Solytech Enterprise Corporation
Consolidated Financial Statements

For the Years Ended Dec. 31, 2022 and 2021

(Stock Code:1471)

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Solytech Enterprise Corporation and Subsidiaries

Representation Letter

The entities that are required to be included in the combined financial statements of Solytech Enterprise Corporation and Subsidiaries as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Solytech Enterprise Corporation and Subsidiaries and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Solytech Enterprise Corporation and Subsidiaries

March 30, 2023

INDEPENDENT AUDITORS' REPORT

(112) No. Cai-Shen-Bao-22004856

The Board of Directors and Shareholders
Solytech Enterprise Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the accompanying consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards that have been approved by and published by the Financial Supervision Commission, International Accounting Standards and Standing Interpretations Committee.

Basis for Opinion

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

Key Audit Matters

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

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

Assessment of Allowance for inventory valuation losses

Explanatory Notes

Please refer to Note 4(13) for the accounting policy related to inventory valuation, Note 5(2) for the accounting estimation and uncertainties for inventory valuation, and Note 6(5) for the explanation of the allowance for inventory valuation losses, as disclosed in the consolidated financial statements. The balance of Inventories and Allowance for inventory valuation losses of the Group were NT$92,799 thousand and NT$24,596 thousand as of December31, 2022.

The Group manufactures and sales power supplies and computer cases. Due to the short life cycle and intense market competition of electronic products, there is a higher risk of inventory valuation losses and obsolescence. The inventories of the Group are evaluated by Lower of Cost or Market Method; for inventory that has exceeded a certain age and for specifically identified obsolete inventory, the net present value is based on historical market price information for dealing with obsolete inventory.

Due to the rapid technological changes in the industry of the Group and the high subjectivity involved in the assessment of obsolete inventories and the Lower of Cost or Market method used for their valuation, there is a high degree of estimation uncertainty. Considering the significant impact of Allowance for inventory valuation losses on the financial statements, we believe that the assessment of Allowance for inventory valuation losses of the Group is one of the most important audit matters for the year.

Audit procedures in response

Our audit procedures regarding the provision for inventory obsolescence and impairment of specific obsolete inventories aged beyond a specific period are summarized as follows:

1. Based on our understanding of the Group’s operations and industry, we evaluated the reasonableness of the policy and procedures adopted by the Group for the Allowance for inventory valuation losses.
2. We verified the appropriateness of the inventory aging report system used by the Group for inventory valuation to ensure the consistency with the policy in the report.
3. We discussed with the management and obtained supporting documents on the net realizable value of specific obsolete and damaged inventories, and evaluated the reasonableness of the Allowance for inventory valuation losses.

Assessment of Allowance for uncollectible accounts receivables (including other

receivables)

Explanatory Notes

Please refer to Note 4(10) "Financial Assets Impairment" in the consolidated financial statements for the accounting policy on the evaluation of Allowance for uncollectible accounts receivables. For information on the accounting estimation and uncertainties related to the impairment of Accounts receivables, please refer to Note 5(2) in the consolidated financial statements. For details on the Allowance for uncollectible accounts receivables, please refer to Note 6(4) and 7(2) in the consolidated financial statements. As of December 31, 2022, the Accounts receivables of the Group was NT$81,443 thousand (of which NT$49,442 thousand was deducted for Allowance for uncollectible accounts receivables).

The Group's Allowance for uncollectible accounts receivables is estimated based on historical experience, forward-looking information, and other known reasons or objective evidence of expected impairment losses. Any estimated uncollectible amount is recognized as an allowance for Accounts receivables in the current period. The Group regularly review the reasonableness of their loss estimation. Due to the subjective judgment of management in assessing the Allowance for uncollectible accounts receivables and the estimation uncertainty associated with various industry indicators and the likelihood of collecting accounts after the reporting period, we consider the evaluation of the Allowance for uncollectible accounts receivables of the Group as one of the most significant matters in the current audit, considering its material impact on the financial statements.

Audit procedures in response

The procedures performed by the auditor in response to the aforementioned matters are as follows:

1. Based on the understanding of the Group's operations and customer credit standards and in accordance with accounting principles, evaluate the reasonableness of the policies and procedures adopted for the Allowance for uncollectible accounts receivables, including the grouping and aging analysis of customer credit standards.
2. Evaluate the reasonableness of the estimated Allowance for uncollectible accounts receivables by management.
3. Evaluate the reasonableness of the Group's expected impairment loss estimation based on the adoption of the provision matrix.
4. Perform subsequent receivables tests to substantiate the adequacy of the Allowance for uncollectible accounts.

Fair value of financial assets - unlisted (OTC) equity securities in illiquid markets

Explanatory Notes

Regarding the accounting policy for measuring the fair value of financial assets -

unlisted (OTC) equity securities in illiquid markets, please refer to Note 4(7) of the consolidated financial statements; for the accounting estimation and uncertainties related to fair value measurement, please refer to Note 5(2) of the consolidated financial statements; and for the explanation of fair value measurement of financial instruments, please refer to Note 12(3) of the consolidated financial statements.

The Group's unlisted (OTC) equity investments in companies with illiquid market are recognized as financial assets measured at fair value through profit or loss. The management uses Market Approach for evaluating the fair value of these investments, with the main assumption of the determination of comparable companies and obtaining their most recent published carrying amount per share as a reference, as well as a deduction for market liquidity. Due to the subjectivity of fair value measurement of financial instruments, which relies on management's judgment and involves multiple assumptions and significant unobservable inputs, any changes in judgment and estimation may significantly impact the accounting estimation and have a high degree of estimation uncertainty. As the fair value measurement of unlisted (OTC) equity investments in companies with no active market has a significant impact on the current consolidated financial statements, we consider it one of the most important audit matters.

Audit procedures in response

The procedures undertaken with respect to the fair value measurement of unlisted stocks in inactive markets held by the Group are summarized as follows:

1. Understand and evaluate the Group's policies and procedures for the fair value measurement and disclosure of unlisted stocks in inactive markets, and the related valuation process.
2. Obtain the valuation expert's report used by the Group, and assess the expert's independence, expertise, and objectivity.
3. Evaluate the reasonableness of selecting comparable companies in the valuation report, including assessing the similarities between the business characteristics of the comparing objects and the Group under review, and comparing with other comparable market benchmarks.
4. Review the input values and calculation formulas used in the valuation model, and verify the relevance and reliability of the relevant information and supporting documents.

Other Matter–To issue an audit report on the parent company only financial statements

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Taipei, Taiwan

Yong Jian Syu
CPA
Han Ci Wu

Former Securities Administration Commission of the Ministry of Finance
Approved Assurance No. : (84) No. Taiwan-Financial-Securities-VI-13377
Former Securities and Futures Administration Commission of the Ministry of Finance
Approved Assurance No. : (90) No. Taiwan-Financial-Securities-VI-157088

March 30, 2023

SOLYTECH ENTERPRISE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current Assets					
1100	Cash and cash equivalents	6(1)	$ 274,885	16	$ 528,907	45
1136	Current Financial assets at amortized cost	6(3)	917,806	53	-	-
1170	Accounts receivables, net	6(4)	59,855	3	65,943	6
1200	Other receivables	7	21,588	1	20,065	2
130X	Inventories	6(5)	68,203	4	129,650	11
1410	Prepayments		26,792	2	29,242	2
1479	Other current assets, others	8	23,873	1	17,333	1
11XX	Current Assets		1,393,002	80	791,140	67
	Non-current assets					
1510	Financial assets at fair value through profit or loss – non-current	6(2)	94,877	5	141,294	12
1600	Property, plant and equipment	6(6) and 8	44,169	3	82,104	7
1755	Right-of-use assets	6(7)	17,192	1	9,807	1
1760	Investment property - net	6(9) and 8	165,166	10	146,610	12
1900	Other non-current assets	6(11) (14)	22,170	1	17,415	1
15XX	**Non-current assets**		343,574	20	397,230	33
1XXX	**Total assets**		$ 1,736,576	100	$ 1,188,370	100

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SOLYTECH ENTERPRISE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current Liabilities					
2100	Short-term borrowings	6(12)	$ -	-	$ 70,000	6
2170	Accounts payable		38,903	2	59,472	5
2200	Other payables	6(13)	34,129	2	25,540	2
2230	Current income tax liabilities		16	-	-	-
2250	Current provisions	6(15)	6,176	-	-	-
2280	Current Lease liabilities		10,923	1	2,217	-
2399	Other current liabilities, others		15,847	1	930	-
21XX	**Current Liabilities**		105,994	6	158,159	13
	Non-current liabilities					
2580	Non-current lease liabilities		6,438	1	110	-
2600	Other non-current liabilities		38,633	2	3,797	1
25XX	**Non-current liabilities**		45,071	3	3,907	1
2XXX	**Total Liabilities**		151,065	9	162,066	14
	Equity attributable to owners of the parent					
	Share capital	6(16)				
3110	Share capital - common stock		1,504,145	87	1,504,145	127
	Capital surplus	6(17)				
3200	Capital surplus		585,480	34	3,539	-
	Retained earnings	6(18)				
3350	Accumulated deficit		(706,336)	(41)	(552,318)	(47)
	Other equity	6(19)				
3400	Other equity interest		127,548	7	70,989	6
31XX	**Equity attributable to owners of the parent**		1,510,837	87	1,026,355	86
36XX	Non-controlling interests	6(19)	74,674	4	(51)	-
3XXX	**Total equity**		1,585,511	91	1,026,304	86
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 1,736,576	100	$ 1,188,370	100

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

Chairperson：Cheng, Chieh Manager：Cheng, Chieh Accounting Manager：Lin, Ta-Chiun

SOLYTECH ENTERPRISE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for the loss per share in New Taiwan dollars)

	Items	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Sales revenue	6(20) and 14	$ 237,989	100	$ 355,816	100
5000	Operating costs	6(5)	(240,544)	(101)	(348,022)	(98)
5900	Gross (loss) profit from operations		(2,555)	(1)	7,794	2
	Operating expenses	6(23)				
6100	Selling expenses		(31,269)	(13)	(29,480)	(8)
6200	General & administrative expenses		(98,665)	(42)	(108,649)	(31)
6300	Research and development expenses		(10,279)	(4)	(11,064)	(3)
6450	Expected credit gains (losses)	12(2)	(9,943)	(4)	258	-
6000	Total operating expenses		(150,156)	(63)	(148,935)	(42)
6900	Operating loss		(152,711)	(64)	(141,141)	(40)
	Non-operating income and expenses					
7100	Interest income		6,816	3	446	-
7010	Other income	6(21)	59,522	25	49,732	14
7020	Other gains and losses	6(22)	(69,721)	(29)	73,956	21
7050	Finance costs		(1,175)	(1)	(1,526)	-
7000	Total non-operating income and expenses		(4,558)	(2)	122,608	35
7900	**Loss before income tax**		(157,269)	(66)	(18,533)	(5)
7950	Income tax expense	6(25)	(30)	-	(5)	-
8200	**Loss for the year**		($ 157,299)	(66)	($ 18,538)	(5)
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plan	6(14)	$ 3,265	1	$ 873	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		58,559	25	602	-
8300	**Other comprehensive income for the year**		$ 61,824	26	$ 1,475	-
8500	**Total comprehensive income for the year**		($ 95,475)	(40)	($ 17,063)	(5)
	Loss attributable to:					
8610	Owners of the parent		($ 157,283)	(66)	($ 18,526)	(5)
8620	Non-controlling interests		(16)	-	(12)	-
	Total		($ 157,299)	(66)	($ 18,538)	(5)
	Comprehensive income attributable to:					
8710	Owners of the parent		($ 97,459)	(41)	($ 17,052)	(5)
8720	Non-controlling interests		1,984	1	(11)	-
	Total		($ 95,475)	(40)	($ 17,063)	(5)
	Losses per share	6(26)				
9750	Basic and diluted losses per share		($ 1.05)		($ 0.12)	

