Stock code: 2302

RECTRON LTD.

Individual Financial Statements and Auditor's Report

Fiscal year 2022 and 2021

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Table of Contents

Item	Pages
1、Cover Page	1
2、Table of Contents	2
3、Independent Auditors’ Report	3
4、Balance sheets	4
5、Statements of comprehensive income	5
6、Statement of Changes in Equity	6
7、Statements of Cash Flows	7
8、Notes to Individual Financial Report	
(1) Company History	8
(2) The date and procedures for the approval of financial statements.	8
(3) Application of newly issued and revised standards and interpretations.	8～9
(4) Summary explanation of significant accounting policies.	9～23
(5) Major sources of accounting judgments, estimates, and uncertainties.	24
(6) Explanation of significant accounting items.	25～52
(7) Related-party transactions.	53～56
(8) Pledged assets.	56
(9) Significant contingent liabilities and unrecognized contractual commitments.	57
(10) Major disaster losses.	57
(11) Subsequent events of significance.	57
(12) Other matters.	57～59
(13) Disclosures in the notes to the financial statements.	
1. Information on Material Transactions	59～61
2. Information on Reinvestment in Other Companies	61
3. Investment Information on Mainland China	62～63
4. Information of Major Shareholders	63
(14) Segment information.	63
9、Detailed list of significant accounting items.	64～68

INDEPENDENT AUDITORS' REPORT

Rectron LTD. Board of Directors –

Auditor's Opinion

The balance sheets of Rectron LTD.and its subsidiaries (Rectron Ltd.) as of December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the periods ended December 31, 2022 and 2021, along with the accompanying notes to the financial statements (including the summary of significant accounting policies), have been audited by our auditors.

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

Basis of Audit Opinion

We, as auditors, have conducted our audit work in accordance with the Regulations Governing the Audit Signatures of Certified Public Accountants and the Auditing Standards. Our CPA s responsibility under these standards will be further explained in the paragraph of responsibility of the accountant for examining the financial statements. The personnel of our accounting firm, who are subject to independence regulations, have maintained independence in accordance with the Code of Ethics for Professional Accountants and fulfilled other responsibilities prescribed by the regulations. They have maintained a professional and objective stance in relation to Rectron LTD.and its subsidiaries. We believe that we have obtained adequate and appropriate audit evidence to form the basis of our audit opinion.

Key audit matters

The key audit matters refer to those matters that, in the auditor's professional judgment, are of most significance in the audit of the financial statements of Rectron Ltd. for the year ended 2022. Such items have been taken into consideration in the process of auditing the overall financial reports and forming audit opinions. The accountant does not express opinions on such items separately. Our CPA determined to address the following key auditing matters in the accountant's report:

1. Revenue Recognition

Please refer to Note 4 (13) of the financial statements for details on the accounting policy for revenue recognition. Additionally, refer to Note 6 (14) of the financial statements for a breakdown of revenue by customer contracts.

Explanation of Key Audit Matters

The recognition of revenue is a critical area of focus in our audit of Rectron Ltd.'s financial statements for the year ended 2022. The company's primary source of revenue is derived from the manufacturing and sale of various rectifiers, semiconductor components, and medical devices. The risk lies in ensuring the accuracy and reliability of revenue recognition. The company's viability and ongoing operations depend on a consistent inflow of cash generated from revenue. Therefore, the company's business strategy and operational management are centered around revenue. Consequently, the testing of revenue recognition is a significant assessment area for our audit of Rectron Ltd.'s financial statements.

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Corresponding audit program：

The main audit procedures performed by the auditor for the above-mentioned key audit matters include testing the controls and effectiveness of the sales and cash collection cycle, as well as sampling the accuracy of recognizing sales revenue around the balance sheet date, which involves verifying warehouse dispatch records and comparing contractual terms. The auditor also evaluates whether control over the goods has been transferred at the appropriate recognition point.

2. inventory valuation

Regarding inventory valuation, please refer to Note 4 (8) "Inventory" for the accounting policy. For the accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 (2). Further explanation on the assessment of inventory valuation can be found in Note 6 (4) "Inventory" of the financial statements.

Explanation of Key Audit Matters

The valuation of inventory for Rectron Ltd. is subject to the risk of cost exceeding its net realizable value due to fluctuations in international raw material prices and market supply and demand conditions, which may result in significant fluctuations in product selling prices and sales volumes. Therefore, the testing of inventory valuation is considered as one of the important assessment matters in the auditor's examination of Rectron Ltd.'s financial statements.

Corresponding audit program：

The main audit procedures performed by the auditor for the above-mentioned key audit matters include reviewing the inventory aging report, analyzing the changes in inventory aging over different periods, assessing the reasonableness of Rectron Ltd.'s accounting policies and their implementation, conducting trend analysis on the treatment of obsolete inventory, understanding the basis and methods of inventory valuation, and comparing relevant variances to identify any significant abnormalities.

Other Matters

Inclusion of certain subsidiaries' financial statements in Rectron financial report that were audited by other auditors and not by the auditor. Therefore, with respect to the financial statements of those subsidiaries listed in the above-mentioned financial report, the amounts presented are based on the audit reports of other auditors. The total assets of those subsidiaries as of December 31, 2022, and December 31, 2021, accounted for 8% and 7% of the total assets, and the net sales for the period from January 1, 2022, to December 31, 2022, and January 1, 2021, to December 31, 2021, accounted for 34% and 33% of the total net sales.

Responsibility of the Management and the Governing Body for the Financial Reports

The management is responsible for the preparation of the appropriate financial statements, which are in accordance with the Financial Reporting Standards for Issuers of Securities and approved and issued by the Financial Supervisory Commission, as well as the applicable International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretive Bulletins. They are also responsible for maintaining necessary internal controls related to the preparation of the financial statements to ensure that they are free from material misstatement caused by fraud or error.

