,092	$ 29,282
Other receivables - related parties	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 7,678	$ 13,840

No guarantees have been collected for receivables from related parties outstanding. In 2022 and 2021, no provisions for losses were made on receivables from related parties.

v. Payables to related parties

Account item	Related party category/name	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 9,071	$ 18,709
Other payables	Subsidiary/Other	$ 768	$ -

No guarantees are provided for payables to related parties outstanding.

vi. Loans to related parties

Account item	Related party category/name	2022	2021
Other receivables	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ -	$ -
Interest income	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ -	$ 44

vii. Borrowings from related parties

Account item	Related party category/name	2022	2021
Other payables	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ 41,559	$ 32,949
Interest expense	Subsidiary/LEATEC Fine Ceramics (Samoa) Co., Ltd.	$ 901	$ 829

Subsidiary LEATEC Fine Ceramics (Samoa) Co., Ltd. provided short-term financing to the Company in 2022 and 2021, with an annual interest rate of 2%.

viii. Endorsement/guarantee

Endorsements/guarantees provided

Account item	Related party category/name	December 31, 2022	December 31, 2021
Guarantee amount	Subsidiary		
	LEATEC Fine Ceramics (Samoa) Co., Ltd.	USD 2,430	USD 710
	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	RMB 8,000	RMB 8,000
Actual disbursed amount	Subsidiary		
	LEATEC Fine Ceramics (Samoa) Co., Ltd.	USD 1,885	USD 630
	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	RMB -	RMB 3,886

ix. Other

Account item	Related party category/name	2022	2021
Operating expenses	Subsidiary/Other	$ 1,793	$ 3,145
Other income	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ -	$ 6,990
Other expenses	Subsidiary/LEATEC Fine Ceramics (Kunshan) Co., Ltd.	$ 7,382	$ -

x. Compensation to key management personnel

The total compensation for directors and other key management personnel in 2022 and 2021 is as follows:

	2022	2021
Short-term employee benefits	$ 21,040	$ 19,136
Post-retirement benefits	29	50

	2022	2021
	$ 21,069	$ 19,186

Compensation for directors and other key management personnel is determined by the Compensation Committee based on individual performance and market trends.

30. PLEDGED ASSETS

The following assets of the Company have been provided as collateral for borrowings from banks and leasing companies:

	December 31, 2022	December 31, 2021
Financial assets measured at fair value through profit or loss	$ 13,607	$ -
Accounts receivable	22,375	34,309
Inventories	-	126,474
Other financial assets	69,316	178,401
Land	118,033	118,033
Buildings - net amount	145,251	150,635
Machinery and equipment - net amount	12,544	54,425
	$ 381,126	$ 662,277

The market interest rate range for bank deposits as of the balance sheet date is as follows:

	December 31, 2022	December 31, 2021
Pledged time deposits (accounted for as other financial assets)	0.60%~1.15%	0.76%

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to what is described in other notes, the Company has the following significant commitments and contingencies as of the balance sheet date:

i. The unused letters of credit are as follows:

	December 31, 2022	December 31, 2021
USD	$ -	$ 28
JPY	5,750	-

ii. Notes issued due to borrowings are as follows:

	December 31, 2022	December 31, 2021
USD	$ 7,030	$ 2,210
NTD	1,374,500	823,000

iii. The Company's unrecognized contract commitments are as follows:

	December 31, 2022	December 31, 2021
Purchase of property, plant, and equipment	$ 12,985	$ 14,987

32. OTHER MATTERS

The Company has been affected by the global pandemic of COVID-19. In response to the impact of the epidemic, the Company has taken the following actions:

i. Ceramic substrates for resistors: Mainly used in consumer electronics products, the market has larger variables due to the epidemic. The Company adopts planned production and adjusts production plans based on customer orders to appropriately control inventory.

ii. Ceramic for automotive use: In response to the closed management between countries, the shipment days are extended, and the demand specifications are confirmed with customers, especially the information of transportation tools listed as the primary shipping condition.

iii. New material development: Carefully assess the customer's prototype and market launch of the product, and whether the epidemic impact will delay the launch of new products.

iv. Capital expenditure: In the short term, investment will focus on improving production efficiency, and equipment with other medium-to-long-term benefits will be cautiously evaluated before investing.