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

Chairperson：Cheng, Chieh Manager：Cheng, Chieh Accounting Manager：Lin, Ta-Chiun

SOLYTECH ENTERPRISE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Common stock	Capital surplus: Difference between consideration and carrying amount of subsidiaries acquired or disposed	Capital surplus: Changes in recognition of equity	Accumulated deficit	Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity
		EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
2021									
Balance at January 1		$ 1,504,145	$ -	$ 3,539	($ 534,665)	$ 70,388	$ 1,043,407	($ 40)	$ 1,043,367
Net loss for the year		-	-	-	(18,526)	-	(18,526)	(12)	(18,538)
Other comprehensive income	6(14)	-	-	-	873	601	1,474	1	1,475
Total comprehensive (loss) income		-	-	-	(17,653)	601	(17,052)	(11)	(17,063)
Balance at December 31		$ 1,504,145	$ -	$ 3,539	($ 552,318)	$ 70,989	$ 1,026,355	($ 51)	$ 1,026,304
2022									
Balance at January 1		$ 1,504,145	$ -	$ 3,539	($ 552,318)	$ 70,989	$ 1,026,355	($ 51)	$ 1,026,304
Net loss for the year		-	-	-	(157,283)	-	(157,283)	(16)	(157,299)
Other comprehensive income	6(14)	-	-	-	3,265	56,559	59,824	2,000	61,824
Total comprehensive (loss) income		-	-	-	(154,018)	56,559	(97,459)	1,984	(95,475)
Difference between consideration and carrying amount of subsidiaries disposed	6(19)	-	581,941	-	-	-	581,941	-	581,941
Changes in non-controlling interests	4(3)	-	-	-	-	-	-	72,741	72,741
Balance at December 31		$ 1,504,145	$ 581,941	$ 3,539	($ 706,336)	$ 127,548	$ 1,510,837	$ 74,674	$ 1,585,511

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

Chairperson：Cheng, Chieh　　Manager：Cheng, Chieh　　Accounting Manager：Lin, Ta-Chiun

SOLYTECH ENTERPRISE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		($ 157,269)	($ 18,533)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including investment property and right-of-use assets)	6(23)	21,106	19,849
Amortization expense	6(23)	1,275	1,307
Expected credit losses (gains)	12(2)	9,943	(258)
Impairment loss	6(10)	-	5,975
Net loss on financial assets at fair value through profit or loss	6(22)	46,417	22,257
Gain on disposal of investment		-	(127,947)
Gain on disposal of property, plant and equipment	6(22)	(4,770)	(36)
Loss on disposal of investment property	6(22)	5,679	-
Interest income		(6,816)	(446)
Dividend income	6(21)	(120)	-
Interest expense		1,175	1,526
Changes in operating assets and liabilities:			
Changes in operating assets			
Accounts receivables		5,268	41,727
Other receivables (including related parties)		6,933	55,051
Inventory		63,210	(30,721)
Prepayments		2,716	(16,379)
Other current assets		(6,535)	1,509
Other non-current assets		(2,379)	253
Changes in operating liabilities			
Accounts payable (including related parties)		(15,800)	(48,787)
Other payables		9,120	(26,824)
Provisions	6(15)	6,053	(554)
Other current liabilities		13,584	(4,171)
Cash outflow generated from operations		(1,210)	(125,202)
Interest received		4,799	446
Interest paid		(2,013)	(1,576)
Income tax paid		(251)	(47)
Cash dividends received		120	-
Net cash flows from (used in) operating activities		1,445	(126,379)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of financial assets at amortized cost		(917,806)	-
Acquisitions of property, plant and equipment	6(27)	(6,442)	(2,819)
Proceeds from disposal of property, plant and equipment		23,283	108
Proceeds from disposal of subsidiaries		654,682	-
Acquisition of investment property	6(9)	(3,974)	-
Increase in other non-current assets		-	(67)
Net cash used in investing activities		(250,257)	(2,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		120,000	270,000
Repayments of short-term borrowings		(190,000)	(280,000)
Repayments of long-term borrowings		-	(30,224)
Payments of lease liabilities	6(7)	(6,627)	(2,193)
Increase (decrease) in other non-current liabilities		34,746	(340)
Net cash used in financing activities		(41,881)	(42,757)
Effect of exchange rate		36,671	2,193
Net decrease in cash and cash equivalents		(254,022)	(169,721)
Cash and cash equivalents at beginning of year		528,907	698,628
Cash and cash equivalents at end of year		$ 274,885	$ 528,907

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

Chairperson：Cheng, Chieh Manager：Cheng, Chieh Accounting Manager：Lin, Ta-Chiun

Solytech Enterprise Corporation and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Thousands of New Taiwan Dollars)
(Unless Specified otherwise)

I. GENERAL

Solytech Enterprise Corporation (the "Corporation") was incorporated on October 21, 1982. The main business activities of the corporation and its subsidiaries (the "Group") include manufacturing and selling power supplies, computer cases, and electronic components.

II. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2023.

III. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

i. The impact of the newly adopted and revised International Financial Reporting Standards (IFRS) applied the endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The following table lists the standards and interpretations of the newly adopted, revised, and amended IFRS under the FSC's approval and effective as of the year 2022.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3「Conceptual Framework Index」	January 1, 2022
Amendments to IAS 16「Property Plant and Equipment：The price prior to achieving the predetermined usage status」	January 1, 2022
Amendments to IAS 37「Loss-making contract - Cost of fulfilling contract」	January 1, 2022
2018-2020 Annual improvement in the cycle	January 1, 2022

After assessing the above standards and interpretations, the Group has determined that there is no significant impact on the Group’s financial condition and performance.

ii. The impact of the not yet adopted and revised International Financial Reporting Standards (IFRS) applied the endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The following table lists the standards and interpretations of the newly adopted, revised, and amended IFRS under the FSC's approval as of the year 2023.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 1「Disclosures of accounting policies」	January 1, 2022
Amendments to IFRS 8「Definition of accounting estimates」	January 1, 2022
Amendments to IFRS 12「Deferred taxes related to assets and liabilities arising from transactions with a single transaction」	January 1, 2022

After assessing the above standards and interpretations, the Group has determined that there is no significant impact on the Group’s financial condition and performance.

iii. The impact of IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

The following table lists the standards and interpretations of the newly adopted, revised, and amended IFRS issued by the IASB but not yet approved by FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28「Disposals or contributions of assets between an investor and its related entities or joint ventures」	To be determined by IASB
Amendments to IFRS 16「Lease liability from sale and leaseback」	January 1, 2024
IFRS 17「Insurance Contracts」	January 1, 2023
Amendments to IFRS 17「Insurance Contracts」	January 1, 2023
Amendments to IFRS 17「First-time adoption of IFRS 17 and IAS 9 – comparative information」	January 1, 2023
Amendments to IAS 1「Classification of current or noncurrent liabilities」	January 1, 2024
Amendments to IAS 1「Noncurrent liabilities with contract clause」	January 1, 2024

After assessing the above standards and interpretations, the Group has determined that there is no significant impact on the Group 's financial condition and performance.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in this consolidated financial report are explained as follows. Unless otherwise indicated, these policies are consistently applied throughout all reporting periods.

i. Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards that have been approved by and published by the Financial Supervision Commission, International Accounting Standards and Standing Interpretations Committee (collectively, “Taiwan-IFRSs”).

ii. Basis of Preparation

1. The consolidated financial statements have been prepared on a historical cost basis, except for:
   (1) Financial assets measured at fair value through profit or loss.
   (2) Defined benefit assets recognized as the net amount of retirement fund assets reduced by the present value of defined benefit obligations.
2. The preparation of financial statements in accordance with the IFRSs requires the use of significant accounting estimates and the application of management judgments in the process of applying the Group’s accounting policies. For items involving significant judgments or complexity, or significant assumptions and estimates for consolidated financial statements, please refer to Note 5.

iii. Basis of Consolidation

1. The basis for the consolidated financial statements

(1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(2) All intra-group transactions, balances, and unrealized gains and losses are eliminated in full. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Group.

(3) Components of profit or loss and other comprehensive income of subsidiaries are attributed to the shareholders of the parent company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(4) Changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (ig. transactions with non-controlling interests) are equity transactions, which are transactions with owners in their capacity as owners. The differences between the adjustment amount of non-controlling interests and the fair value of consideration paid or received are recognized in equity.

2. Subsidiaries included in the consolidated financial statements are as follows：

			Percentage of ownership		
Investor	Subsidiary	Main business	December 31, 2022	December 31, 2021	Note
Solytech Enterprise Corporation	AMPLE CROWN INTERNATIONAL LTD.	Holding company	100	100	
Solytech Enterprise Corporation	FONG YIN INVESTMENT CO., LTD.	Investment company	100	100	
AMPLE CROWN INTERNATIONAL LTD.	SUNTECH TRADING LTD.	Order swapping company	100	100	
AMPLE CROWN INTERNATIONAL LTD.	COSMOS TREASURE HOLDINGS LTD.	Holding company	100	100	
AMPLE CROWN INTERNATIONAL LTD.	GIANT TREASURE LIMITED	Holding company	100	100	
AMPLE CROWN INTERNATIONAL LTD.	LAND TYCOON LIMITED	Holding company	100	100	
AMPLE CROWN INTERNATIONA	SURE VIVA LIMITED	Holding company	100	100	

L LTD.					
COSMOS TREASURE HOLDINGS LTD.	PREMIER ACTION TRADING LTD.	Holding company	100	100	

Investor	Subsidiary	Main business	Percentage of ownership December 31, 2022	Percentage of ownership December 31, 2021	Note
SURE VIVA LIMITED	DONGGUAN SOLYTECH ENTERPRISE CORPORATION	Manufacturing power suppliers	100	100	
PREMIER ACTION TRADING LTD.	DEER ELECTRONICS(DONGGUAN) CO.,LTD	Manufacturing power suppliers	50	100	Note
LAND TYCOON LIMITED	DONG GUAN SHUN SHENG TRADE CO.,LTD	Buying and selling computer cases	100	100	
DONGGUAN SOLYTECH ENTERPRISE CORPORATION	SHENZHEN QIANHAI SHUN CHENG ENTERPRISE CORPORATION	Developing and selling electronic system equipment	75	75	

In consideration of business strategies and asset revitalization, on May 31, 2022, the Board of Directors resolved to dispose of 50% equity interest in DEER ELECTRONICS(DONG GUAN) CO.,LTD to DONG GUAN NENG GUANG INDUSTRIAL INVESTMENT CO.,LTD.

3. Subsidiaries excluded from the consolidated financial statements：None.
4. Adjustments and treatments for subsidiaries with different balance sheet dates：None.
5. Significant restrictions：None.
6. Details of subsidiaries that have material non-controlling interests：

(1)Transaction with non-controlling interest

In consideration of business strategies and asset revitalization, on May 31, 2022, the Board of Directors resolved to dispose of 50% equity interest in DEER ELECTRONICS(DONG GUAN) CO.,LTD（”DEER”）to DONG GUAN NENGGUANG INDUSTRIAL INVESTMENT CO.,LTD（”NENGGUANG”）. The transaction price was determined based on an independent expert valuation report, and the total transaction price was RMB $152,500 thousand, which was received on November 29, 2022. The difference after deducting the cost is $581,941. As a result, since the transaction did not result in the loss of control over DEER, the capital surplus is recognized. Prior to the equity transfer, all expenses, liabilities, and taxes incurred by DEER, including any associated receivables and payables, were handled by the seller. After the equity transfer, NENGGUANG is entitled to the rent income from DEER 's land and factory in proportion to its ownership (after deducting relevant expenses), and the remaining operating performance of DEER, after deducting the aforementioned rent income, is fully enjoyed by the seller.

The equity changes of DEER attributable to shareholders of the parent in 2022 are as follows:

	2022 Non-controlling interest
Carrying amount of disposal of non-controlling interest (not losing control)	($ 72,741)
›nsideration received from non-controlling interest	654,682
Capital surplus-the difference between actual equity price from gain or disposal of subsidiaries and carrying amount	$ 581,941

(2)The Group’s significant information of non-controlling interest:

Name of subsidiary	Main operating location	Non-controlling interest December 31, 2022 Amount	Non-controlling interest December 31, 2022 Percentage of ownership	Note
DEER ELECTRONICS(DONG GUAN) CO.,LTD	Mainland China	$74,742	50%	

DEER ELECTRONICS(DONG GUAN) CO.,LTD summarized financial information：

Balance sheet

	December 31, 2022
Current assets	$ 230,919
Noncurrent assets	170,431
Current liabilities	(299,067)
Noncurrent liabilities	(42,832)
Total net asset	$ 59,451

Statements of comprehensive income

	2022
Revenue	$ 14,621
Income from operations	1,442
Other comprehensive income, net of income tax	-
Total comprehensive income	$ 1,442
Total comprehensive income contributable to non-controlling interest	$ 2,001
Dividends paid to non-controlling interest	$ -

Statements of cash flow

	2022
Net cash generated by operating activities	$ 4,697
Net cash generated by investing activities	-
Net cash generated by financing activities	(6,305)
Effect of exchanges rate changes on cash and cash equivalents	965
Net decrease in cash and cash equivalents	(643)
Cash and cash equivalents, beginning of year	48,213
Cash and cash equivalents, end of year	$ 47,570

iv. Translation of foreign currencies

1. The items included in the entities of the Group’s financial statements are measured by the currency used in the primary economic environment where the entities operate (functional currency). The consolidated financial statements are expressed in the Company’s functional currency, “New Taiwan Dollar.”
2. Foreign Currencies Transactions and Balances

   (1) Foreign currency transactions are translated into functional currency using

exchange rates prevailing on the transaction or measurement date. Exchange differences arising on the translation are recognized as gain or loss of the current period.