In preparing the financial statements, the management's responsibility also includes assessing the ability of the Rectron Ltd. to continue as a going concern, making relevant disclosures, and adopting the going concern basis of accounting unless there are intentions to liquidate the Rectron Ltd. or cease its operations, or unless there are no other practical alternative courses of action other than liquidation or cessation.

The governance body of Rectron Ltd., including the Audit Committee, has the responsibility to oversee the financial reporting process.

Responsibility of the CPA to Audit Financial Reports

The purpose of the accountant's audit of the financial reports is to obtain reasonable assurance of whether the financial reports as a whole are substantially misrepresented due to fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but audit procedures performed in accordance with auditing standards cannot guarantee that material misstatements due to fraud or error in the financial reports will be detected. Misstatements may arise from fraud or errors. A misrepresentation of an individual amount or sum of transfers is considered significant if it is reasonably expected to affect the economic decisions made by users of financial reports.

Our auditor exercised professional judgment and skepticism in accordance with the auditing standards. We also performed the following tasks:

1. We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or errors, designed and performed audit procedures according to those risks, and obtained audit evidence that can sufficiently and appropriately form the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. The understanding of the internal controls relevant to the audit was obtained to design appropriate audit procedures based on the circumstances at that time. However, it should be noted that the objective was not to express an opinion on the effectiveness of the internal controls of Rectron Ltd..
3. We evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the audit evidence obtained, a conclusion was reached regarding the appropriateness of management's use of the going concern basis of accounting and whether there were any significant uncertainties that may cast significant doubt on Rectron Ltd.'s ability to continue as a going concern. If the accountant considers that there is significant uncertainty in such events or circumstances, he/she shall, in the audit report, alert the users of the financial reports to the disclosure of the financial reports or amend the audit opinion if such disclosure is inappropriate. Our conclusions are based on the audit evidence obtained up to the date of this accountant’s report. However, it should be noted that future events or circumstances could arise that may jeopardize Rectron Ltd.'s ability to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the financial statements (including related notes), and determine whether the financial statements appropriately represent the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Ltd. in order to express an opinion on the financial statements. The auditor is responsible for guiding, supervising, and executing the audit of the Ltd. engagement and forming an audit opinion on the Ltd.'s financial statements.

The auditor communicates with the governance body regarding matters such as the planned audit scope and timing, as well as significant audit findings (including significant deficiencies in internal controls identified during the audit process).

The auditor also provides the governance body with a statement that the personnel responsible for independence within the auditor's firm have complied with the independence requirements in the Code of Ethics for Professional Accountants, and communicates with the governance body on all relationships and other matters that could be considered to affect the auditor's independence (including relevant safeguards).

Based on communications with the governance unit, the auditor has determined the key audit matters for the audit of Rectron Ltd.'s financial statements for the year ended in the Republic of China 2022. We described these matters in the accountant’s report, unless the laws and regulations prohibit such disclosure or under rare condition that we decide not to communicate a given matter because the negative impact from such communication may override its public benefits under reasonable assumption.

The engagement partners on the audit resulting in this independent auditors’report are Shih-Chin Chih and Li-Chen Lai.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2023

Notes to Readers

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

The independent auditors’ report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ report and financial statements, the Chinese version shall prevail.

Rectron LTD.
Balance Sheets
As of December 31, 2022 and 2021

Unit: Thousands of New Taiwan Dollars

	Asset	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current Asset:				
1100	Cash and cash equivalents (Note 6(1))	$ 88,578	4	42,133	2
1170	Accounts receivable, net (Note 6(3), (15))	108,281	5	96,114	5
1180	Accounts receivable due from related parties, net (Note 6(15), and 7)	14,358	1	28,445	1
1200	Other receivables	1,867	-	675	-
1210	Other receivables due from related parties, net (Note 7)	208	-	107,242	5
130X	Inventory (Note 6(4))	40,806	2	48,134	2
1410	Prepayments(Note 7)	650	-	952	-
1479	Other current assets - Other	1,588	-	2,780	-
		256,336	12	326,475	15
	Non-Current Asset:	**2022.12.31**		**2021.12.31**	
1517	Non-current financial assets measured at fair value through other comprehensive income (Note 6(2))	45,229	3	58,420	3
1550	Investments accounted for using equity method (note 6(5))	569,100	27	438,704	22
1600	Property, plant, and equipment (Note 6(6) , 7, 8and 9)	285,105	14	294,457	14
1755	Right-of-use assets (Note 6(7))	240	-	791	-
1760	Net investment properties (Note 6(8), 7)	910,412	44	915,851	46
1990	Other non-current assets - Other	5,277	-	7,863	-
		1,824,363	88	1,716,086	85
	Total assets	$ 2,080,699	100	2,042,561	100

	Liabilities and Equity	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current Liability:				
2100	Short-term borrowings (Note 6 (9) and 8)	$ 30,000	1	117,000	7
2130	Current portion of lease liabilities (Note 6 (15) and 7)	682	-	-	-
2170	Accounts payable	40,195	2	25,645	1
2180	Accounts payable due from related parties, net (Note 7)	49,863	2	2,241	-
2200	Other current liabilities (Note 6 (12) and 7)	19,035	1	22,537	1
2220	Other current liabilities due from related parties, net (Note 7)	151	-	188	-
2230	Current income tax liabilities (Note 6 (12))	20,076	1	3,115	-
2280	Current lease liabilities	214	-	586	-
2300	Other current liabilities (Note 7)	1,266	-	1,100	-
		161,482	7	172,412	9
	Non-current liabilities：				
2640	Non-current lease liabilities	3,509	-	5,583	-
2570	Net defined benefit liabilities - Non-current (Note 6(11))	62,679	3	62,679	3
2580	Deferred tax liabilities (Note 6(12))	-	-	215	-
2600	Other non-current liabilities (Note 7)	3,989	-	3,726	-
		70,177	-	72,203	3
	Total liabilities	231,659	10	244,615	12
	Equity attributable to owners of the parent (Note 6(13))：				
3110	Share capital - common stock	1,663,029	81	1,663,029	82
3200	Capital surplus	9	-	9	-
3310	Legal reserve	34,364	2	25,812	1
3320	Special surplus reserve	34,924	2	58,466	3
3351	Retained earnings	176,788	8	85,554	4
3400	Other equity	(60,074)	3	(34,924)	(2)
	Total equity	1,849,040	90	1,797,946	88
	Total liabilities and equity	$ 2,080,699	100	2,042,561	100