33. 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 of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 2,811	30.71	$ 86,328
RMB	34	4.409434	150
HKD	16	3.938	63
EUR	20	32.72	654
JPY	131,024	0.2324	30,450
Non-monetary items			

Subsidiaries, associates, and joint ventures accounted for using the equity method			
USD	775	30.71	23,813
RMB	333,295	4.409434	1,417,723
Financial liabilities			
Monetary items			
USD	6,906	30.71	212,083
JPY	15,517	0.2324	3,606

December 31, 2021

	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 9,146	27.68	$ 253,160
RMB	103	4.341484	448
HKD	10	3.549	36
EUR	2	31.32	63
JPY	1,836	0.2405	442
Non-monetary items			
Subsidiaries, associates, and joint ventures accounted for using the equity method			
USD	830	27.68	22,987
RMB	367,882	4.341484	1,336,663
Financial liabilities			
Monetary items			
USD	3,408	27.68	94,342
RMB	4	4.341484	16
JPY	17,620	0.2405	4,475

The Company's foreign exchange gains (losses) (realized and unrealized) for 2022 and 2021 were $(7,533) thousand and $443 thousand, respectively. Due to the variety of foreign currency transactions, it is not possible to disclose exchange gains or losses by each major currency.

34. SEPARATELY DISCLOSED ITEMS

i. INFORMATION ABOUT SIGNIFICANT TRANSACTIONS and ii. INFORMATION ON INVESTEES:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint venture control components): Table 3.
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 property at costs of at least NT$300 million or 20% of the paid-in capital: Table 4.
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: Table 5.
9. Trading in derivative instruments: None.
10. Information on investees: Table 6.

iii. INFORMATION ON INVESTMENTS IN MAINLAND CHINA:

1. The names of invested companies in Mainland China, main business items, paid-in capital, investment methods, fund remittance and inflow situation, shareholding ratio, investment profit and loss, the book value of investment at the end of the period, repatriated investment profit and loss, and investment quota for Mainland China: Table 7.
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 8.
   (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 receivables at the end of the period.
   (3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.

(6) 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.

iv. Major shareholder information: No shareholders with a shareholding ratio of 5% or more.

LEATEC FINE CERAMICS CO., LTD.

FINANCING PROVIDED TO OTHERS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 1

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

No.	Lending Company	Borrower	Transaction Item	Related Party or Not	Highest Balance of the Current Period	Ending Balance	Actual Disbursement Amount	Interest Rate Range	Nature of Funds Lent	Amount of Business Transactions	Reason for the Necessity of Short-term Financing	Provision for Bad Debts Amount	Collateral		Individual Borrower Lending Limit	Total Lending Limit	Remarks
													Name	Value			
1	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	Other receivables - related parties	Y	$ 531,548	$ 506,715	$ 390,015	—	Necessity for short-term financing	$ -	Operating turnover	$ -	—	$ -	Note 1	$ 586,533	
2	COSMOS Harvest International Limited	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Other receivables - related parties	Y	32,215	30,710	-	2%	Necessity for short-term financing	-	Operating turnover	-	—	-	Note 2	71,439	
3	LEATEC Fine Ceramics (Samoa) Co., Ltd.	LEATEC Fine Ceramics Co., Ltd.	Other receivables - related parties	Y	64,430	61,420	41,559	2%	Necessity for short-term financing	-	Operating turnover	-	—	-	Note 3	568,622	

Note 1: The individual borrower's lending limit is 60% of the lending company's net value, which is $977,555 thousand x 60% = $586,533 thousand.

Note 2: The individual borrower's lending limit is 300% of the lending company's net value, which is $23,813 thousand x 300% = $71,439 thousand.

Note 3: The individual borrower's lending limit is 40% of the lending company's net value, which is $1,421,555 thousand x 40% = $568,622 thousand.

LEATEC FINE CERAMICS CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 2

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

Number (Note 1)	Endorser	Endorsee		Endorsement and guarantee limit for a single company	Maximum balance for the period	Ending balance	Actual expenditure	Endorsement and guarantee amount by assets	Ratio of cumulative endorsement/ guarantee amount to net worth as stated in the latest financial statements (%)	Maximum limit of endorsement and guarantee	Endorsement and guarantee from parent to subsidiary	Endorsement and guarantee from subsidiary to parent	Endorsement and guarantee for Mainland China
		Company name	Relationship										
0	LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	2	(Note 1)	$ 80,860 thousand (USD 2,510 thousand)	$ 74,625 thousand (USD 2,430 thousand)	$ 57,888 thousand (USD 1,885 thousand)	$	6.56%	(Note 2)	Y	-	-
1	LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Kunshan) Co., Ltd.	2	(Note 1)	36,073 thousand (RMB 8,000 thousand)	35,276 thousand (RMB 8,000 thousand)	- thousand (RMB - thousand)		3.10%	(Note 2)	Y	-	Y

Note 1: The maximum endorsement guarantee limit for a single enterprise is 40% of the company's net value, which is $1,136,915 thousand x 40% = $454,766 thousand.