(2) Foreign currency of monetary assets and liabilities are revalued using exchange rate prevailing on the balance sheet date, and exchange differences arising on the revaluation are recognized as gain or loss of the current period.

(3) Foreign currency of non-monetary assets and liabilities that are measured at fair value through profit or loss are revalued using exchange rate prevailing on the balance sheet date, and exchange differences arising on the revaluation are recognized as gain or loss of the current period. Those that are measured at fair value through other comprehensive income are recognized as other comprehensive income. For non-fair value measured items, the historical exchange rate at the transaction date is used for measurement.

(4) All exchange differences are recognized as "Other gains and losses" in the income statement.

3. Foreign Operations Translation

(1) For all group entities and associates with functional currency different from the presentation currency, the operating results and financial position are translated into the presentation currency as follows:

A. Assets and liabilities presented in each balance sheet are translated using the closing exchange rate on the balance sheet date;

B. Income and expenses presented in each income statement are translated using the average exchange rate for the period; and

C. All exchange differences arising from translation are recognized in other comprehensive income.

(2) When the partially disposing or selling a foreign operation is a subsidiary, the cumulative translation differences previously recognized in other comprehensive income are proportionately reclassified to the non-controlling interest of the foreign operation. However, if the corporation has lost control over the foreign subsidiary operation, even if it still holds a portion of the ownership, the disposal of all ownership interest in the foreign operation is accounted for.

v. <u>Classification of non-current and current assets and liabilities</u>

1. An asset is classified as current under one of the conditions below：

(1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(2) The Group holds the asset primarily for the purpose of trading;

(3) The Group expects to realize the asset within twelve months after reporting period;

(4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

For those assets that are not current are classified as noncurrent.

2. A liability is classified as current under one of the conditions below：

(1) The Group expects to settle the liability in normal operating cycle;

(2) The Group holds the liability primarily for the purpose of trading;

(3) The liability is due to be settled within twelve months after the reporting period;

(4) The Group does not have an unconditional right to defer settlement of the

liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

For those liabilities that are not current are classified as noncurrent.

vi. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits conform to the conditions as mentioned above, and the Group holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

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

1. A financial asset measured at fair value through profit or loss refers to financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. For financial assets measured at fair value through profit or loss that meet trading customs, the Group uses trade date accounting.
3. The Group measures financial assets at fair value upon initial recognition, and transaction costs are recognized in profit or loss. Subsequently, gains or losses on fair value measurement are recognized in profit or loss.
4. When the right to receive dividends is established, and the economic benefits inflow associated with the dividends are likely, and the dividend amount can be reliably measured, the Group recognizes dividend income.

viii. Financial assets at amortized cost

1.A financial asset is measured at amortized cost if both of the following conditions are met：
   (1) The objective of the business model for managing the asset is to hold assets in order to collect contractual cash flows.
   (2) The asset’s contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. A regular way purchase or sale of financial assets at amortized cost Is recognized using trade date accounting.
3.The amount at which the financial assets are measured at initial recognition is the fair value plus transaction costs, and shall be subsequently measured by effective interest method to amortize any difference between that initial amount and the maturity amount as interest revenue, and impairment losses shall be recognized. At derecognition, the profit or loss is recognized in profit or loss.
4. As the holding periods of the time deposits held by the Group that do not conform to the conditions of cash equivalents are short, the effect of discounting is immaterial. They shall be measured by the investment amounts.

ix. Accounts and notes receivables

1. Accounts and notes receivables are the accounts and notes with the unconditional right to receive the consideration for the goods transferred or services rendered according to the contracts.
2. As the effect of discounting of short-term accounts and notes receivables without bearing interests is immaterial, they shall be measured by the original invoice amount.

x. Impairment of financial assets

At each balance sheet date, the Group shall assess whether the credit risk on financial assets at amortized cost has increased significantly since initial recognition. The Group shall consider all the reasonable and provable information, including foreseeing information. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Group shall measure the loss allowance for that instrument at an amount equal to lifetime expected credit losses. For those accounts receivables or contract assets not containing significant financing component, the Group shall measure the loss allowance at an amount equal to lifetime expected credit losses.

xi. Derecognition of financial assets

The Group shall derecognize the financial assets when the contractual rights to the cash flows from the financial assets expire.

xii. Lease of lessor－operating lease

The Group shall recognize the lease income associated with those leases less any incentives offered to the lessees as profit or loss on a straight-line basis over the lease term.

xiii. Inventories

Inventory is measured at the lower of cost and net realizable value, with cost determined by the weighted average method. The cost of finished goods and work in process includes raw materials, direct labor, other direct costs, and manufacturing overhead costs (allocated based on normal capacity), but excludes borrowing costs. In comparing cost and net realizable value, the item-by-item comparison method is used. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

xiv. Investments Accounted for Using Equity Method / Associates

1. Associates are all entities significantly influenced but not controlled by the Group, generally through directly or indirectly holding more than 20% of voting rights. The Group uses equity method for recognizing investments in associates and recognizes them at cost upon acquisition.
2. The Group recognizes its share of profit or loss from associates as part of its profit or loss, while other comprehensive income arising from associates is recognized as part of other comprehensive income. If the Group's share of losses in an associate equals or exceeds its interest in that associate (including any other unsecured receivables), the Group does not recognize any further losses unless it has a legal or constructive obligation or has made payments on behalf of the associate.
3. When there is a non-profit-or-loss or other comprehensive income equity change in an associate that does not affect the Group's percentage of ownership, the Group recognizes all equity changes in "capital surplus" according to its holding proportion.
4. Unrealized gains or losses from transactions between the Group and its associates are eliminated based on the Group's interest in the associates, unless there is evidence that the assets transferred in the transactions have been impaired. The accounting policies of the associates have been adjusted as necessary and are consistent with those adopted by the Group.
5. When the Group disposes an associate and loses significant influence over it, any previously recognized other comprehensive income related to the associate are accounted for in the same way as when the Group directly disposes the related assets or liabilities. That is, any previously recognized gains or losses

in other comprehensive income are reclassified to profit or loss upon disposal of the related assets or liabilities. If the Group loses significant influence over the associate, the profit and loss are reclassified from equity to profit and loss. If the Group still has significant influence over the associate, the previously recognized amounts in other comprehensive income are reclassified proportionally as described above.

xv. Property, plant and equipment

1. Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.
2. Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only if it's probable that future economic benefits associated with the item are expected to flow to the Group, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.
3. Property, plant and equipment are subsequently measured by cost model. Aside from land, which shall not be depreciated, straight-line method is used to allocate the depreciable amount of an asset over its useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
4. The residual value, useful life and depreciation method of an asset shall be reviewed at each financial year-end, and if expectations differ from previous estimate, or there's significant change in the consuming way of future economic benefits associated with the asset, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" since the date of the changes. The useful lives of each asset are listed below:

Buildings and Structures	5 ～ 45 years
Machinery and Equipment	2 ～ 5 years
Others	2 ～ 5 years

xvi. Lease of lessee－Right-of-use assets / Lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they become available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities are recognized on the lease commencement date as the present value of lease payments not yet paid, discounted using the implicit rate of the lease. Lease payments comprise:
   (1) fixed payments, less any lease incentives receivable, and
   (2) variable lease payments which depend on an index or a rate；
   Subsequently, the lease liabilities are measured using the effective interest method and the lease payments are recognized as interest expense over the lease term. When there are changes to the lease term or lease payments that are not lease modifications, the lease liabilities are remeasured and the right-of-use assets are adjusted for the revaluation amount.
3. Right-of-use assets are measured at cost from the commencement dates. The cost comprises:
   (1) The initial measurement of lease liabilities;
   (2) Lease payments made at or before the commencement date;
   (3) Initial direct costs;

Subsequently, the right-of-use assets are measured using the cost model and are depreciated over the term which is the shorter of lease term and the useful life of the asset. When lease liabilities are remeasured, any revaluation amount is adjusted to the right-of-use assets.

xvii. Investment properties

An investment property is measured initially at cost, and subsequently measured by cost model. Except for land, other investment properties shall be depreciated by straight-line method over their useful life listed below:

Right-of-use assets	50 years
Buildings and Structures	45 years

xviii. Impairment of non-financial assets

The Group shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Group shall assess the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the cash-generating unit's net fair value and its value in use. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

xix. Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowing using the effective interest method.

xx. Accounts and notes payables

1. Accounts and notes payables are liabilities to pay for goods or services that have been received from the supplier in operations or not in operations.
2. As the effect of discounting of short-term accounts and notes payables without bearing interests is immaterial, they shall be measured by the original invoice amount.

xxi. Derecognition of financial liabilities

The Group shall derecognize a financial liability from its statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

xxii. Provisions

The provision is recognized when there is a present legal or constructive obligation resulting from past events, for which it's probable that economic benefits resources are expected to outflow to settle the obligation, and the amount can be measured reliably. The measurement of the provision is best estimated the present value of the outflows required to settle the obligation as of the balance sheet date. The discount rate is a pre-tax discount rate that reflects the time value and the specific risks associated with the liability. The amortization of the discount is recognized as interest expense. Future operating losses cannot be recognized as provision.

xxiii. Employee benefits

1. Short-term employee benefits

The Group shall derecognize a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2. Pension

(1) Defined Contribution Plan

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

(2) Defined Benefit Plan

A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amounts earned by employees in the current or past service periods, and deducting the fair value of the plan assets as of the balance sheet date. The net benefit obligation is calculated annually using the Projected Unit Credit Method by an actuary, and the discount rate is determined by the market yield on high-quality corporate bonds with currency and terms consistent with those of the plan on the balance sheet date. In countries where high-quality corporate bonds do not have deep markets, the market yield on government bonds (as of the balance sheet date) is used instead.

B. Remeasurements of defined benefit plans are recognized in other comprehensive income when they occur, and are presented in retained earnings.

3. Termination Benefits

Termination benefits are provided to employees in exchange for termination of their employment either upon normal retirement date or upon employees' decision to accept the Corporation's invitation for voluntary termination. The Group recognizes the expense at the earlier of the time when it can no longer withdraw the offer of termination benefits and recognizing related restructuring costs. Benefits not expected to be settled within 12 months after the balance sheet date are discounted.

4. Employee and Director/Supervisor Remuneration

Employees' and director's/supervisors' remuneration are recognized as expenses and liabilities provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

xxiv. <u>Taxation</u>

1. The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable. An additional tax on unappropriated earnings is recognized as income tax expenses on unappropriated earnings in the year the shareholders' meeting approves the distribution of earnings based on the actual distribution.
3. Deferred income tax shall be recognized for the temporary differences between the

tax bases of assets and liabilities and their carrying amounts in the financial statements, except to the extent that the deferred tax liabilities arise from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The Group shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries and associates, if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4. Deferred tax assets shall be reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.
5. When there is a legally enforceable right to offset the recognized current income tax assets and liabilities and it is intended to settle or simultaneously realize the assets and liabilities on a net basis, the current income tax assets and liabilities are offset; and when there is a legally enforceable right to offset the current income tax assets and liabilities and the deferred tax assets and liabilities arise from income tax assessed by the same tax authority on the same taxpayer, or different taxpayers with the intention of settling on a net basis or simultaneously realizing the assets and liabilities, the deferred tax assets and liabilities are offset.

xxv. Revenue recognition

1. The Group manufactures and sells power suppliers, computer cases and products related to electronic components. Sales revenue is recognized when control of the product is transferred to the customer, which occurs upon delivery. At that point, the customer has the discretion to determine the distribution channel and price of the product, and the Group has no remaining obligations that could affect the customer's acceptance of the product. The risks of obsolescence, loss, and damage have been transferred to the customer upon delivery to the specified location, and revenue recognition occurs when the acceptance criteria of the sales contract have been objectively met.
2. Sales revenue is recognized at the net amount after deducting estimated sales returns and allowances from the contract price. The revenue recognition amount is limited to the portion that is highly probable to not undergo significant reversals in the future and is updated on each balance sheet date. Payment terms for sales transactions primarily range from 30 to 210 days after the transfer of control, and therefore, significant financing components are not considered in the contract.
3. Accounts receivables are recognized upon transfer of control of the product to the customer because, at that point, the Group has an unconditional right to the contract price, which is collectible from the customer only through the passage of time.

xxvi. Operating segments

The segment information shall be reported by the same way as the internal management report provided to the chief operating decision maker. The operations results of operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The identified chief operating decision maker is the board of directors.