(Please refer to notes of the financial reports attached)

Rectron Ltd. and its subsidiaries
Statements of Profit or Loss
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

Code	Item	Year 2022 Amount	Year 2022 %	Year 2021 Amount	Year 2021 %
4000	Operating revenue (Notes 6 (15) and 7)	$ 634,715	100	475,170	100
5110	Operating costs (Note 6(4) and (11) and 7)	493,295	78	397,585	84
	Operating gross profit	141,420	22	77,585	16
5910	Less: Unrealized profit (loss)from sales (Note 7)	(58)	-	(54)	-
5920	Add: Realized profit (loss)from sales (Note 7)	(54)	-	(1,935)	-
		141,424	22	75,704	16
	Operating expenses (Notes 6 (11), (16) and 7):				
6100	Selling expenses	10,871	2	10,087	2
6200	Management expense	41,407	7	42,434	9
6300	Research and development expenses.	1,229	-	2,503	1
		53,507	9	55,024	12
	Operating net profit	87,917	13	20,680	4
	Non-operating revenue and expenditure (Notes 6 (17) and 7):				
7010	Other revenue	2,851	-	3,176	1
7020	Other Profits and Losses	28,289	4	(2,978)	-1
7050	Financial costs	(1,115)	-	(1,674)	-
7070	Share of profit of associates accounted for using equity method	79,836	13	70,337	15
		109,861	17	68,861	15
	Profit before tax	197,778	30	89,541	19
7950	Less: Income tax expense (Note 6 (12))	21,678	3	4,569	1
	Net profit for the period	176,100	27	84,972	18
8300	Other Profit or Loss:				
8310	Items Not to Be Reclassified Into Profit or Loss				
8311	Defined benefit plan - remeasurement amount	144	-	118	-
8316	Investments in equity instruments measured at fair value through other comprehensive income in the financial statements. is not	440	-	1,727	-
	Unrealized gains or losses on equity instruments measured at fair value through other comprehensive income.				
8330	Less: Income tax related to items that are not reclassified	-	-	428	-
	Total of Non-recurring items recognized directly in equity	584	-	1,845	-
8360	Items may be subsequently reclassified to profit/loss				
8361	Exchange differences on translation of foreign financial statements				
8367	Debt instruments measured at fair value through other comprehensive income in the financial statements. is not	(11,485)	-2	(2,748)	-1
	Unrealized gains or losses on equity instruments measured at fair value through other comprehensive income.				
8380	Less: Income tax related to items that may be reclassified	(14,105)	-2	24,991	5
	Total of Items may be subsequently reclassified to profit/loss	(25,590)	-4	22,243	4
8300	Current Other Comprehensive Income	(25,006)	-4	24,088	4
8500	Total comprehensive income for the period	151,094	23	109,060	22
	Net profit for the period attributable to:				
	Earnings per share (NTD) (Note 6(14))				
9750	Basic earnings per share		1.06		0.51
9850	Diluted earnings per share		1.06		0.51

(Please refer to notes of the financial reports attached)

Statement of Changes in Equity for
Rectron LTD.and its subsidiaries
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

	Equity Attributable to Owners of the Parent								
	Share capital		Retained earnings			Other equity items			
	Common share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Translation adjustments of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance as of January 1, 2021	$ 1,663,029	9	16,089	20,997	97,228	(66,039)	7,573	(58,466)	1,738,886
Net profit for the period	-	-	-	-	84,972	-	-	-	84,972
Current Other Comprehensive Income	-	-	-	-	118	24,991	(1,021)	23,970	24,088
Total comprehensive income for the period	-	-	-	-	85,090	24,991	(1,021)	23,970	109,060
Appropriation and Distribution of Earnings:									
Appropriation to legal reserve	-	-	9,723	-	(9,723)	-	-	-	-
Appropriation to special earnings reserve	-	-	-	37,469	(37,469)	-	-	-	-
Cash dividend for common stock	-	-	-	-	(50,000)	-	-	-	(50,000)
Equity Instruments measured at Fair Value through Other Comprehensive Income (OCI) upon disposal	-	-	-	-	428	-	(428)	(428)	-
Balance as of December 31, 2021	1,663,029	9	25,812	58,466	85,554	(41,048)	6,124	(34,924)	1,797,946
Net profit for the period	-	-	-	-	176,100	-	-	-	176,100
Other comprehensive income for the period	-	-	-	-	144	(14,105)	(11,045)	(25,150)	(25,006)
Total comprehensive income for the period	-	-	-	-	176,244	(14,105)	(11,045)	(25,150)	151,094
Appropriation and Distribution of Earnings:									
Appropriation to legal reserve	-	-	8,552	-	(8,552)	-	-	-	-
Reversal of special reserve	-	-	-	(23,542)	23,542	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(100,000)	-	-	-	(100,000)
As of December 31, 2022 balance.	$ **1,663,029**	**9**	34,364	34,924	176,788	(55,153)	(4,921)	(60,074)	1,849,040

(Please refer to notes of the financial reports attached)

Rectron Ltd. and its subsidiaries
Statements of Cash Flows
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