Note 2: The maximum total limit for endorsement guarantees is 50% of the company's net value, which is $1,136,915 thousand x 50% = $568,458 thousand.

LEATEC FINE CERAMICS CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

TABLE 3

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

Holding Company	Type and Name of Securities	Relationship with the Securities Issuer	Accounting Item	Ending				Remarks
				Face Value (USD)	Book Value	Shareholding Ratio	Fair Value	
The Company	Domestic corporate bonds Cathay TSMC Global Limited USD Bonds TAISEM	None	Financial assets measured at fair value through profit or loss - current	550,000	$ 13,607	-	$ 13,607	None

LEATEC FINE CERAMICS CO., LTD.

ACQUISITION OF INDIVIDUAL PROPERTY AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 4

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

Acquiring Company for Property	Property Name	Date of Event	Transaction Amount	Payment Status	Transaction Counterparty	Relationship	If the Transaction Counterparty is a Related Party, its Previous Transfer Information				Reference Basis for Price Determination	Purpose and Use	Other Agreements
							Owner	Relationship with the Issuer	Transfer Date	Amount			
LEATEC Application Materials (Kunshan) Co., Ltd.	Plant	2014.6.14	$ 278,275	$ 278,275	Zhongyu Construction Engineering Limited Company Kunshan Branch	Unrelated party	—	—	—	$ -	Tender negotiation	For own use	None
〃	〃	2016.5.15	216,588	216,588	〃	〃	—	—	—	-	〃	〃	〃
〃	〃	2018.7.16	374,951	368,561	〃	〃	—	—	—	-	〃	〃	〃

LEATEC FINE CERAMICS CO., LTD.

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 5

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

Companies with Accounts Receivable	Transaction Counterparty Name	Relationship	Outstanding Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Collected after the Period for Receivables from Related Parties	Allowance for Doubtful Accounts Amount
					Amount	Handling Method		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	LEATEC Application Materials (Kunshan) Co., Ltd.	3	$ 401,894	-	$ -	—	$ -	$ -

Note: This is for loan receivables and interest, so the turnover rate is not calculated.

LEATEC FINE CERAMICS CO., LTD.

INFORMATION ON INVESTEE COMPANIES, LOCATIONS, ETC.

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 6

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

Investment Company Name	Invested Company Name	Location	Main Business Items	Original Investment Amount		End of Period Holdings			Invested Company's Current Period (Loss) Profit	Current Period Recognized Investment (Loss) Profit	Remarks
				End of Current Period	End of Last Year	Number of Shares	Ratio	Book Value			
LEATEC Fine Ceramics Co., Ltd.	LEATEC Fine Ceramics (Samoa) Co., Ltd.	Western Samoa	Investment holding and buying and selling of machinery and equipment	$ 853,056	$ 853,056	26,700,000	100%	$ 1,415,619	$ 60,441	$ 60,441	Subsidiary
	COSMOS Harvest International Limited	Western Samoa	Sales of raw materials, ceramic substrates, and machinery and equipment parts	66,669	66,669	2,000,000	100%	23,813	(1,640)	(1,640)	Subsidiary
	ECOCERA Optronics Co., Ltd.	2F., No. 303, Sec. 2, Nanshan Rd., Luzhu Dist., Taoyuan City	Manufacturing, buying and selling, and wholesale of machinery, equipment, molds, and electrical appliances	44,412	44,412	3,161,664	12%	51,344	30,070	3,264	Associate

LEATEC FINE CERAMICS CO., LTD.