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

When preparing the consolidated financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable expectations for future events based on the condition at the balance sheets date. However, these estimates and assumptions could differ from the actual result; thus they could be assessed and adjusted by taking into account historical experiences and other factors. The estimates and assumptions could result in risks that require a material adjustment to the carrying amount of assets and liabilities in the next fiscal year. The Group has included the economic impact of the COVID-19 pandemic in its significant accounting estimates and will continue to assess its impact on the financial position and performance. The uncertainty of significant accounting judgments, estimates and assumptions is as follows：

i. Significant judgment used in adopting accounting policies

The Group has not made any significant accounting judgments in the adoption of accounting policies.

ii. Critical Accounting Estimates and Assumptions

1. Assessment of Allowance for Doubtful Accounts

   The Group evaluates individual Accounts receivable for objective evidence of impairment and recognizes an Allowance for doubtful accounts when it is determined that the future collection of the receivable is not probable. The amount of the allowance is based on expected credit losses evaluated considering forward-looking information and other relevant factors. If the information and factors indicate a slowdown or decrease, a significant impairment loss may be recognized.

   As of December 31, 2022, the balances of Accounts receivable (including other receivables) and Allowance for doubtful accounts were $130,885 and $49,442, respectively.

2. Valuation of Inventory

   As inventories are measured by the lower of cost and net realizable value, the Group has to utilize judgment and estimates to determine the net realizable value of inventories at the balance sheet date. Due to the rapid pace of technological change, the Group evaluates the amount of inventory that is impaired due to normal wear and tear, obsolescence, or lack of market demand as of the balance sheet date and writes down the inventory cost to net realizable value. This inventory valuation is primarily based on estimates of product demand for a specific future period, and therefore, may result in significant changes.

   As of December 31, 2022, please refer to Note 6(5) for the carrying amount of inventory.

3. Financial Assets - Fair Value Measurement of Unlisted (OTC) Company Stocks with no Active Market

   The fair value measurement of unlisted (OTC) company stocks without an active market held by the Group is mainly based on estimates of recent financing activities, valuation of similar companies, the Group’s technological development, market conditions, and other economic indicators. Any changes in judgments and estimates may affect the fair value measurement. Please refer to Note 12(3) for further explanation on fair value measurement of financial instruments.

   As of December 31, 2022, for the carrying amount of unlisted (OTC) company stocks without an active market held by the Group, please refer to Note 6(2).

VI. Explanation of Significant Accounts

i. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 9,473	$ 456
Checking and demand deposits	265,412	528,451
Total	$ 274,885	$ 528,907

1. As the correspondent banks are credible and the Group has several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.
2. The cash or cash equivalents were not pledged as collateral.
3. The corporation has reclassified time deposits that do not meet the definition of cash equivalents as "Financial assets measured at amortized cost". Please refer to Note 6(3) for more detail.

ii. Financial assets and liabilities at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Noncurrent		
Enforced financial assets at fair value through profit or loss		
Non-listed and over-the-counter (OTC) stocks	$ 176,359	$ 176,359
Adjustments for change in value	(81,482)	(35,065)
Total	$ 94,877	$ 141,294

1. Details for Financial assets at fair value through profit or loss recognized in the income statement are as follow：

	2022	2021
Enforced financial assets at fair value through profit or loss		
Equity instruments	($ 46,417)	($ 22,257)

2. For details for Financial assets at fair value through profit or loss, please refer to Note 12(3).

iii. Financial assets measured at amortized cost

Items	December 31, 2022	December 31, 2021
Current		
Time deposit matured after three months	$ 917,806	$ -

1. The profit or loss arising from financial assets at amortized cost recognized is as follows：

	2022	2021
Interest revenue	$ 5,801	$ -

2. Without considering the collaterals held and other credit enhancement, as of December 31, 2022 and 2021, the most representative credit risk exposure amounts of financial assets at amortized cost are the carrying amount.

3. Please refer to Note 12(2) for the credit risk related to financial assets at amortized cost. As the counterparties of the investments in demand deposits are credible financial institutions, the probability of default is expected to be very low.

iv. Accounts receivable (including related parties)

	December 31. 2022	December 31. 2021
Notes receivable	$ 441	$ 569
Accounts receivable	66,142	70,822
Deduct：Allowance loss	(6,728)	(5,448)
	$ 59,855	$ 65,943

1. As of December 31, 2022 and 2021, the balances of notes and accounts receivables are arising from contracts with customers. And as of January 1, 2021, the balance of accounts receivables amounted to NT$260,363.

2. Without consider the collaterals held and other credit enhancement, as of December 31, 2022 and 2021, the most representative credit risk exposure amounts of financial assets at amortized cost are the carrying amount.
3. The Group does not hold any collateral.
4. Please refer to Note 12.2 for the credit risk related to accounts receivables.

v. Inventories

	December 31, 2022		
	Cost	Allowance for price decline	Carrying amount
Raw materials	$ 41,185	($ 6,439)	$ 34,746
Work in process	2,236	(499)	1,737
Finished goods	38,706	(11,781)	26,925
Merchandise	10,672	(5,877)	4,795
Total	$ 92,799	($ 24,596)	$ 68,203

	December 31, 2021		
	Cost	Allowance for price decline	Carrying amount
Raw materials	$ 59,520	($ 5,500)	$ 54,020
Work in process	491	(103)	388
Finished goods	87,172	(18,586)	68,586
Merchandise	10,528	(3,872)	6,656
Total	$ 157,711	($ 28,061)	$ 129,650

The inventory cost recognized as an expense in the current period by the Group：

	2022	2021
Inventory cost sold	$ 237,546	$ 335,125
Inventory valuation losses (gain from price recovery)	(3,828)	10,617
Unamortized manufacturing expenses	141	306
Inventory written-off losses	6,685	1,974
	$ 240,544	$ 348,022

Since part of the inventories whose net present value were lower than cost were sold and written off in 2022, the net present value of the inventories are recovered, resulting in a decrease in cost of revenue.

vi. Property, plant and equipment

	Land		Buildings and Structures		Machinery and Equipment		Other Equipment		Total
January 1, 2022									
Cost	$	14,986	$	568,038	$	409,461	$	109,628	$ 1,102,113
Accumulated depreciation and impairment		-	(	514,039)	(	405,754)	(	100,216)	(1,020,009)
	$	14,986	$	53,999	$	3,707	$	9,412	$ 82,104
2022									
January 1	$	14,986	$	53,999	$	3,707	$	9,412	$ 82,104
Addition		-		-		-		5,822	5,822
Disposal		-	(	13,853)	(	1,945)	(	2,715)	(18,513)
Reclassification		-	(	17,073)		-	(	220)	(17,293)
Depreciation expense		-	(	2,135)	(	1,402)	(	4,972)	(8,509)
Net exchange differences		-		452		51		55	558
December 31	$	14,986	$	21,390	$	411	$	7,382	$ 44,169
December 31, 2022									
Cost	$	14,986	$	37,051	$	30,725	$	51,889	$ 134,651
Accumulated depreciation and impairment		-	(	15,661)	(	30,314)	(	44,507)	(90,482)
	$	14,986	$	21,390	$	411	$	7,382	$ 44,169

	Land	Buildings and Structures			Machinery and Equipment			Other Equipment	Total
		For personal use	For rental	Subtotal	For personal use	For rental	Subtotal	For personal use	
January 1, 2021									
Cost	$ 14,986	$ 716,714	$80,668	$ 797,382	$ 393,640	$17,506	$ 411,146	$ 109,681	$ 1,333,195

Accumulated depreciation and impairment	-	(573,234)	(36,073)	(609,307)	(389,674)	(13,037)	(402,711)	(98,163)	(1,110,181)
	$ 14,986	$ 143,480	$44,595	$ 188,075	$ 3,966	$4,469	$ 8,435	$ 11,518	$ 223,014
2021									
January 1	$ 14,986	$ 143,480	$44,595	$ 188,075	$ 3,966	$4,469	$ 8,435	$ 11,518	$ 223,014
Addition	-	-	-	-	405	-	405	2,626	3,031
Disposal	-	-	-	-	-	-	-	(72)	(72)
Reclassification	-	(80,826)	(44,595)	(125,421)	3,510	(3,510)	-	-	(125,421)
Depreciation expense	-	(3,514)	-	(3,514)	(3,447)	(916)	(4,363)	(4,353)	(12,230)
Impairment loss	-	(4,981)	-	(4,981)	(716)	-	(716)	(278)	(5,975)
Net exchange differences	-	(160)	-	(160)	(11)	(43)	(54)	(29)	(243)
December 31	$ 14,986	$ 53,999	$ -	$ 53,999	$ 3,707	$ -	$ 3,707	$ 9,412	$ 82,104
December 31, 2021									
Cost	$ 14,986	$ 568,038	$ -	$ 568,038	$ 409,461	$ -	$ 409,461	$ 109,628	$ 1,102,113
Accumulated depreciation and impairment	-	(514,039)	-	(514,039)	(405,754)	-	(405,754)	(100,216)	(1,020,009)
	$ 14,986	$ 53,999	$ -	$ 53,999	$ 3,707	$ -	$ 3,707	$ 9,412	$ 82,104

For information on reclassification from part of buildings and structures to investment properties, please refer to Note 6(9).

vii. Lease transaction－lessee

1. For the underlying assets of the lease transactions of the Group, except for the duration of lease term of land-use-right is 50 years, the duration of lease term of buildings and multifunctional business machines is usually 1 to 2 years. The lease contracts are negotiated individually and applicable to different terms and conditions. Besides that leased assets cannot be pledged as loan collateral, there are no other limitations.
2. The land-use-right lease of the Group was a land-use-right contract signed in 2003 and 2005 with the government of the People's Republic of China, with the land located in the People's Republic of China. The duration of lease term was 50 years.
3. For information on reclassification from part of land-use-rights to investment properties, please refer to Note 6(9).
4. The duration of lease term of the multifunctional business machines of the Group are within twelve months.
5. The carrying amounts of the right-of-use assets and recognized depreciation/amortization expenses are as follows：

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Buildings	$ 17,192	$ 2,299
Land-use-rights	-	7,508
	$ 17,192	$ 9,807

	2022	2021
	Depreciation/amortization expenses	Depreciation/amortization expenses
Buildings	$ 6,766	$ 2,193
Land-use-rights	123	241
	$ 6,889	$ 2,434

6. As for year 2022 and 2021, the addition of right-of-use assets of the Group were NT$21,638 and NT$1,789, respectively.
7. Information on profit and loss related to lease contract is as follows：

	2022	2021
Items affecting the current year's profit and loss		
Interest expense from lease liability	$ 395	$ 46
Expense from short-term lease contract	324	287

8. The total leasing cash outflow of the Group as for years 2022 and 2021 were NT$7,346 and NT$2,526, respectively.

viii. Lease transaction－lessor

1. The underlying assets of the lease transactions that the Group involves are buildings, machinery and equipment. The duration of lease term is usually 1 to 5 years. The lease contracts are negotiated individually and applicable to different terms and conditions. In order to guarantee the condition of the leased assets, the Group usually requests the lessees not to sell, transfer the whole or part of the lease assets, or use the lease assets as collaterals.