Cash Flow from Operating Activities:		Year 2022	Year 2021
Net profit before tax for the period	$	197,778	89,541
Adjustments:			
Revenue, expense, and loss items			
Depreciation expenses		19,584	22,182
Amortization expense		2,586	1,709
Interest expense		1,115	1,674
Interest income		(1,462)	(1,214)
Dividend income		(291)	(280)
Share of loss (profit) of associates accounted for using equity method		(79,836)	(70,337)
Unrealized profit loss sales		(58)	(54)
Realized profit loss from sales		54	1,935
Foreign Exchange (Gain) Loss on Financial Assets		(2,462)	758
Disposition loss of real estate, plant and equipment		(3,998)	-
Unrealized Gain on Disposal of Assets		15,339	-
Reclassification of Prepaid Equipment Payments to Expenses		-	1,321
Total income (expense) items		(49,429)	(42,306)
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities：			
Notes receivable		-	64
Accounts receivable		(12,167)	(11,882)
Accounts receivable due from related parties		140,487	(19,331)
Other receivables		(281)	(40)
Other receivables due from related parties		78,730	(6,059)
Inventory		7,328	(7,907)
Prepayments		320	25,153
Other Current Assets		1,192	6,795
And Total Net Changes in Assets Related to Operating Activities		89,191	(13,207)
Net changes in liabilities related to operating activities:			
Current Contract Liabilities		682	(50)
Accounts payable		14,550	(12,319)
Accounts payable due from related parties		47,622	2,241
Other accounts receivable		(3,088)	2,097
Other accounts receivable due from related parties		(37)	-
Other current liabilities		166	(140)
Net defined benefit liabilities		(1,930)	(930)
And Total Net Changes in Liabilities Related to Operating Activities		57,965	(9,101)
And Total Net Changes in Assets and Liabilities Related to Operating Activities		147,156	(22,308)
Total Adjusted Items		97,727	(64,614)
Cash inflow generated from operations		295,505	24,927
Interests received		169	1,079
Interests paid		(1,161)	(1,688)
Income taxes paid		(4,717)	(2,046)
Net cash inflow from operating activities		289,796	22,272

Rectron Ltd. and its subsidiaries
Statements of Cash Flows
For the years 2022 and January 1 to December 31, 2021

Unit: NTD 1,000

Cash Flow from Operating Activities:	**Year 2022**	**Year 2021**
Acquisition of financial assets at fair value through other comprehensive income	(3,260)	(22,466)
Acquisition of Equity Method Investments	(80,000)	-
Acquisition of property, plants, and equipment	(10,632)	(8,762)
Disposal of property, plants, and equipment	9,270	-
Other accounts receivable due from related parties	28,304	(8,174)
Increase in other non-current assets	-	(203)
Dividends received	291	280
Net cash outflows from investment activities	(56,027)	(39,325)
Cash flows from financing activities: Increase in short-term borrowings.	65,000	20,000
Decrease in short-term borrowings.	(152,000)	(60,000)
Increase (Decrease) in deposits as collateral.	263	**(1,388)**
Other accounts payable due from related parties	-	76
Principal repayment of leases	(587)	(1,213)
Cash dividends paid	(100,000)	(50,000)
Net cash outflow from financing activities	0	(92,525)
Net increase (decrease) in cash and cash equivalents for the current period.	46,445	(109,578)
Beginning balance of cash and cash equivalents.	42,133	151,711
Ending balance of cash and cash equivalents for the period.	**$ 88,578**	**42,133**

(Please refer to notes of the financial reports attached)

RECTRON LTD.
Notes to Individual Financial Report
Fiscal year 2012 and 2021
(Unless otherwise noted, all amounts are expressed in thousands of New Taiwanese Dollars.)

1. Company History

Rectron Technology Co., Ltd. (hereinafter referred to as "the Company") was established on January 23, 1976 with its registered address at No. 71, Zhongshan Rd., Tucheng Dist., New Taipei City, Taiwan The Company was originally named "Rectron Precision Electronics Industry Co., Ltd." and was renamed "RECTRON LTD." at the shareholders' meeting on June 29, 2000, which was approved by the Ministry of Economic Affairs.

The Company's main business activities include the manufacturing and sales of various rectifiers, other semiconductor components, and real estate leasing and sales.

2. Date and procedure of approval of the financial report

The individual financial statements have been approved and released by the Board of Directors on March 24, 2023.

3. Applicability of newly issued and revised standards and interpretations

(1) Impacts from adopting the latest and amended standards, and related interpretations approved by the Financial Supervisory Commission (ROC)

The Company has been applying the following newly revised International Financial Reporting Standards since January 1, 2022, and it has not had a significant impact on the individual financial statements.

· Amendment to International Accounting Standard 16 "Property, Plant and Equipment-second before Intended Use"

· Amendment to International Accounting Standard and Compliance 17 Fulfilling a Contract"

·International Financial Reporting Standards Improvements for the 2018-2020 cycle

· Revision of IFRS 3 “Reference to the Conceptual Framework”

(2) Impact of International Financial Reporting Standards Not Yet Adopted by FSC

The company has assessed the following newly amended International Financial Reporting Standards, effective from January 1, 2023, and determined that they will not have a significant impact on the individual financial statements:

· Amendment to International Accounting Standard No. 1 "Disclosure of Accounting Policies"

· Amendment to International Accounting Standard No. 8 "Definition of Accounting Estimates"

· Amendment to International Accounting Standard No. 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction with Income Tax Profit or Loss"

(3) Applicability of newly issued and revised standards and interpretations not yet recognized by the Financial Supervisory Commission (ROC)

The Company expects that the following new and revised standards, which have not yet been approved, will not have a material impact on the individual financial reports.

· Amendment to International Financial Reporting Standard No. 10 and International Accounting Standard No. 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

· International Financial Reporting Standard No. 17 "Insurance Contracts" and the amendment to International Financial Reporting Standard No. 17 .