MAINLAND CHINA INVESTMENT INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 7

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

Name of Invested Company in Mainland China	Main Business Items	Paid-in Capital	Investment Method	Cumulative Investment Amount Remitted from Taiwan at the Beginning of the Current Period	Investment Amount Remitted or Recovered in the Current Period		Cumulative Investment Amount Remitted from Taiwan at the End of the Current Period	Invested Company's Current Period Profit and Loss	The Company's Direct or Indirect Investment Shareholding Ratio	Current Period Recognized Investment Profit and Loss (Note 1)	End of Period Investment Book Value	Investment Income Repatriated up to the Current Period	Remark
					Remittance	Recovery							
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Manufacture and sale of precision electronic ceramic substrates	$ 447,137 (USD 13,200 thousand)	Investing in Mainland China companies through setting up a company in a third region	$ 414,972 (USD 12,000 thousand)	$ -	$ -	$ 414,972 (USD 12,000 thousand)	$ 48,469	100.00	$ 48,469	$ 977,555	$ -	
LEATEC Application Materials (Kunshan) Co., Ltd.	Manufacture and sale of precision electronic ceramics and photovoltaic solar products	542,439 (USD 18,000 thousand)	Investing in Mainland China companies through setting up a company in a third region	542,439 (USD 18,000 thousand)	-	-	542,439 (USD 18,000 thousand)	16,041	100.00	16,041	440,959	-	
Kunshan Leatec Optoelectronics Technology Co., Ltd.	Research and development and sale of solar photovoltaic products	2,461 (RMB 500 thousand)	Investing in Mainland China companies through LEATEC Fine Ceramics (Kunshan) Co., Ltd.		-	-		(2,745)	100.00	(2,745)	2,503	-	
Jiangsu Yongsheng New Energy Technology Co., Ltd.	Research, development, and manufacturing of biomass boilers, hot air furnaces, and other products	303,789 (RMB 67,910 thousand)	Investing in Mainland China companies through LEATEC Fine Ceramics (Kunshan) Co., Ltd.		-	-		(42,383)	20.25	(8,581)	23,381	-	

Note 1: The recognition basis for the current period's investment profit and loss is based on the financial statements audited by the Taiwan parent company's certified public accountant during the same period.

Note 2: Kunshan Leatec Optoelectronics Technology Co., Ltd. was established with investment from LEATEC Fine Ceramics (Kunshan) Co., Ltd.

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	Investment limit for investing in Mainland China according to the Investment Commission, MOEA regulations
$957,411	USD35,700 thousand	Note 4

Note 3: Jiangsu Yongsheng New Energy Technology Co., Ltd. was reinvested by LEATEC Fine Ceramics (Kunshan) Co., Ltd.

Note 4: In accordance with the regulations of the Industrial Development Bureau, MOEA, there is no investment limit for investments in Mainland China.

LEATEC FINE CERAMICS CO., LTD.

SIGNIFICANT TRANSACTION MATTERS DIRECTLY OR INDIRECTLY OCCURRING THROUGH A THIRD REGION WITH INVESTED COMPANIES IN MAINLAND CHINA, AS WELL AS THEIR PRICES, PAYMENT CONDITIONS, UNREALIZED GAINS AND LOSSES, AND OTHER RELATED INFORMATION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

TABLE 8

(In Thousands of New Taiwan Dollars)

Name of Invested Company in Mainland China	Transaction Type	Purchase and Sale		Price	Transaction Conditions		Notes and Accounts Receivable (Payable)		Unrealized (Loss) Gain	Remarks
		Amount	Percentage		Payment Conditions	Comparison with General Transactions	Amount	Percentage		
The Company sells to LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Sales	$ 37,251	9%	Negotiation	150 days EOM	—	$ 11,811	9%	$ 638	
Sold by LEATEC Fine Ceramics (Kunshan) Co., Ltd. to the Company	Purchases	25,117	17%	〃	150 days EOM	—	(9,071)	23%	3,831	

1. The situation of providing endorsements, guarantees, or collateral directly and indirectly through third-region businesses by Mainland China invested companies: see Table 2.
2. The situation of providing financial support directly and indirectly through third-region businesses with Mainland China invested companies: see Table 1.

§STATEMENTS OF MAJOR ACCOUNTING ITEMS§

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Statements of assets, liabilities, and equity items:	
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Statement of trade receivables	Table 3
Statement of other receivables	Table 4
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LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

Table 1 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Cash on hand	Petty cash	$ 267
Bank deposits		
Demand deposits		56,608
Foreign currency deposits	USD291 thousand @30.71; JPY130,114 thousand @0.2324; HKD14 thousand @3.938; EUR16 thousand @32.72	39,746
		$ 96,621

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2022

Table 2 (In Thousands of New Taiwan Dollars)

Customer Name	Summary	Amount
Conquer Electronics Co., Ltd.	Payment for goods	$ 354
SunTop Electronics Co., Ltd.	〃	292
MAX ECHO TECHNOLOGY CORPORATION	〃	105
Other (Note)	〃	14
		765
Less: Expected credit loss		8
		$ 757

Note: Amounts less than 5% of the total amount in this account are summarized.