2.Gains on recognition of lease contract as for year 2022 and 2021 are as follows：

	2022	2021
Rent income	$ 52,293	$ 30,157

3. The duration of operating lease term of the Group is as follow：

	December 31, 2022	December 31, 2021
2022	$ -	$ 1,776
2023	133,263	932
2024	132,375	-
2025	140,097	-
After 2026	351,897	-
Total	$ 757,632	$ 2,708

ix. Investment properties

	Land and land-use-right	Buildings and Structures	Total
January 1, 2022			
Cost	$ 21,993	$ 245,078	$ 267,071
Accumulated depreciation and impairment	(5,157)	(115,304)	(120,461)
	$ 16,836	$ 129,774	$ 146,610
2022			
January 1	$ 16,836	$ 129,774	$ 146,610
Addition	-	3,974	3,974
Reclassification	7,490	17,073	24,563
Disposal	-	(5,679)	(5,679)
Accumulated depreciation and impairment	(438)	(5,831)	(6,269)
Net exchange differences	160	1,807	1,967
December 31	$ 24,048	$ 141,118	$ 165,166
December 31, 2022			
Cost	$ 34,269	$ 470,435	$ 504,704
Accumulated depreciation and impairment	(10,221)	(329,317)	(339,538)
	$ 24,048	$ 141,118	$ 165,166

	Land and land-use-right	Buildings and Structures	Total
January 1, 2021			
Cost	$ 6,701	$ 18,542	$ 25,243
Accumulated depreciation and impairment	-	(8,270)	(8,270)

		$ 6,701	$ 10,272	$ 16,973
2021				
January 1		$ 6,701	$ 10,272	$ 16,973
Reclassification		10,484	125,421	135,905
Accumulated depreciation and impairment		(309)	(5,426)	(5,735)
Net exchange differences		(40)	(493)	(533)
December 31		$ 16,836	$ 129,774	$ 146,610
December 31, 2021				
Cost		$ 21,993	$ 245,078	$ 267,071
Accumulated depreciation and impairment		(5,157)	(115,304)	(120,461)
		$ 16,836	$ 129,774	$ 146,610

1. Rent income from investment properties and direct operating expenses：

	2022	2021
Rent income from investment properties	$ 52,293	$ 28,948
Direct operating expenses incurred by the investment properties with current rental income	$ 13,804	$ 2,577
Direct operating expenses not incurred by the investment properties with current rental income	$ 1,927	$ 3,158

2. The fair value of investment properties held by the Group were NT$716,768 and NT$173,645 as of December 31, 2022 and 2021, respectively. The fair value mentioned above is evaluated based on the appraisal report and reference of the market transaction prices of similar properties in the adjacent area. The result is classified as Level 3 fair value.
3. For information on investment properties pledged as collateral, please refer to Note 8.

x. Impairment on nonfinancial assets

1. Impairment loss of the Group was NT$5,975 in 2021, the details as follows：

	2021
	Recognized as profit and loss
Impairment loss－buildings and structures	$ 4,981
Impairment loss－machinery and equipment	716
Impairment loss－other assets	278
	$ 5,975

There was no impairment loss in 2022.

2.Details on aforementioned impairment loss disclosed based on sections are as follows：

	2021
	Recognized as profit and loss
Electronic components	$ 5,975

3. The Group evaluates the recoverable amount of its assets by deducting the disposal costs from their fair value, as assessed by an independent valuation expert using the cost method. The replacement cost is determined by either the consumer price index method or by inquiring the new market price from machine manufacturers. The result is classified as Level 3 fair value.

xi. Other noncurrent assets

	December 31,2022	December 31,2021
Net defined benefit assets	$ 16,462	$ 13,428
Guarantee deposits paid	3,599	1,206
Deferred expense	2,109	2,781
	$ 22,170	$ 17,415

xii. Short-term borrowings

Nature of borrowing	December 31, 2021	Range of interest rates	Collateral
Bank borrowings			
Secured borrowings	$ 70,000	1.55%	Property, Plant and Equipment and Investment properties

1. As of December 31, 2022, all short-term borrowings of the Group have been fully repaid.
2. Regarding the credit limit for short-term borrowings, a part of it is jointly guaranteed by the Chairman. Please refer to Note 7 for details.
3. Please refer to Note 8 for the short-term borrowings pledged as collateral.

xiii. Other payables

	December 31, 2022	December 31, 2021
Salaries and Bonuses Payables	$ 12,816	$ 15,395
Commission Payables	7,179	584
Administrative Payables	5,521	-
Labor Costs Payables	2,131	2,139
Business tax received	1,609	83
Utilities Payables	553	2,665
Other	4,320	4,674
	$ 34,129	$ 25,540

xiv. Pension

1. Defined benefit plans

(1) The Corporation and its domestic subsidiaries have defined benefit plans under the R.O.C. Labor Standards Law. This applies to the seniority of all regular employees before the implementation of the Labor Pension Act on July 1, 2005, and the subsequent seniority of employees who choose to continue to apply the Labor Standards Act. Employees met the criteria are provided with benefits based on his or her length of service and average monthly salary for the six-month period prior to retirement. For seniority within 15 years (inclusive), two base salaries will be given for each full year, and for seniority exceeding 15 years, one base salary will be given for each full year, up to a maximum of 45 base salaries. The Corporation sets aside 2% of the total payroll each month for the retirement fund, which is stored in a special account under the name of the Supervisory Committee of Labor Retirement Reserve at Bank of Taiwan. In addition, the Corporation estimates the balance of the aforementioned retirement fund account before the end of each fiscal year. If the balance is insufficient to pay the retirement benefits calculated for the next year for employees who are expected to meet the retirement conditions, the Corporation will make up the difference in one lump sum by the end of March of the next year.

(2) Amounts recognized on the balance sheet were as follow：

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	$ 16,885	$ 17,383
Fair value of plan assets	(33,347)	(30,811)
Net defined benefit asset (Recognized as noncurrent assets)	($ 16,462)	($ 13,428)

(3)Changes in the net defined benefit asset were as follows：

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit asset
2022			
Balance, January 1	$ 17,383	($ 30,811)	($ 13,428)
Current service cost	311	-	311
Interest expense (revenue)	104	(184)	(80)
	17,798	(30,995)	(13,197)
Remeasurement:			
Return on plan assets (Note)	-	(2,352)	(2,352)
Changes arising from changes in financial assumption	(512)	-	(512)
Changes arising from experience adjustments	(401)	-	(401)
	(913)	(2,352)	(3,265)
Balance, December 31	$ 16,885	($ 33,347)	($ 16,462)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit asset
2021			
Balance, January 1	$ 17,426	($ 30,260)	($ 12,834)
Current service cost	318	-	318
Interest expense (revenue)	52	(91)	(39)

	17,796	(30,351)	(12,555)
Remeasurement:			
Return on plan assets (Note)	-	(460)	(460)
Changes arising from changes in demographic assumptions	10	-	10
Changes arising from changes in financial assumption	(309)	-	(309)
Changes arising from experience adjustments	(114)	-	(114)
	(413)	(460)	(873)
Balance, December 31	$ 17,383	($ 30,811)	($ 13,428)

Note: Excluding amounts included in interest revenue or expenses.

(4) The Corporation's defined benefit retirement plan fund assets are entrusted to Bank of Taiwan for investment and management according to the proportion and amount range of the entrusted operating items determined in the annual investment plan of the fund. The entrusted operations are carried out in accordance with Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, i.e., depositing funds in domestic and foreign financial institutions, investing in listed, OTC or private equity securities in domestic and foreign markets, and investing in securitized real estate products in domestic and foreign markets. The related utilization situation is supervised by the Supervisory Committee of Labor Retirement Reserve. The minimum annual distribution of income for the fund’s operation shall not be lower than the income calculated based on the two-year time deposit interest rate of the local bank. If the minimum distribution cannot be met, it shall be supplemented by the National Treasury after approval by the competent authority. Since the Corporation has no authority to participate in the operation and management of the fund, it is unable to disclose the classification of the fair value of plan assets in accordance with Paragraph 142 of International Accounting Standard No. 19. The fair value of the total assets of the fund as of December 31, 2022 and 2021 is disclosed in the annual Labor Pension Fund Utilization Report published by the government.

(5) The principal assumptions of pension were summarized as follow: ：

	2022	2021
Discount rate	1.20%	0.60%
Future salary increase rate	2.00%	2.00%

The assumption for future mortality rates is based on the published statistical data and experience in various countries. The analysis of present value of defined benefit obligations affected by changes arising from changes in financial assumption is as follows：

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				

Effect on present value of defined benefit obligation	($ 204)	$ 210	$ 166	($ 162)
December 31, 2021				
Effect on present value of defined benefit obligation	($ 242)	$ 249	$ 202	($ 197)

The sensitivity analysis presented above examines the impact of a single assumption change while assuming other assumptions remain constant. In practice, changes in many assumptions may be interrelated. The sensitivity analysis is consistent with the method used to calculate the net defined benefit liabilities on the balance sheet.

The method and assumptions used for the sensitivity analysis in the current period are the same as those used in the previous period.

(6) It is expected that no funds will be contributed to the retirement plan by the Corporation for the year ended 2023.

(7) As of December 31, 2022, the weighted average remaining service life of the retirement plan was 5 years.

2. Defined contribution plan

(1) Since July 1, 2005, the Corporation and its domestic subsidiaries have established a defined contribution retirement plan in accordance with the Labor Pension Act, which is applicable to employees of Taiwanese nationality. Under this plan, for the portion of employees who have elected to participate in the Labor Pension Act, the Corporation and its domestic subsidiaries contributes 6% of the employee's monthly salary to the individual account established by the employee with the Bureau of Labor Insurance. Retirement benefits are paid in the form of either monthly pension or lump sum, depending on the balance of the individual account and its accumulated earnings.

(2) In accordance with the retirement insurance system established by the government of the People's Republic of China, DEER ELECTRONICS (DONG GUAN) CO.,LTD, DONGGUAN SOLYTECH ENTERPRISE CORPORATION, SUPERCASE INTERNATIONAL CORPORATION, DONG GUAN SHUN SHENG TRADE CO.,LTD and SHENZHEN QIANHAI SHUN CHENG ENTERPRISE CORPORATION set aside a certain proportion of the total salary of local employees as a monthly contribution to the pension fund. As for years 2022 and 2021, the contribution rate were 8%. The pension of each employee are managed and arranged by the government. In addition to the monthly contributions, the group has no further obligations.

(3) As of years 2022 and 2021, the retirement benefits cost recognized by the Group under this retirement plan were NT$4,170 and NT$4,927, respectively.

xv. Provision

	2022	2021
Balance, January 1	$ -	$ 129,071
Provision added	6,053	(554)
Provision used	-	(127,280)
Effect in exchange rate	123	(1,237)
Balance, December 31	$ 6,176	$ -

The analysis of the provision is as follows：

	December 31, 2022	December 31, 2021

Current	$ 6,176	$ -

1. In the fiscal year 2022, the Group prematurely terminated a contract with a lessee due to the disposal of 50% equity interest in the subsidiary DEER ELECTRONICS (DONG GUAN) CO.,LTD. As a result, the lessee claimed a legal compensation of RMB $5.4 million. The Group sought appropriate legal advice and has recognized a provision for the expected outcome of the litigation. As of December 31, 2022, no court ruling has been obtained.
2. In the fiscal year 2020, the Group prematurely terminated a contract with a lessee due to the disposal of the subsidiary Top Rich Inc. and the indirect transfer of 100% equity interest of SUPERCASE INTERNATIONAL CORPORATION. As a result, the lessee claimed a legal compensation of RMB $39million.After seeking appropriate legal advice, the Group assessed that it is most likely required to pay a compensation of RMB $30million to settle the obligation. Accordingly, the Group recognized a provision for the amount of RMB $30million (equivalent to approximately NT$133million). However, for the year ended 2021, the Group obtained a loss appraisal report from an independent third-party expert appointed by the court, and after considering the results of the appraisal and the lessee's security deposit of RMB $5million, which was withheld at the time of the disposal, the Group concluded that the provision was no longer necessary and reversed the provision in the fourth quarter of fiscal year 2021. In May 2022, the Group obtained a court ruling that it is not liable for compensation.

xvi. Share capital

As of December 31, 2022, the authorized capital of the Corporation is NT$3,500,000, divided into 350,000 thousand shares, and the paid-up capital is NT$1,504,145. The approved number of outstanding common shares is 150,414,536 shares, with a par value of NT$10 per share. All of the issued shares have been fully paid for.

xvii. Capital surplus

1. According to the regulation of the Company Act, where a corporation incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the corporation, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Based on the relevant regulations of Securities and Exchange Act, where a corporation intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed 10% of paid-in capital. A corporation shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.
2. For details on significant changes of capital surplus in 2022, please refer to Note 4(3).

xviii. Retained earnings (accumulated deficit)