· Amendment to International Accounting Standard No. 1 "Classification of Liabilities as Current or Non-current"

4. Summary of significant accounting policies

· Amendment to International Accounting Standard No. 1 "Non-Current Liabilities with Contractual Terms"

· Amendment to International Financial Reporting Standard No. 17 "Comparative Information on Initial Adoption of IFRS 17 and IFRS 9"

· Amendment to International Financial Reporting Standard No. 16 "Requirements for Sale and Leaseback Transactions"

Summary of Significant Accounting Policies Adopted in this Individual Financial Report The following accounting policies have been consistently applied to all periods covered in this individual financial report.

(1) Compliance Statement

This individual financial report is prepared in accordance with the "Financial Reporting Standards for Securities Issuers".

(2) Preparation Foundation

1. Measurement basis

Except for the significant items presented in the balance sheet below, this individual financial report is prepared on a historical cost basis:

(1) Financial assets measured at fair value through other comprehensive income.

(2) Net defined benefit liabilities (or assets)

measured as the fair value of retirement fund assets minus the present value of defined benefit obligations.

2. Functional Currency and Presentation Currency

The functional currency of the company is the currency of the primary economic environment in which it operates. The individual financial report is presented in the functional currency of the Company, which is the New Taiwan Dollar (NTD). All financial information presented in New Taiwan dollars is in thousands of New Taiwan dollars.

(3) Foreign Currency

1. Foreign currency transactions.

Foreign currency transactions are translated into the functional currency at the exchange rates on the transaction dates. At the end of each reporting period (referred to as the reporting date), foreign currency monetary items are translated into the functional currency using the exchange rates on that day. Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rates on the measurement date, while those measured at historical cost are translated at the exchange rates on the transaction dates.

Foreign exchange gains or losses are usually recognized in profit or loss, except for the following cases that are recognized in other comprehensive income:

(1) Equity instruments designated as measured at fair value through other comprehensive income;

(2) Financial liabilities designated as net investment hedges of foreign operations within the hedge effectiveness; or

(3) Cash flow hedges that meet the qualifying criteria within the hedge effectiveness.

2. Foreign Operations

Assets and liabilities of foreign operating entities, including goodwill and fair value adjustments generated during acquisitions, are translated into New Taiwan dollars based on the exchange rate on the reporting date. Revenue and expense items are translated into New Taiwan dollars based on the average exchange rate of ; period. Any exchange differences are recognized in other comprehensive income.

When disposing of foreign operating entities leads to the loss of control, joint control or significant influence, all related accumulated exchange differences are reclassified in full to profit or loss. When partially disposing of subsidiaries that include foreign operating entities, related accumulated exchange differences are reattributed to non-controlling interests in proportion. When partially disposing of investments in associates or joint ventures that include foreign operating entities, related accumulated exchange differences are reclassified to profit or loss in proportion.

For monetary receivables or payables from foreign operating entities that have no settlement plan and cannot be settled in the foreseeable future, any foreign exchange gains or losses are recognized as part of the net investment in the foreign operating entity and recorded in other comprehensive income.

(4) Classification Criteria for Distinguishing Current and Non-Current Assets and Liabilities

Assets that meet either of the following conditions are classified as current assets, while all other assets that do not belong to current assets are classified as non-current assets:

1. Assets that are expected to be realized in their normal operating cycle or intended to be sold or consumed;
2. Assets held primarily for trading purposes;
3. Assets expected to be realized within twelve months after the reporting period; or
4. Assets that are cash or cash equivalents, unless there are restrictions on exchanging or using them to settle liabilities for at least twelve months after the reporting period.

Liabilities that meet any of the following conditions are classified as current liabilities, and all other liabilities not meeting the criteria are classified as non-current liabilities:

1. Liabilities expected to be settled within the normal operating cycle;
2. Liabilities held primarily for trading purposes;
3. Liabilities expected to be settled within twelve months after the reporting period; or
4. Liabilities for which there is no unconditional right to defer settlement beyond at least twelve months after the reporting period. The terms of the liability that may be settled by issuing equity instruments at the option of the counterparty do not affect its classification.

(5) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term investments that are highly liquid and have minimal risk of value fluctuations, which can be converted to a fixed amount of cash at any time. Time deposits that meet the above definition and are held to fulfill short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial Instruments

Accounts receivable and issued debt securities are initially recognized when generated. All other financial assets and financial liabilities are initially recognized when the contractual terms of the financial instrument become effective for the Company. Financial assets not measured at fair value through profit or loss (excluding trade receivables that do not contain significant financing components) or financial liabilities are initially measured at fair value plus directly attributable transaction costs. Accounts receivable that are not significant financial components are measured at transaction price on initial recognition.

1. Financial Assets

For financial assets purchased or sold in customary transactions, the Company consistently applies the accounting treatment based on the transaction date for financial assets same manner.

Financial assets are initially classified as: financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, and equity instrument investments measured at fair value through other comprehensive income. The Company only reclassifies all affected financial assets starting from the first day of the next reporting period when there is a change in the business model for managing financial assets.

(1) Financial Assets Measured at Amortized Cost

Financial assets that meet the following conditions and are not designated as measured at fair value through profit or loss are measured at amortized cost:

· The financial asset is held in a business model whose objective is to hold assets in order to collect contractual cash flows.

· Cash flows generated at specific dates by the contract terms and conditions of said financial assets and are fully used for paying the principals for outstanding principals.

Subsequently, these assets are measured at their amortized cost, which is calculated using the effective interest rate method based on the original recognized amount. Any accumulated amortization and adjustments for impairment losses are reflected in the amortized cost measurement. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Gains or losses are recognized in profit or loss upon derecognition of financial assets.

(2) Financial Assets Measured at Fair Value through Other Comprehensive Income

Debt instruments investments that simultaneously meet the following conditions and are not designated as fair value through profit or loss are measured at fair value through other comprehensive income:

· The financial asset is held in a business model whose objective is to hold assets in order to collect contractual cash flows.