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF TRADE RECEIVABLES

DECEMBER 31, 2022

Table 3 (In Thousands of New Taiwan Dollars)

Customer Name	Summary	Amount
Related party		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Payment for goods	$ 11,811
Kunshan Leatec Optoelectronics Technology Co., Ltd.	〃	4,090
ECOCERA Optronics Co., Ltd.	〃	1,191
		17,092
Non-related party		
YAGEO Corporation	Payment for goods	40,619
Sensata Technologies	〃	13,860
Borg Warner	〃	11,903
SENSATA	〃	8,657
Other (Note)	〃	38,478
		113,517
Less: Expected credit loss		5,071
		108,446
		$ 125,538

Note: Amounts less than 5% of the total amount in this account are summarized.

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2022

Table 4 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Receivable tax refunds		$ 833
Other receivables - others		212
Interest receivable		186
Other receivables - related parties		7,678
		$ 8,909

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

Table 5 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount	
		Cost	Net realizable value
Raw materials		$ 37,808	$ 34,711
Materials		16,422	13,749
Work in progress		60,833	59,296
Finished goods		70,489	49,028
Merchandise		5,428	3,104
		190,980	$ 159,888
Less: allowance for inventory price decline loss		31,092	
		$ 159,888	

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF PREPAYMENTS

DECEMBER 31, 2022

Table 6 (In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Prepaid expenses	Equipment maintenance fees, etc.	$ 5,266
Tax credit		1,947
		$ 7,213

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OTHER CURRENT ASSETS

DECEMBER 31, 2022

Table 7 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Advance payments	Advance payment for travel expenses, etc.	$ 441
Current period income tax assets		37
Other financial assets - current		64,271
		$ 64,749

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF CHANGES IN LONG-TERM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

YEAR 2022

Table 8

(In Thousands of New Taiwan Dollars)

	Beginning balance		Increase during the period		Decrease during the period				Ending balance			Market price or equity net value		
Name	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Investment (loss) gain	Accumulated translation adjustment	Number of shares	Percentage of shareholding	Amount	Unit price	Total price	Mortgage or collateral
LEATEC Fine Ceramics (Samoa) Co., Ltd.	26,700,000	$ 1,329,723	-	$ 4,836	-	$ -	$ 60,441	$ 20,619	26,700,000	100	$ 1,415,619	53.24	$ 1,421,555	None
COSMOS Harvest International Limited	2,000,000	22,987	-	-	-	-	(1,640)	2,466	2,000,000	100	23,813	11.91	23,813	〃
ECOCERA Optronics Co., Ltd.	3,611,114	47,098	-	2,520	-	1,538	3,264	-	3,611,114	12	51,344	14.22	51,344	〃
		$ 1,399,808		$ 7,356		$ 1,538	$ 62,065	$ 23,085	-		$ 1,490,776		$ 1,496,712	

Note 1: The increase in ECOCERA Optronics Co., Ltd. during this period is due to not participating in the capital increase of ECOCERA Optronics Co., Ltd. for the year 2022 according to the shareholding ratio, and not subscribing according to the shareholding ratio, resulting in an increase of capital surplus - long-term equity investment of $2,520 thousand; the decrease of $1,538 thousand is due to the distribution of dividends.

Note 2: The increase in LEATEC Fine Ceramics (Samoa) Co., Ltd. during this period is due to the recognition of unrealized and realized gains and losses of $4,836 thousand from the subsidiary.

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

YEAR 2022

Table 9

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

Name	Building	Remark
Cost		
Balance on January 1, 2022	$ 5,552	
Addition	-	
Balance on December 31, 2022	$ 5,552	
Accumulated depreciation		
Balance on January 1, 2022	$ 1,388	
Addition	1,111	
Balance on December 31, 2022	$ 2,499	
Net amount on December 31, 2022	$ 3,053	

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2022

Table 10 (In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Refundable deposits		$ 8,400
Prepaid expenses		3,483
		$ 11,883