1. The annual net profit of the Corporation shall be distributed in the following order：
   (1) Offsetting losses in prior years;
   (2) Setting aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount;
   (3) Setting aside or rotating special reserve according to the rule set out by the government authority in charge. If the special reserves to be set aside are the net decrease of other equity and the net increase of fair value of investment properties accumulated from previous periods, the same amount shall be set aside from the retained earnings of previous periods. If there is

any deficiency, the remaining amount shall be set aside from the current year's net profit after tax, excluding items beyond the net profit after tax. The proposal for the distribution of the distributable profit shall be prepared by the Board of Directors. If the distribution is to be made by issuing new shares, it shall be subject to the approval of the shareholders' meeting. If the distribution is to be made in cash, the Board of Directors shall be authorized to distribute dividends and bonuses or legal reserve and capital surplus in whole or in part after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. Considering the variable industry environment, the corporation's life cycle is in the growth stage and is moving towards diversified development. In light of the corporation's future capital needs, long-term financial planning, and shareholders' demand for cash inflows, the corporation plans to allocate not less than 10% of the distributable profits to distribute dividends to shareholders every year. However, if the accumulated distributable profits are less than 5% of the paid-in capital, dividends may not be distributed. When distributing dividends to shareholders, they may be distributed in cash or shares, and the cash dividends shall not be less than 10% of the total dividend amount. However, when the cash dividend per share is less than one New Taiwan Dollar, the entire cash dividend may be converted into a share dividend.
3. The legal reserve shall not be used except for offsetting losses of the corporation and for issuing new shares or cash in proportion to the original shareholders' shares. However, when issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. When distributing profits, the corporation may only do so after allocating special reserves according to legal regulations to the other equity items in the debit balance on the balance sheet as of the end of the fiscal year. Only when the other equity items in the debit balance are reversed can the reversal amount be included in the distributable profits.
5. On March 30, 2023, the corporation's board of directors passed a resolution on the loss make-up proposal.
6. The loss make-up proposal approved by the shareholders' meeting on June 21, 2022, and July 29, 2021 is consistent with the proposal put forward by the board of directors of the corporation.
7. For information on employee compensation and director and supervisor remuneration, please refer to Note 6(24).

xix. Other equity and non-controlling interest

	2022	
	Other equity-foreign currencies translation	Non-controlling interest
January 1	$ 70,989	($ 51)
Differences in foreign currencies translation:		
–Group	56,559	2,000
Increase in non-controlling interest	-	72,741
Decrease in non-controlling interest	-	(16)
December 31	$ 127,548	$ 74,674

	2021	
	Other equity - foreign currencies translation	Non-controlling interest
January 1	$ 70,388	($ 40)
Differences in foreign currencies translation:		
–Group	601	1

	2022	2021
Loss in non-controlling interest	-	(12)
December 31	$ 70,989	($ 51)

Please refer to Note 4(3) for details of changes in non-controlling interest in 2022.

xx. Operating revenue

Customer contract revenue segmentation

The revenue of the Group originates from goods transferred at a certain point in time. For revenue information, please refer to Note 14.

xxi. Other revenue

	2022	2021
Rent income	$ 52,293	$ 30,157
Dividend income	120	-
Income transferred from payables	-	15,265
Other income	7,109	4,310
Total	$ 59,522	$ 49,732

xxii. Other gains and expenses

	2022	2021
Gains on disposals of property, plant and equipment	$ 4,770	$ 36
Loss on disposal of investment properties	(5,679)	-
Gains on disposal of investment	-	127,947
Net exchange gains (losses) of foreign currencies	17,899	(18,825)
Losses on financial assets at fair value through profit or loss	(46,417)	(22,257)
Impairment loss	-	(5,975)
Commission expenses	(6,235)	-
Plant demolition loss	(9,081)	-
Depreciation expenses of investment properties	(5,831)	(5,426)
Administrative expenses of investment properties	(9,462)	-
Compensation loss	(6,053)	-
Other expenses	(3,632)	(1,544)
Total	($ 69,721)	$ 73,956

xxiii. Additional information on nature of expenses

	2022	2021
Employee benefits expenses	$ 122,007	$ 106,417
Depreciation expense (Note 1)	15,275	14,423
Amortization expense (Note2)	837	1,307
	$ 138,119	$ 122,147

Note 1: includes depreciation expenses from property, plant and equipment and right-of-use assets.

Note 2: refers to amortization expenses for right-of-use assets and deferred expenses.

xxiv. Employee benefits expenses

	2022	2021
Payroll expenses	$ 106,428	$ 89,419
Labor and health insurance expenses	3,613	4,010
Pension expenses	4,401	5,206
Other employment expenses	7,565	7,782
	$ 122,007	$ 106,417

1. In accordance with the Articles of Incorporation, if there is still a remainder after deducting accumulated losses based on the profit situation of the current year, the Corporation shall distribute employee compensation at a rate of 5% to 10% and director compensation at a rate of 3% or lower when distributing profits.
2. As of December 31, 2022 and 2021, the Corporation has accumulated losses. According to the Articles of Incorporation, no provision was made for employee, director and supervisor compensation.
3. The information about the employees', directors' and supervisors' compensation resolved by the board of directors is available at the Market Observation Post System website.

xxv. Taxation

1. Income tax expense：

	2022	2021
Current tax：		
Tax generated from current profit	$ 30	$ 5
Tax expense	$ 30	$ 5

2. Explanation on the relationship between tax expense and accounting profit：

	2022	2021
Tax payables calculated by profit before tax multiplying the enacted tax rates (Note)	($ 31,426)	($ 3,704)
Impact of unrecognized deferred tax assets arising from temporary differences	10,397	(11,476)
Deferred tax assets unrecognized for tax losses	21,486	15,085
Income tax impact of permanent differences	(427)	100
Tax expense	$ 30	$ 5

Note：The applicable tax rate is calculated based on the tax rate applicable to income in the relevant country.

3. The Group did not have any deferred tax assets or liabilities for the year ended December 31, 2022.

4. The deductible deadline of unused tax loss and amount of the unrecognized deferred tax assets are as follows：

December 31, 2022

Year of occurrence	Declared/verified amount	Undeducted amount	Amount of unrecognized deferred tax asset	Last deductible year
2015	$ 62,802	$ 62,802	$ 62,802	2025
2016	54,364	54,364	54,364	2026
2017	63,620	63,620	63,620	2027
2018	28,546	28,546	28,546	2028
2019	41,317	41,317	41,317	2029
2021	56,665	56,665	56,665	2031
2022	104,126	104,126	104,126	2032
	$ 411,440	$ 411,440	$ 411,440	

December 31, 2021

Year of occurrence	Declared/verified amount	Undeducted amount	Amount of unrecognized deferred tax asset	Last deductible year
2012	$ 50,911	$ 28,051	$ 28,051	2022
2015	62,802	62,802	62,802	2025
2016	54,364	54,364	54,364	2026
2017	63,620	63,620	63,620	2027
2018	28,546	28,546	28,546	2028
2019	41,317	41,317	41,317	2029
2021	56,665	56,665	56,665	2031
	$ 358,225	$ 335,365	$ 335,365	

5. Profit-seeking Enterprise Income Taxes of the Corporation have been verified by the tax collection authority until 2020.

xxvi. Earnings per share

	2022	2021
Basic and diluted earnings per share		
Loss attributable to shareholders of the parent	($ 157,283)	($ 18,526)
Weighted average number of shares outstanding (in thousands shares)	150,415	150,415
Basic and diluted earnings per share (in NTD)	($ 1.05)	($ 0.12)

xxvii. Supplementary information of cash flows

Cash payments of Property, plant and equipment：

	2022	2021
	$	$
Purchase of Property, plant and equipment	5,822	3,031
Add：Payables on machinery and Equipment, beginning balance	461	32
Add：Prepayments on machinery and Equipment, ending balance	376	217
Less：Prepayments on machinery and Equipment, beginning balance	(217)	-
Less：Payables on machinery and Equipment, ending balance	-	(461)
	$	$
Cash payments in the current period	6,442	2,819

xxviii. Changes in the liabilities arising from financing activities

Please refer to the effect in the statements of cash flow for the changes in short-term borrowings and lease principal repayments from financing activities during the fiscal years 2022 and 2021.

VII. Related Party Transactions

i. Related party names and relationships

Related party name	Relationship with the Group
HENAN SHOUXIANG ELECTRONIC CO.,LTD	Associate of the Group
CHENG,CHIEH	Chairperson of the Group

ii. Significant transactions with related parties

1. Other receivables- substitutional purchase

	December 31, 2022	December 31, 2021
Other receivables- HENAN SHOUXIANG	$ 33,954	$ 33,451
Less：Allowance loss	(33,954)	(33,451)
	$ -	$ -

2. As of December 31, 2022 and 2021, the Chairman of the Corporation has provided joint guarantees for short-term borrowings.

iii. Information on key management personnel compensation

	2022	2021
Short-term employee benefits	$ 14,472	$ 14,359
Post-employment benefits	190	190
Total	$ 14,662	$ 14,549

VIII. Pledged assets

The assets pledge as collaterals are as follows：

Assets	Carrying amount December 31, 2022	December 31, 2021	Object
Noncurrent assets			
- demand deposit	$ 23,863	$ 17,317	Drawdown limited by litigation
Property, plant and equipment			
- land	14,986	14,986	short-term bank loans
- buildings and structures	21,390	22,213	short-term and composition bank loans
Investment properties			
- land	6,701	6,701	short-term and composition bank loans
- buildings and structures	9,556	9,914	short-term and composition bank loans
	$ 76,496	$ 71,131	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

The Group prematurely terminated its contract with a lessee due to the disposal of a subsidiary. As a result, the lessee filed a legal claim for RMB $5.4million. The company has engaged legal counsel to handle the litigation proceedings. Please refer to Note 6(15) for further details.

X. Significant Losses on Disaster

None.

XI. Significant Subsequent Events

None.

XII. Others

i. Capital Risk Management

The objective of the Group's capital management is to ensure that it operates continuously and maintains optimal capital structure to decrease the cost of capital and maximize the shareholders' equity. The Group adjusts dividend payment, issues new shares, or disposes assets for the purpose of decreasing debts, adjusting and maintaining the capital structure.

ii. Financial instruments

1. Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at fair value through profit or loss	$ 94,877	$ 141,294
Financial assets measured at amortized cost	1,276,419	612,183
	$ 1,371,296	$ 753,477

Financial liabilities		
Financial liabilities measured at amortized cost	$ 73,032	$ 155,012
Lease liability	17,361	2,327
	$ 90,393	$ 157,339

Note：Financial assets measured at amortized cost includes cash and cash equivalents, financial assets measured at amortized cost, accounts receivables and other current assets; financial liabilities measured at amortized cost includes short-term borrowings, accounts payable and other payables.

2. Risk Management Policies

(1) The Group adopts a comprehensive risk management and control system to clearly identify, measure, and control all kinds of risks (including market risk, credit risk, liquidity risk, and cash flow risk) so that the management can effectively engage in controlling and measuring market risk, credit risk, liquidity risk, and cash flow risk.

(2) In order to effectively manage various market risks, the Group's management authorities will consider the economic environment, competitive conditions, and the impact of market value risk, to achieve optimized risk positions, maintain appropriate liquidity positions, and centrally manage all market risks.

3. Nature and extent of significant financial risks

(1)Market risk

Currency risk

A. The Group operates across borders and is therefore exposed to currency risks arising from various currencies, mainly the USD and RMB. Relevant currency risks arise from future business transactions, recognized assets and liabilities, and net investments in foreign operations.

B. The Group's management has established policies that require each company within the Group to manage its functional currency-related currency risk. Each company within the Group should hedge its overall currency risk through the Group's finance department. To manage currency risks arising from future business transactions and recognized assets and liabilities, each company within the Group uses forward foreign exchange contracts through the Group's finance department. When future business transactions, recognized assets or liabilities are denominated in foreign currencies other than the parent company's functional currency, currency risk arises.