· Cash flows generated at specific dates by the contract terms and conditions of said financial assets and are fully used for paying the principals for outstanding principals.

The Company has an irrevocable option at initial recognition to classify equity investments that are not held for trading as subsequently measured at fair value through other comprehensive income. The aforementioned election is made on an instrument-by-instrument basis.

Debt instruments held by investors are subsequently measured at fair value. Interest income, foreign exchange gains and losses, and impairment losses calculated using the effective interest rate method are recognized in profit or loss, while other net gains or losses are recognized in other comprehensive income. Upon disposal, the accumulated amount of other comprehensive income is reclassified to profit or loss.

Equity instruments held by investors are subsequently measured at fair value. Dividend income (unless it represents a recovery of a portion of the investment cost) is recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date the Company has the right to receive the dividend (usually the ex-dividend date).

(3) Financial asset impairment

The company recognizes an allowance for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, deposits, and other financial assets), as well as debt instrument investments measured at fair value through other comprehensive income.

The allowance for expected credit losses on the following financial assets is measured based on 12-month expected credit losses, while the rest are measured based on lifetime expected credit losses:

· The credit risk of the debt securities as of the reporting date is considered low; and

· Other debt securities and bank deposits with no significant increase in credit risk (i.e., the risk of default occurring over the expected remaining lifetime of the financial instruments) since their initial recognition.

The allowance for expected credit losses on accounts receivable and contract assets is measured based on lifetime expected credit losses

The allowance for credit losses on accounts receivable and contract assets is measured based on the expected credit losses over their entire lifetime.

If the credit risk rating of a financial instrument is equivalent to the globally defined "investment grade" (such as Standard & Poor's BBB-, Moody's Baa3, or Taiwan Ratings twA, or higher than these ratings), the company considers the credit risk of that debt security to be low.

If a contractual payment is overdue for more than 180 days, the company assumes that the credit risk of the financial asset has significantly increased.

If a contractual payment is overdue for more than 365 days, or it is highly unlikely that the borrower will fulfill its credit obligations and make full payments to the company, the company considers the financial asset to be in default.

The expected credit loss during the remaining term refers to the expected credit loss generated by all possible default events during the expected remaining term of the financial instruments.

Twelve-month expected credit losses refer to the expected credit losses resulting from potential default events that may occur within twelve months after the reporting date (or a shorter period if the expected remaining lifetime of the financial instrument is less than twelve months).

The maximum period for measuring expected credit losses is the longest contractual period that the company is exposed to credit risk.

Expected credit losses are the probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the contractual cash flows and the cash flows that the company expects to collect. Expected credit losses are discounted at the effective interest rate of the financial asset.

On each reporting date, the company assesses whether there is any credit impairment for financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of impairment of financial assets includes observable data related to the following factors:

· Significant financial difficulties of the borrower or issuer;
· Default, such as delays or overdue for more than 365 days;
· Due to economic or contractual reasons related to the borrower's financial difficulties, the company provides concessions that it would not have considered originally.
· The borrower is highly likely to apply for bankruptcy or other financial reorganization; or
· The active market of the financial asset disappears due to financial difficulties.

The allowance for impairment losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset. The allowance for impairment losses on debt instruments measured at fair value through other comprehensive income is adjusted in the income statement and recognized in other comprehensive income (rather than reducing the carrying amount of assets).

When the company cannot reasonably expect to recover the financial asset, either wholly or partially, it is directly reduced from the total carrying amount of the financial assets. For corporate clients, the company individually assesses the timing and amount of offsetting based on whether recovery can be reasonably expected. The company expects that the amounts offset will not have a significant reversal. However, the financial assets that have been offset can still be enforced to comply with the company's procedures for recovering overdue amounts.

In cases where the company enters into transactions involving the transfer of financial assets and retains substantially all risks and rewards of ownership, the assets continue to be recognized on the balance sheet.

(4) Derecognition of financial assets

The company only derecognizes a financial asset when there is termination of the contractual rights to receive cash flows from the asset, or when the asset has been transferred and substantially all risks and rewards of ownership have been transferred to another entity, or when neither the risks and rewards of ownership nor control over the financial asset are retained.

In cases where the company enters into transactions involving the transfer of financial assets and retains substantially all risks and rewards of ownership, the assets continue to be recognized on the balance sheet.

2. Financial liabilities

(1) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities held for trading, derivatives, or designated at fair value through profit or loss at initial recognition are classified as fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, and related net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method. Interest expense and exchange gains or losses are recognized in profit or loss. Any gains or losses at the time of derecognition are also recognized in profit or loss.

(2) Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when the contractual obligations have been fulfilled, cancelled, or expired. When the terms of a financial liability are modified and the cash flows of the modified liability differ significantly, the original financial liability is derecognized, and a new financial liability is recognized at fair value based on the modified terms.

Upon derecognition of a financial liability, any difference between its carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in the income statement.

(3) Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and presented on a net basis in the balance sheet only when the Company currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or simultaneously realize the asset and settle the liability.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost includes the acquisition, production, or processing costs, as well as other costs incurred to bring the asset to its intended location and condition. The weighted average method is used to calculate cost. The cost of finished and work in progress inventory includes the manufacturing costs allocated to them in proportion to normal capacity.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(8) Investment in Subsidiaries

In preparing the individual financial statements, the company uses the equity method to assess its investments in subsidiaries over which it has control. Under the equity method, the current period's profit or loss and other comprehensive income in the individual financial statements are allocated in the same proportion as in the consolidated financial statements, attributable to the owners of the parent company. The owner's equity in the individual financial statements is the same as the equity attributable to the owners of the parent company in the consolidated financial statements.

If the change of ownership equity of the subsidiary company does not result in loss of control, it shall be treated as an equity transaction between the owner and the company.