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

Table 11

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

Name	Summary	Ending balance	Contract term	Annual interest range %	Financing limit	Mortgage or collateral
Hua Nan Commercial Bank (1)	Commercial paper payable	$ 5,059	180 days	0-1.15	USD700	None
Taiwan Cooperative Bank (1)	Secured loans	18,000	2022.11.30~2023.11.30	2.971	Totaling 60,000	See Note 30
Taiwan Cooperative Bank (2)	Credit loans	42,000	2022.11.30~2023.11.30	2.971	〃	None
Chang Hwa Commercial Bank (1)	Secured loans	2,500	2022.8.26~2023.1.20	2.105	〃	See Note 30
Chang Hwa Commercial Bank (2)	Secured loans	1,000	2022.9.27~2023.2.20	2.105	〃	〃
Chang Hwa Commercial Bank (3)	Credit loans	8,599	2022.10.21~2023.1.30	6.511	〃	None
Chang Hwa Commercial Bank (4)	Secured loans	2,700	2022.11.21~2023.3.20	2.23	〃	See Note 30
Chang Hwa Commercial Bank (5)	Credit loans	8,599	2022.11.23~2023.2.28	6.966	〃	None
Chang Hwa Commercial Bank (6)	Credit loans	6,756	2022.12.22~2023.3.30	6.903	〃	〃
Chang Hwa Commercial Bank (7)	Secured loans	7,400	2022.12.28~2023.4.20	2.355	〃	See Note 30
Chang Hwa Commercial Bank (8)	Secured loans	4,100	2022.12.28~2023.5.20	2.355	〃	〃
First Commercial Bank	Secured loans	50,000	2022.11.18~2023.2.16	3.29	50,000	See Note 30
Bank of Panhsin (1)	Credit loans	20,000	2022.11.18~2023.2.16	2.93	20,000	None
Mega International Commercial Bank (1)	Credit loans	2,301	2022.9.8~2023.2.5	2.525	Totaling 30,000	〃
Mega International Commercial Bank (2)	Credit loans	10,000	2022.12.6~2023.6.4	2.767	〃	〃
Mega International Commercial Bank (3)	Credit loans	2,574	2022.12.8~2023.5.7	2.769	〃	〃
Cathay United Bank (1)	Credit loans	7,190	2022.10.19~2023.2.2	6.75	Totaling USD2,200	〃
Cathay United Bank (2)	Credit loans	8,292	2022.11.15~2023.3.3	6.8	〃	〃
Cathay United Bank (3)	Credit loans	6,786	2022.12.7~2023.3.31	5	〃	〃
Cathay United Bank (4)	Secured loans	10,000	2022.11.18~2023.11.18	1.77	30,000	See Note 30
E.SUN Bank (China) (1)	Secured loans	21,190	2022.4.28~2023.7.29	4.199	Totaling USD5,000	〃
E.SUN Bank (China) (2)	Secured loans	12,284	2022.7.1~2023.7.1	7.008	〃	〃
E.SUN Bank (China) (3)	Secured loans	21,190	2022.9.1~2023.3.1	5.160	〃	〃
E.SUN Bank (China) (4)	Secured loans	21,190	2022.9.29~2023.3.29	5.669	〃	〃
E.SUN Bank (China) (5)	Secured loans	21,190	2022.12.1~2023.6.1	6.703	〃	〃
Hua Nan Commercial Bank (1)	Credit loans	2,702	2022.11.8~2023.5.5	2.969	Totaling 20,000	None
Hua Nan Commercial Bank (2)	Credit loans	1,899	2022.12.8~2023.6.6	2.969	〃	〃
Taichung Commercial Bank (1)	Credit loans	30,000	2022.10.14~2023.4.14	2.33	30,000	〃
Taichung Commercial Bank (2)	Credit loans	7,370	2022.10.20~2023.2.17	6.268	Totaling USD1,500	〃
Taichung Commercial Bank (3)	Credit loans	6,910	2022.11.15~2023.3.15	6.797	〃	〃
		$ 369,781				

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2022

Table 12 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Deloitte & Touche		$ 2,043
Data Systems Consulting Co., Ltd.		360
		$ 2,403

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2022

Table 13 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Related party		
LEATEC Fine Ceramics (Kunshan) Co., Ltd.	Payment for goods	$ 9,071
Non-related party		
Prior Company Limited	Payment for goods	8,098
Cosei Technology Co., Ltd.	〃	6,159
DAIGIN CHEMICAL CO., LTD.	〃	3,224
Chang Chun Petrochemical Co., Ltd.	〃	3,007
KCM CERAMICS COMPANY LIMITED	〃	1,914
Other (Note)	〃	5,548
		27,950
		$ 37,021

Note: Individual amounts below 5% are aggregated.