C. The Group's business involves several non-functional currencies (the functional currency of the Corporation and some subsidiaries is the New Taiwan Dollar, and the functional currency of some subsidiaries is the RMB), and thus is subject to the impact of currency fluctuations. Information on foreign currency assets and liabilities affected by significant currency fluctuations is as follows：

	December 31, 2022				
	Foreign currencies		Carrying amount	Sensitivity analysis	
(Foreign currencies: functional currency)	(in thousand)	Exchange rate	(NTD)	Fluctuation range	Effect on comprehensive

					income
Financial assets					
Monetary item					
USD：NTD	$ 36,061	30.728	$1,108,082	1%	$11,081
RMB：NTD	124,704	4.4111	550,082	1%	5,501
EUR：NTD	3,038	32.7038	99,354	1%	994
JPY：NTD	381,450	0.2318	88,420	1%	884
Nonmonetary item					
Foreign operating unit					
RMB：NTD	($101,306)	4.4111	($ 446,871)		
Financial liabilities					
Monetary item					
USD：NTD	$ 2,702	30.728	$ 83,027	1%	$ 830
USD：RMB	20,863	4.4111	641,078	1%	6,411

	December 31, 2021				
	Foreign currencies		Carrying amount	Sensitivity analysis	
(Foreign currencies: functional currency)	(in thousand)	Exchange rate	(NTD)	Fluctuation range	Effect on comprehensive income
Financial assets					
Monetary item					
USD：NTD	$ 36,375	27.683	$1,006,969	1%	$10,070
USD：RMB	130	6.3702	3,599	1%	36
RMB：NTD	811	4.3457	3,524	1%	35
Nonmonetary item					
Foreign operating unit					
RMB：NTD	($ 54,266)	4.3457	($ 235,824)		
Financial liabilities					
Monetary item					
USD：RMB	$ 17,763	6.3702	$ 491,733	1%	$ 4,917

D. The explanation of the unrealized exchange losses or gains for the monetary items of the Group due to significant effects from exchange rate fluctuations is as follows：

	2022		
	Foreign exchange net gain or loss		
	Foreign currencies (in thousand)	Exchange rate	Carrying amount
(Foreign currencies: functional currency)			
Financial assets			
Monetary item			
USD：NTD		30.728	($ 8,102)
RMB：NTD		4.4111	12,263
EUR：NTD		32.7038	1,626
JPY：NTD		0.2318	515
Financial liabilities			
Monetary item			
USD：NTD		30.728	($ 1,554)
USD：RMB	RMB (3,405)	6.9661	(15,020)

	2021		
	Foreign exchange net gain or loss		
	Foreign currencies (in thousand)	Exchange rate	Carrying amount
(Foreign currencies: functional currency)			
Financial assets			
Monetary item			
USD：NTD		27.683	($ 31,896)
USD：RMB	(RMB 2)	6.3702	(9)
RMB：NTD		4.3457	(14)
Financial liabilities			
Monetary item			
USD：RMB	RMB 8,983	6.3702	$ 39,037

Price risk

A. As the investments held by the Group are classified as financial assets measured at fair value through profit or loss in the consolidated balance sheet, the Group is exposed to price risk of equity instruments. The Group does not expose to merchandise price risk. To manage the price risk of equity instrument investments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.

B. The Group mainly invests in equity instruments issued by domestic companies, and the prices of these equity instruments may be affected by the uncertainty of the future value of the investment targets. If the prices of these equity instruments increase or decrease by 1% while all other factors remain unchanged, the profit for the years 2022 and 2021 will respectively increase or decrease by NT$759 and NT$1,130, due to the gains or losses from equity instruments measured at fair value through profit or loss.

Cash flow and fair value interest rate risk

A. The interest rate risk of the Group arises from short-term borrowings. Borrowings issued at a floating rate subject the Group to cash flow interest rate risk, which is partially offset by cash and cash equivalents held at a floating rate. Borrowings issued at a fixed rate expose the Group to fair value interest rate risk.

B. If the interest rate on New Taiwan Dollar borrowings increases or decreases by 1% on December 31, 2022 and 2021, assuming all other factors remain constant, the profit for 2022 and 2021 will respectively decrease or increase by $0 and $560, mainly because floating rate borrowings led to an increased/decreased in interest expenses.

(2)Credit risk

A. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risks from accounts receivables that the counterparty is unable to pay off by the payment term, and the contractual cash flows measured at amortized cost.

B. In the Group's daily sales transactions, for new customers and most existing customers, transactions are mostly conducted through prepayments or cash receipts. When there is a credit limit requirement, besides reviewing the transaction records with the Group, external agencies are consulted for credit verification or current economic and financial conditions are evaluated to mitigate the credit risk of specific customers.

C. When the payment of contract receivables exceeds the agreed-upon payment terms by more than 90 days, the credit risk of financial assets has significantly increased upon initial recognition. When the payment of contract receivables exceeds the agreed-upon payment terms by more than 365 days, it is considered to have defaulted.

D. The Group evaluates the expected credit losses on accounts receivables by individually estimating expected credit losses for significant defaulted accounts receivables, and for the remaining balances, grouping them by customer ratings based on the Group's credit standards and estimating expected credit losses using different loss rate methods or reserve matrices for different groups. The Group also considers forward-looking factors, such as the indicator query system of National Development Council, to adjust the loss rate established based on historical and current information during a specific period. As of December 31, 2022 and 2021, the loss allowance for accounts and notes receivables estimated individually and by using the reserve matrix were as follows：

	Individual assessment	Not overdue	1-90 days overdue	91-180 days overdue	181-360 days overdue	Overdue over 360 days	Total
December 31, 2022							
Expected loss rate	100%	0.05%	0.05%~ 0.21%	0.31%~ 20.79%	23.35%~ 64.64%	100.00%	
Total carrying amount	$ -	$ 56,898	$ 1,968	$ 423	$ 1,842	$ 5,452	$ 66,583
Loss allowances	$ -	$ 30	$ 1	$ 85	$ 1,160	$ 5,452	$ 6,728

December 31, 2021	Individual assessment	Not overdue	1-90 days overdue	91-180 days overdue	181-360 days overdue	Overdue over 360 days	Total
Expected loss rate	100.00%	0.05%	0.05%~ 0.23%	0.05%	51.88%	100.00%	
Total carrying amount	$ -	$ 65,035	$ 892	$ 10	$ 83	$ 5,371	$ 71,391
Loss allowances	$ -	$ 33	$ 1	$ -	$ 43	$ 5,371	$ 5,448

E. The accounts receivable aging analysis of the Group were as follows：

	December 31, 2022	December 31, 2021
Not overdue	$ 56,898	$ 65,035
Within 90 days	1,968	892
91-180 days	423	10
181-360 days	1,842	83
Over 360 days	5,452	5,371
	$ 66,583	$ 71,391

The above aging analysis was based on the number of days past due.

F. As for December 31, 2022 and 2021, other receivable – related parties were respectively NT$33,954 and NT$33,451. The Group evaluates the expected credit losses by using individual estimation method, and loss allowance were NT$33,954 and NT$33,451, respectively. As for December 31, 2022 and 2021, other receivable - non-related parties were respectively NT$30,348 and NT$20,065, and loss allowance were NT$8,760 and NT$0, respectively.

G. The table showing the changes in loss allowance for accounts and other receivables of the Group using the simplified method is as follow：

	2022	2021
	Accounts/other receivable	Accounts/other receivable
January 1	$ 38,899	$ 47,251
Recognition of impairment loss (recovery)	9,943	(258)
Amounts written off due to uncollectible	-	(7,767)
Effect of exchange rate fluctuations	600	(327)
December 31	$ 49,442	$ 38,899

The amounts above represent the impairment loss recognized for accounts receivable generated by customer contracts.

(3)Liquidity risk

A. Cash flow forecasts are executed by the operating entities within the group and are consolidated by the group's finance department. The group's finance department monitors the forecasted liquidity needs of the group to ensure that it has sufficient funds to support its operations and maintains adequate unused borrowing capacity at all times to prevent the group from violating any relevant borrowing limits or clauses.

B. Any excess cash held by the operating entities beyond the requirements of working capital management is transferred back to the group's finance department. The group's finance department invests the excess funds in interest-bearing demand deposit, time deposits, money market deposits, and marketable securities with appropriate maturities or sufficient liquidity to meet the aforementioned forecast and provide adequate headroom.

C. The non-derivative financial liabilities of the group are grouped by relevant dates, and the analysis of non-derivative financial liabilities is based on the remaining period from the balance sheet date to the contract expiry date. The disclosed contract cash flow amounts in the table below are undiscounted：

Non-derivative financial liabilities			
December 31, 2022	Within 1 year	1 to 2 years	Total
Lease liability	$ 11,403	$ 6,501	$ 17,904
December 31, 2021	Within 1 year	1 to 2 years	Total
Lease liability	$ 2,242	$ 110	$ 2,352

Except as described above, all of the group's non-derivative financial liabilities mature within the next year.

D. The group does not anticipate significant early cash flow occurrences or significant variances in actual amounts from the cash flow analysis of the maturity dates.

iii. Fair Value Information

1. The definitions of the various levels of valuation techniques adopted to measure the fair value of financial and non-financial instruments are as follows：

Level 1：quoted prices (unadjusted) in active markets for identical assets or liabilities that entities can access at the measurement date. An active market is the market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed share investments held by the Group falls within this level.

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

Level 3：unobservable inputs for the assets or liabilities.

2. Please refer to Note 12(2) for the non-fair value information of financial instruments and Note 6(9) for fair value information of investment properties measured at cost.

3. For financial instruments measured at fair value, the Group classified assets and liabilities by the nature, characteristics, risks and fair value level. Related information is as follows：

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				

Financial assets at fair value through profit or loss - equity securities	$ -	$ -	$ 94,877	$ 94,877

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss - equity securities	$ -	$ -	$141,294	$141,294

4. The methods and assumptions used by the Group to measure fair value are described below：
   (1) The Group uses market quotes as the fair value input value (i.e. Level 1), and according to the characteristics, for listed, OTC, and emerging stock companies, the market quote is the closing price.
   (2) Besides aforementioned financial instruments which have active market, for those do not have an active market, their fair value is obtained through valuation techniques or reference to quotes from market counterparties. The fair value obtained through valuation techniques can be referred to the fair value of other similar financial instruments with similar characteristics and conditions, discounted cash flow method or other valuation techniques, including models based on market information available on the consolidated balance sheet data (e.g. OTC market reference dividend yield curve, Reuters commercial paper average interest rate quote).
   (3) The output of the valuation model is an estimated approximation, and the valuation techniques may not reflect all the factors relevant to the Group's holdings of financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted appropriately based on additional parameters, such as model risk or liquidity risk. Based on the Group's fair value evaluation model management policy and related control procedures, the management believes that valuation adjustments are appropriate and necessary to fairly represent the fair value of financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the valuation process are carefully evaluated and adjusted appropriately based on current market conditions.
   (4) The Group incorporates credit risk evaluation adjustments into the calculation of the fair value of financial and non-financial instruments to reflect both counterparty credit risk and the Group's credit quality.
5. The valuation process for fair value classified as Level 3 is conducted by external appraisers and the Finance and Accounting Department, who are responsible for independent fair value verification of financial instruments. Independent source data is used to bring the valuation results closer to market conditions, to confirm that the data sources are independent, reliable, consistent with other resources and representative of executable prices, and to update the input values and data required by the valuation model and any other necessary fair value adjustments to ensure that the valuation results are reasonable. Investment properties are valued periodically by the Finance and Accounting Department in accordance with the valuation methods and parameter assumptions announced by the Financial Supervisory Commission or by external appraisers. The Finance and Accounting Department also establishes policies, procedures and confirms compliance with relevant international financial reporting standards for the fair value evaluation of financial instruments.
6. In fiscal years 2022 and 2021, there were no transfers between level 1 and level 2.
7. The following table shows the changes in level 3 for fiscal years 2022 and 2021：

	Equity instruments

	2022	2021
January 1	$ 141,294	$ 163,551
Gain (Loss) recognized in profits and losses	(46,417)	(22,257)
December 31	$ 94,877	$ 141,294

There were no transfers in or out of level 3 in years 2022 and 2021.

8. Regarding items measured at fair value using valuation models categorized as Level 3, the quantitative information of significant unobservable inputs and sensitivity analysis of significant unobservable inputs are explained as follows：

	December 31, 2022 Fair value	Evaluation techniques	Significant unobservable input	Interval (weighted-average)	Input and fair value relationships
Non-derivative equity instrument：					
Unlisted Listed Company Stock	$ 94,877	Comparable to listed companies	Net Share Price and Multiplier Ratio	1.04%~6.78%	The higher the multiplier, the higher the fair value;
			Lack of market liquidity discount	10%~30%	The more lack of market liquidity discount, the lower the fair value.

	December 31, 2021 Fair value	Evaluation techniques	Significant unobservable input	Interval (weighted-average)	Input and fair value relationships
Non-derivative equity instrument：					
Unlisted Listed Company Stock	$ 141,294	Comparable to listed companies	Net Share Price and Multiplier Ratio	1.30%-6.97%	The higher the multiplier, the higher the fair value;
			Lack of market liquidity discount	10%-30%	The more lack of market liquidity discount, the lower the fair value.

9. The Group has carefully evaluated the valuation models and parameters adopted. However, using different valuation models or parameters may result in different valuation results. For financial assets and financial liabilities classified as level 3, the impact on the current period's profit or loss or other comprehensive income due to changes in valuation parameters is as follows：

				December 31, 2022 Recognized in profits and losses	
	Term	Input	Changes	Favorable changes	Adverse changes
Financial assets					
Equity instruments	December 31, 2022	Lack of liquidity discount	±1%	$ 1,369	($ 1,341)

December 31, 2021

	Term	Input	Changes	Recognized in profits and losses Favorable changes	Adverse changes
Financial assets					
Equity instruments	December 31, 2021	Lack of liquidity discount	±1%	$ 2,011	($ 2,025)

iv. Other

Due to the COVID-19 pandemic, during the fiscal year 2021, except for some subsidiaries that qualified for the phased reduction or subsidy of the social insurance implemented by the local government, the pandemic did not have a significant impact on the Group. There was no such situation in the fiscal year 2022.