(9) Investment Real Estate

Investment properties are properties held to earn rentals or for capital appreciation or both, and not for use in the production or supply of goods or services, for administrative purposes or for sale in the normal course of business. Investment properties are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The depreciation method, useful lives and residual values are the same as those used for buildings and equipment.

The profit or loss on disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

Rental income from investment properties is recognized in the income statement under "Rental income" on a straight-line basis over the lease term. Lease incentives granted are recognized as part of rental income over the lease term.

(10) Real estate, plant and equipment.

1. Recognition and measurement

Real estate, plant and equipment items are measured at cost (including capitalized borrowing costs), less accumulated depreciation and any accumulated impairment.

If the useful lives of significant components of real estate, plant and equipment differ, they are treated as separate items (major components) of real estate, plant and equipment.

Gains or losses on disposal of real estate, plant and equipment are recognized in profit or loss.

2. Subsequent Costs

Subsequent expenditures are capitalized only when it is highly probable that they will generate future economic benefits for the company.

3. Depreciation

Depreciation is calculated based on the asset cost less residual value and is recognized in profit or loss using the straight-line method over the estimated useful life of each component.

Land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

(1) Buildings and structures	5～55years
(2) Machinery and equipment	5～10 years
(3) Office equipment	3～10 years

The company reviews depreciation methods, useful lives, and residual values of assets on each reporting date and makes appropriate adjustments when necessary.

4. Reclassification to Investment Properties

When a property for own use is reclassified as an investment property, the property is reclassified as an investment property at the carrying amount at the date of reclassification.

(11) Leases

The Company assesses at the date of formation whether the contract is or includes a lease, if the contract assigns control over the use of the identified asset for a period of time in exchange for consideration.

1. Lessee

The Company recognizes the right-of-use assets and lease liabilities on the commencement date of the lease. The right-of-use assets are initially measured at cost, which includes the original measured amount of the lease liability. Adjustment of any lease payments made on or before the commencement date of the lease, adding to the original direct costs incurred and the estimated costs of dismantling, removing and restoring the underlying asset to its location or the underlying asset, excluding any lease inducements received.

The subsequent depreciation of the right-of-use assets at the beginning of the lease is made by the straight-line method when the useful life of the right-of-use assets expires or when the lease term expires earlier. In addition, the Company regularly evaluates whether there is any impairment of the right-of-use assets and deals with any impairment losses that have been incurred, and adjusts the right-of-use assets in the event of re-measurement of the lease liabilities.

Lease liabilities are measured in terms of the present value of outstanding lease payments at the commencement date of the lease. If the implied lease rate is easy to determine, the discount rate is that rate; if not, the Company's incremental borrowing rate is used. In general, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measure of lease liabilities include:

(1) Fixed payments, including substantial fixed payments.

(2) Variable lease payments determined by changes in an index or rate are initially measured using the index or rate at the lease commencement date.

(3) Expected residual value guarantees.

(4) Exercise prices or penalties to be paid upon reasonably certain exercise of purchase options or lease termination options.

Interests of lease liabilities are subsequently accrued by the effective interest method. The amount of which is re-measured under the following conditions:

(1) Changes in the index or rate used to determine lease payments result in changes in future lease payments.

(2) Changes in the amount of residual value guarantees expected to be paid.

(3) Changes in the assessment of purchase options for the underlying asset.

(4) Changes in the estimation of whether extension or termination options will be exercised, resulting in a change in the assessment of the lease term.

(5) Modifications to the lease's underlying asset, scope, or other terms.

When the lease liability is remeasured as a result of the foregoing changes in the index or rate used to determine lease benefits, changes in the guaranteed residual value amount, and changes in the evaluation of the option to purchase, extend, or terminate, if the book amount of the right-of-use assets is adjusted accordingly, and when the carrying amount of the right-of-use assets is reduced to zero, the remaining remeasured amount shall be recognized as the profit or loss.

For a lease modification that reduces the scope of the lease, the carrying amount of the right-of-use assets is reduced to reflect the partial or full termination of the lease, and the difference between this and the remeasured amount of the lease liability is recorded in the profit or loss.

The Company shall separately present the right-of-use assets and lease liabilities which do not meet the definition of investment real estate in the balance sheet as separate items.

For short-term leases and leases of low-value assets related to office rentals, the Company chooses not to recognize the right-of-use assets and lease liabilities, and instead, recognizes the related lease payments on a straight-line basis over the lease term as expenses.

Sale-and-leaseback transactions are assessed under International Financial Reporting Standard No. 15 to determine if the transfer of assets to the buyer-lessee qualifies for sale treatment. If it is determined that it is treated as a sale, the asset is derecognized and the portion of the rights transferred to the buyer and lessor is recognized in the related income or expense. The leaseback transaction is accounted for using the lessee accounting model, and the right-of-use asset is measured based on the original carrying amount of the portion leased back. If it is determined that the criteria for treatment as a sale are not met, the transaction is treated as financing.

2. As a lessor

The Company as a lessor involves the classification of almost all the risks and rewards of the lease contract on the date of the lease, depending on whether or not it is transferred to the ownership of the underlying asset. If so, it is classified as financial lease; otherwise, it is classified as business lease. In the evaluation, the Company considers certain relevant indicators, including whether the lease term covers a major part of the economic life of the target asset.

Sublease transactions: If the lessor is involved in subleasing, the main lease and sublease transactions are accounted for separately, and the classification of the sublease transaction is based on the evaluation of the right-of-use asset generated by the main lease. If the main lease is a short-term lease and is eligible for exemption from recognition, the sub-lease transaction should be classified as an operating lease.

If the agreement contains leasehold and non-leasehold components, the Company will use the consideration in the apportionment agreement as specified in IFRS 15.

Assets held under a financial lease shall be expressed as financial lease receivable in terms of the net amount of leasing investment. The original direct costs incurred in negotiating and arranging operating leases are included in the net investment in the lease. The net investment in the lease is recognized as interest income over the lease term in a pattern that reflects a constant periodic rate of return. For business leases, the Company shall recognize the lease payments received as rental income during the lease term on a straight line basis.