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2022

Table 14 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
LEATEC Fine Ceramics (Samoa) Co., Ltd.	Management consulting fees	$ 768
LEATEC Fine Ceramics (Samoa) Co., Ltd.	Loans	41,559
Salaries payable	December salary	20,297
Equipment payables		20,182
Interest payable	Loan interest	1,327
Electricity payable		2,838
Insurance premium payable	Labor, health insurance, etc.	2,228
Payable pension under new system		1,213
Others	Repair fees, labor fees, etc.	24,712
		$ 115,124

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OTHER CURRENT LIABILITIES

DECEMBER 31, 2022

Table 15 (In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Temporary receipts		$ 5,045
Collection on behalf of others	Withholding tax, labor health insurance, etc.	1,506
Advance receipts		230
		$ 6,781

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2022

Table 16 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Summary	Lease term	Discount rate (%)	Ending balance	Remark
Building	Mainly used as a factory	5 years	3	$ 3,160	
Less: current portion				(1,118)	
Lease liability - non-current				$ 2,042	

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2022

Table 17

(In Thousands of New Taiwan Dollars)

	Summary (repayment method)	Contract term	Annual interest rate (%)	Amount			Mortgage or collateral
				Due within 1 year	Due after 1 year	Total	
Chailease Finance Co., Ltd.	Repay principal monthly, for a total of 18 installments.	2021.11~2023.05	5.79385	$ 11,335	$ -	$ 11,335	See Note 30
Bank of Panhsin	Repay principal monthly, for a total of 24 installments.	2022.06~2024.06	3.58	9,999	5,129	15,128	〃
Bank of Shanghai	Principal grace period of 1 year, repay principal and interest monthly, for a total of 24 installments.	2020.12~2023.12	3.405	15,811	-	15,811	〃
Hua Nan Commercial Bank Ltd.	Principal grace period of 1 year, repay principal and interest monthly, for a total of 24 installments.	2022.05~2025.05	2.875	3,271	6,729	10,000	〃
Bank of Kaohsiung Co., Ltd. (1)	Repay principal and interest quarterly, for a total of 28 installments.	2022.07~2029.07	2.325	30,000	412,500	442,500	〃
Bank of Kaohsiung Co., Ltd. (2)	Repay principal monthly, for a total of 36 installments.	2022.07~2025.07	3.00	9,831	16,160	25,991	〃
Cathay United Bank	Principal grace period of 1 year, repay principal and interest monthly, for a total of 30 installments.	2022.11~2025.10	2.29	1,413	3,887	5,300	〃
				$ 81,660	$ 444,405	$ 526,065	

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OPERATING REVENUE

YEAR 2022

Table 18 (In Thousands of New Taiwan Dollars)

Item	Summary	Amount
Sales revenue		
Sales revenue		$ 409,969
Less: Sales returns		(950)
Sales allowances		(1,258)
		$ 407,761

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OPERATING COSTS

YEAR 2022

Table 19 (In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	
Beginning raw materials	$ 34,230
Add: Raw materials purchased during the period	69,313
Less: Ending raw materials	(37,808)
Transferred to expenses	(6,643)
	59,092
Indirect materials	
Beginning supplies	13,097
Add: Supplies purchased during the period	36,020
Less: Ending supplies	(16,422)
Transferred to expenses	(942)
	31,753
Direct labor	97,660
Manufacturing expenses	161,946
Manufacturing cost	350,451
Add: Beginning work in progress	54,334
Less: Ending work in progress	(60,833)
Transferred to expenses	(3,030)
Work in progress cost	340,922
Finished goods cost	
Add: Beginning finished goods	55,558
Less: Ending finished goods	(70,489)
Transferred to expenses	(4,313)
Cost of finished goods sold	321,678
Beginning goods in transit	2,347
Beginning merchandise	2,669
Add: Purchases during the period	38,548
Less: Ending merchandise	(5,428)
Transferred to expenses	(1,231)
	358,583
Inventory valuation and obsolescence loss	(4,669)
	$ 353,914

LEATEC FINE CERAMICS CO., LTD.