XIII. Other disclosures

The following transactions between the Corporation and its subsidiaries have been eliminated upon consolidation and are disclosed for reference purposes.

i. Information on significant transactions

1. Loans to others：Please refer to Table 1.
2. Provision of endorsements and guarantees to others：None。
3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures)：Please refer to Table 2.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Corporation’s paid-in capital or more：None.
5. Acquisition of real estate reaching NT$300 million or 20% of the Corporation’s paid-in capital or more：None.
6. Disposal of real estate reaching NT$300 million or 20% of the Corporation’s paid-in capital or more：None.
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more：None.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more：None.
9. Trading in derivative instruments：None.
10. Business relationships among the parent company and subsidiaries, and significant intercompany transactions：None.

ii. Information on investees

The information about company names, locations, etc. of investees（excluding Mainland China investees）：Please refer to Table 3.

iii. Information on investees in Mainland China

1. Basic information：Please refer to Table 4.
2. Significant transaction events arising directly or indirectly from investees made through third-party entities or investments in mainland China：Please refer to Table 3.

iv. Information on major shareholders

Information on major shareholders：Please refer to Table 5.

XIV. Operating Segments Information

i. General information

The main business of the Group is research and development, manufacturing, sales, and after-sales service of products such as power suppliers, computer cases, networking (including trade), and electronic components. The management team operates based on product categories and expands business by developing differentiated products based on the characteristics and demands. In 2017, the Group established a new department for networking (including trade), which uses the factory equipment of the original LCD power supply factory as its production base and takes on network communication and trade orders. Starting from the fiscal year 2021, in order to maximize the use of the Group's overall resources and expand business in all aspects of the electronic industry, the overall business unit was integrated into a single operating segment. Based on the judgment, the reportable segment of the Group should be the electronic component segment.

The information of the operating segment is compiled in accordance with the Group's accounting policies. The management team mainly evaluates performance and allocates resources based on the revenue and operating profit/loss of the operating segment.

ii. Segment information

The reportable segment information provided to the chief operating decision maker is as follows：

Electronic components segment	2022	2021
Net external revenue	$ 237,989	$ 355,816
Revenue from internal segments	1,258	2,326
Segment revenue	$ 239,247	$ 358,142
Segment profit or loss	($ 152,711)	($ 141,141)
Depreciation and amortization	$ 22,381	$ 21,465

iii. Information on reconciliation of segment profit or loss

The reconciliation of revenue from reportable segments and enterprise revenue and the profit and loss from reportable segments and continual operating segments are as follows：

Revenue	2022	2021
Total revenue reportable segments	$ 239,247	$ 358,142
Offset revenue within segments	(1,258)	(2,326)
Enterprise revenue	$ 237,989	$ 355,816
Profit and loss	**2022**	**2021**
Profit and loss from reportable segments	($ 152,711)	($ 141,141)
Profit and loss from other operating segments	-	-

Operating segment subtotal	(152,711)	(141,141)
Non-operating income and expenses	(4,558)	122,608
Net loss before income tax	($ 157,269)	($ 18,533)

iv. Product information

	2022	2021
PC power suppliers	$ 165,535	$ 185,622
Computer cases	60,161	83,962
Fiber optic modem	-	71,335
Other	12,293	14,897
Total	$ 237,989	$ 355,816

v. Geographic information

The geographic information of the Group for the years ended December 31, 2022 and 2021 is as follows：

	2022		2021	
	Revenue	Noncurrent assets	Revenue	Noncurrent assets
Mainland China	$ 118,795	$ 168,336	$ 178,895	$ 179,962
United States	54,077	-	74,268	-
Taiwan	45,942	60,299	63,089	61,341
Other	19,175	-	39,564	-
Total	$ 237,989	$ 228,635	$ 355,816	$ 241,303

vi. Important customer information

Customers accounting for 10% of sales revenue in income statement of the Group for the years ended December 31, 2022 and 2021 is as follows：

	2022		2021
	Revenue		Revenue
Client O	$ 56,971	Client N	$ 71,335
Client U	37,227	Client O	63,170
Client W	24,981	Client U	48,469
	$ 119,179		$ 182,974

olytech Enterprise Corporation and Subsidiaries

FINANCINGS PROVIDED

2022

Table 1

(Amounts In Thousands of New Taiwan Dollars)

(Unless Specified Otherwise)

No	Financing Company	Counterparty	Financial Statement Account	Related Party Account	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
1	DEER ELECTRONICS(DONG GUAN) CO.,LTD	DONGGUAN SOLYTECH ENTERPRISE CORPORATION	Other receivables	Yes	$ 3,366	$ -	$ -	6.00%	The need for short-term financing	$ -	Operating capital	$ -	-	-	$ 23,780	$ 23,780	Note
2	COSMOS TREASURE HOLDINGS LIMITED	DEER ELECTRONICS(DONG GUAN) CO.,LTD	Other receivables	Yes	$ 206,506	$ 206,506	$ 221,242	0.50%	The need for short-term financing	$ -	Operating capital	$ -	-	-	$ 562,441	$ 562,441	Note
3	COSMOS TREASURE HOLDINGS LIMITED	DONGGUAN SOLYTECH ENTERPRISE CORPORATION	Other receivables	Yes	$ 392,541	$ 392,541	$ 413,292	0.50%	The need for short-term financing	$ -	Operating capital	$ -	-	-	$ 1,406,102	$ 1,406,102	Note
4	COSMOS TREASURE HOLDINGS LIMITED	DONG GUAN SHUN SHENG TRADE CO.,LTD	Other receivables	Yes	$ 20,951	$ 20,951	$ 21,510	0.50%	The need for short-term financing	$ -	Operating capital	$ -	-	-	$ 1,406,102	$ 1,406,102	Note

Note:The Corporation's regulations for "Financings provided process" to total amount loaned and to single recipient are as follows:

(1)For financings provided to companies with business relations, the total amount loaned shall not exceed 100% of the Corporation's net worth; the amount loaned to single recipient is limited to the amount of business relations between both parties.

(2)For companies with the need for short-term financing, the total amount loaned shall not exceed 40% of the Corporation's net worth; the amount loaned to single recipient shall not exceed 40% of the Corporation's net worth.

(3)The Corporation directly or indirectly holds 100% shares of voting rights of foreign companies which borrow loans for the need for short-term financing. The total amount loaned shall not exceed 100% of the Corporation's net worth, the amount loaned to single recipient shall not exceed 100% of the Corporation's net worth, and the financial term is limited to 10 years.

Solytech Enterprise Corporation and Subsidiaries

MARKETABLE SECURITIES HELD （EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTROLLING PART）

2022

Table 2

(Amounts In Thousands of New Taiwan Dollars)

(Unless Specified Otherwise)

				Ending Balance				Note
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares	Carrying value	Percentage of Ownership	Fair value	
Solytech Enterprise Corporation	HWA ZHIN VENTURE CAPITAL CORPORATION SHARE	No	Financial assets at fair value through profit and loss	5,435	$ 267	1.09%	$ 267	
Solytech Enterprise Corporation	METAGONE BIOTECH INC. SHARE	No	Financial assets at fair value through profit and loss	6,946,410	94,610	19.52%	94,610	

Solytech Enterprise Corporation and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

2022

Table 3

(Amounts In Thousands of New Taiwan Dollars)

(Unless Specified Otherwise)

				Original Investment Amount		Balance as of December 31, 2022					
Investor Company	Investee Company	Location	Main Businesses and Products	December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
Solytech Enterprise Corporation	AMPLE CROWN INTERNATIONAL LTD.	Samoa	Holding company	$ 2,045,975	$ 2,045,975	64,390,001	100	$ 984,504	($ 100,297)	($ 100,297)	
Solytech Enterprise Corporation	FONG YIN INVESTMENT CO.,LTD	Taiwan	Investing company	14,500	14,500	1,450,000	100	18,327	2,015	2,015	
AMPLE CROWN INTERNATIONAL LTD.	SUNTECH TRADING LIMITED	Samoa	Order transferring company	-	-	1	100	9,828	(1,659)	(1,659)	
AMPLE CROWN INTERNATIONAL LTD.	COSMOS TREASURE HOLDING LTD.	British Virgin Islands	Holding company	2,043,841	2,043,841	64,320,000	100	1,406,102	(224,189)	(224,189)	
AMPLE CROWN INTERNATIONAL LTD.	GIANT TREASURE LIMITED	Samoa	Holding company	-	-	1	100	-	-	-	
AMPLE CROWN INTERNATIONAL LTD.	SURE VIVA LIMITED	Samoa	Holding company	-	-	1	100	(415,861)	135,248	135,248	
AMPLE CROWN INTERNATIONAL LTD.	LAND TYCOON LIMITED	Samoa	Holding company	2,134	2,134	70,001	100	(15,565)	(9,697)	(9,697)	
COSMOS TREASURE HOLDING LTD.	PREMIER ACTION TRADING LTD.	British Virgin Islands	Holding company	1,425,391	1,425,391	44,820,000	100	659,664	(240,339)	(240,339)	

Solytech Enterprise Corporation and Subsidiaries
INFORMATION ON INVESTMENT IN MAINLAND CHINA－BASIC INFORMATION
2022

Table 4

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of Balance as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
DEER ELECTRONICS(DONG GUAN) CO.,LTD	Manufacturing and sales of power supplies, transformers, converters and other computer-used electronics	$ 900,945	2	$ 900,945	$ -	$ -	$ 900,945	($ 259,512)	50	($ 259,512)	($ 15,291)	$ -	
DONGGUAN SOLYTECH ENTERPRISE CORPORATION	Manufacturing and sales of power supplies, transformers, converters and other computer-used electronics	476,284	2	476,284	-	-	476,284	135,248	100	135,248	(415,861)	-	
DONG GUAN SHUN SHENG TRADE CO.,LTD	Sales of computer cases	2,151	2	2,151	-	-	2,151	(9,697)	100	(9,697)	(15,565)	-	

Name of Company	Accumulated Investment in Mainland China as of S December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment	Note
Solytech Enterprise Corporation	$ 1,978,576	$ 1,978,576	$ 951,307	Note 4

Note 1:Ways of investment are classified into 3 types, listed as follows:
(1).Directly invest in Mainland China
(2).Reinvest in Mainland China through a third region company - AMPLE CROWN INTERNATIONAL LTD.
(3).Others

3.1 The company which the Corporation reinvested in Mainland China through an investment business in Mainland China are SHENZHEN QIANHAI SHUN CHENG ENTERPRISE CORPORATION、HENAN SHOUXIANG ELECTRONIC CO.,LTD and SHENZHEN QIANHAI DEER ENTERPRISE CORPORATION. Except for the holding companies' investment businesses
companies' investment businesses in Mainland China are required for Investment Committee, MOEA's approval for reinvestment, other reinvestments are not required.

Note 2:The investment income or loss recognized in the current period is based on the audited financial statements of the investee company in Mainland China.

Note 3:The amounts in the table are presented in New Taiwan Dollars. Those involving foreign currencies were converted into New Taiwan Dollars based on the exchange rate on the financial report date.

Note 4:The Corporation has received operating headquarters accreditation letter from the Industrial Development Bureau in the previous year. In accordance with the project "Relaxing restrictions on domestic enterprises raising capital for investment in Mainland China" by FSC, the Corporation may invest in Mainland China without the restriction of its investment quota during the period.

Note 5：Solytech sold all 100% shares of Top Rich Inc. to non-related parties in September, 2020, therefore indirectly transferred 100% shares of SUPERCASE INTERNATIONAL CORPORATION, losing control of the subsidiary.

Note 6：SUPERCASE INTERNATIONAL CORPORATION were approved by Investment Committee, MOEA of investing USD19,500. Its shares were all sold in 2020 and have not yet applied for cancelling the investment quota.

Solytech Enterprise Corporation and Subsidiaries

INFORMATION ON MAJOR SHAREHOLDERS

For the year ended December 31, 2022

Table 5

	Shares	
Shareholders	Total Shares Owned	Ownership Percentage
CHENG,CHIEH	9,290,500	6.17%
CHENG,HSIANG	8,737,838	5.80%