STATEMENT OF OPERATING EXPENSES

YEAR 2022

Table 20 (In Thousands of New Taiwan Dollars)

Name	Selling expenses	Administrative expenses	R&D expenses	Total
Salary expense	$ 4,340	$ 23,537	$ 7,478	$ 35,355
Rent expense	-	119	-	119
Stationery supplies	37	129	43	209
Travel expenses	239	985	78	1,302
Transportation expenses	1,026	38	43	1,107
Post and telecommunications expenses	212	573	5	790
Repair expenses	7	2,075	1,355	3,437
Advertising expenses	-	41	-	41
Utilities (water, electricity, and gas) expenses	320	1,591	1,370	3,281
Insurance expenses	425	1,941	729	3,095
Entertainment expenses	210	1,685	1	1,896
Donations	-	129	-	129
Taxes and dues	4	453	200	657
Depreciation	603	4,153	7,535	12,291
Various amortizations	-	484	1,238	1,722
Meal expenses	148	516	224	888
Employee benefits	4	15	9	28
Commission expenses	15	-	-	15
Education and training expenses	9	91	29	129
Labor expenses	-	11,698	41	11,739
Other expenses	1,771	11,645	8,341	21,757
	$ 9,370	$ 61,898	$ 28,719	99,987
Expected credit gain				(1,425)
				$ 98,562

LEATEC FINE CERAMICS CO., LTD.

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022AND 2021

Table 21 (In Thousands of New Taiwan Dollars)

	2022			2021		
	Belonging to operating costs	Belonging to operating expenses	Total	Belonging to operating costs	Belonging to operating expenses	Total
Employee benefit expenses						
Salary expenses	$102,635	$ 32,125	$134,760	$101,646	$ 35,542	$137,188
Labor and health insurance expenses	11,604	2,757	14,361	10,563	2,878	13,441
Pension expenses	4,036	1,655	5,691	3,747	1,782	5,529
Director compensation	-	1,575	1,575	-	1,390	1,390
Other employee benefit expenses	5,869	1,045	6,914	5,337	1,023	6,360
	$124,144	$ 39,157	$163,301	$121,293	$ 42,615	$163,908
Depreciation expenses	$ 39,534	$ 12,291	$ 51,825	$ 37,541	$ 12,646	$ 50,187
Amortization expenses	$ 237	$ 1,722	$ 1,959	$ 59	$ 1,368	$ 1,427

Note:

1. The number of employees in 2022 and 2021 were 230 and 217, respectively, with 7 directors not holding concurrent positions as employees in both years.
2. The average employee benefit expenses for 2022 and 2021 were $725 thousand and $774 thousand, respectively.
3. The average employee salary expenses for 2022 and 2021 were $604 thousand and $653 thousand, respectively.
4. The average employee salary expenses were adjusted to decrease by 8%.
5. The Company did not have any supervisors in both the current and previous years.
6. The Company's salary and compensation policy is as follows:

   Policies, standards, and composition of compensation, procedures for determining compensation, and the relationship between operating performance and future risks:

   (1) Directors and supervisors: Compensation is mainly based on director and supervisor compensation. If the Company has profits for the year, the board of directors resolves to allocate up to 5% of pre-tax profits as director and supervisor compensation. The director and supervisor compensation allocation plan should be reported to the shareholders' meeting.

   The Company had accumulated losses in 2022 and did not plan to pay director and supervisor compensation.

   (2) General manager and deputy general manager: When appointing the general manager, the fixed salary is negotiated by referring to the compensation level of similar positions in the industry. The salary and

compensation committee reviews and approves the salary, which is then submitted to the board of directors for resolution and paid monthly.

The variable part is employee compensation, which depends on the operating performance of the year. The board of directors allocates employee compensation based on pre-tax profits, and then distributes employee compensation according to business unit performance.

(3) The Company's director and supervisor compensation policy is in accordance with the regulations of the Company Act and is based on actual business performance. If the Company's operating conditions are poor, no director and supervisor compensation will be paid, reflecting operating performance. The general manager's salary is approved by the salary and compensation committee and resolved by the board of directors, referring to the compensation level of the industry, and employee compensation is handled according to the regulations. Since the Company's directors, supervisors, and general manager are all professionals with a good understanding of the Company's industry, they will not engage in activities that exceed the Company's risk for the pursuit of short-term compensation, so the risk to the Company's operating conditions is limited.

(4) The Company adopts a "confidential salary system" with "competency-based pay" as the main principle and "position-based pay" as supplementary. The principles are as follows:

Internally: Emphasizing fairness, reasonableness, and appropriate incentives; fully reflecting performance, boosting morale, while maintaining flexibility in response to changes in work.

Externally: Striving for competitiveness, adjusting salary levels in a timely and appropriate manner according to external environmental changes and internal management indicators, ensuring salary levels to attract outstanding talents.