(12) Financial asset impairments

The company evaluates on each reporting date whether there are indications that the carrying amount of non-financial assets (excluding inventory and deferred tax assets) may be impaired. If any indicators exist, the estimated recoverable amount of the asset is determined.

For impairment testing purposes, a group of assets that generates largely independent cash inflows from other individual assets or groups of assets is identified as the smallest identifiable group of assets.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use of individual assets or cash-generating units. In estimating the value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risks of the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, an impairment loss is recognized.

The impairment loss is recognized immediately in profit or loss and reduces the carrying amount of each asset within the unit on a pro-rata basis based on the carrying amount of each asset before the impairment loss.

Non-financial assets other than goodwill are only reversed to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized in prior years (net of depreciation or amortization).

(13) Revenue Recognition

1. Revenue from customer contracts

Revenue is measured by the consideration expected to be received in exchange for the transfer of goods or services. The company recognizes revenue when control over the goods or services is transferred to the customer, thereby satisfying performance obligations. The company provides the following explanations based on its primary revenue streams:

(1) Sale of Goods - Electronic Rectifier Diodes and Semiconductor Passive Components

The company manufactures electronic components and sells them to electronic equipment manufacturers. Revenue is recognized when control over the products is transferred. Control over the product is deemed to have been transferred when the product has been delivered to the customer, the customer has the full ability to decide on the sales channel and price of the product, and there are no unfulfilled obligations affecting the customer's acceptance of the product. Delivery occurs when the products are shipped to a specific location, and the Company risks of obsolescence, deterioration, and loss have been transferred to customers. Customers have accepted the products in accordance with the sales contract, the acceptance clauses have expired, or the merging company has objective evidence that all acceptance criteria have been met.

The Company shall recognize accounts receivable at the time of delivery of commodities, since the Company has the right to receive consideration unconditionally at that time.

(2) Rental income

Rental income from investment properties and income from leasing real estate are recognized as lease income in the operating revenue item.

(3) Financial Components

The company expects that the time between the transfer of goods or services to customers and the customer's payment for those goods or services does not exceed one year. Therefore, the company does not adjust the transaction price for the time value of money.

(14) Employee benefits

1. Defined Contribution Plans

The recognition of obligations for defined contribution retirement plans occurs as expenses during the period in which the employees provide services.

2. Defined Benefit Plans

The net obligation for defined benefit plans is calculated by discounting the future benefit amounts earned by employees for their service in the current or prior periods and subtracting any fair value of plan assets.

The determination of the benefit obligation is annually actuarially calculated using the projected unit credit method by a qualified actuary. When the calculation results in an economic benefit for the company, the recognition of an asset is limited to the present value of any economic benefits available from refunds from the plan or reductions in future contributions to the plan. When calculating the present value of economic benefits, any minimum funding requirements are considered.

Any changes in the remeasurement of the net defined benefit liability, including actuarial gains and losses, return on plan assets (excluding interest), and any changes to the asset ceiling (excluding interest), are immediately recognized in other comprehensive income and accumulated in retained earnings. The net interest expense (income) related to the net defined benefit liability (asset) is determined using the net defined benefit liability (asset) and the discount rate determined at the beginning of the reporting period. The net interest cost and other expenses of the defined benefit plan are recognized in income.

When the plan is amended or curtailed, any benefit changes related to the cost of prior service or curtailment gain or loss are immediately recognized in income. The company recognizes the settlement gains or losses of the defined benefit plans upon settlement occurrence.

3. Short-term employee benefits

Short-term employee benefits are recognized as expenses when services are provided. If the company has a present legal or constructive obligation resulting from past employee services, and the amount of that obligation can be reliably estimated, it is recognized as a liability.

(15) Income Tax

Income tax includes current and deferred income tax. Current income tax and deferred income tax, except for items related to business combinations, direct recognition in equity, or other comprehensive income, shall be recognized in profit or loss.

Current income taxes include the estimated income tax payable or receivable based on taxable income (loss) for the year, and any adjustments to income tax payable or receivable for prior years. The amounts are measured at the best estimate of the expected payments or receipts, based on the statutory tax rate or the substantive enacted tax rate as of the reporting date.

Deferred income tax is recognized by measuring the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The following temporary differences that arise shall not give rise to recognition of deferred income tax:

1. The initial recognition of assets or liabilities from transactions that are not business combinations and do not affect accounting profit or taxable income (loss) at the time of the transaction;
2. Temporary differences arising from investments in subsidiaries, associates, and joint ventures for which the company has control over the timing of the reversal of the temporary differences and it is highly probable that they will not reverse in the foreseeable future; and

3. Temporary differences arising from the initial recognition of goodwill.

Unused tax losses and unused tax credits for future periods, and deductible temporary differences, are recognized as deferred tax assets within the scope of being very likely to have future taxable income available for use. They shall be reassessed on each reporting date, and adjustments shall be made to reduce the related income tax benefits that are unlikely to be realized; or to reverse the amount of the previously reduced income tax benefits that are likely to have sufficient taxable income in the future.

Deferred income tax is measured based on the tax rate expected to be applied when the temporary differences are reversed, based on the statutory tax rate or the substantive enacted tax rate as of the reporting date.

The company only offsets deferred tax assets and deferred tax liabilities when the following conditions are simultaneously met:

1. When there is a legally enforceable right to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to either:
   (1) the same taxpayer entity; or
   (2) different taxpayer entities, provided that each entity intends to settle the current income tax liabilities and assets on a net basis or simultaneously realize the assets and settle the liabilities in each future period in which significant amounts of the deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

(16) Earnings per share

The Company lists out the basic and the dilutive earnings per share (EPS) of the Company's common share equity holders. The Company's basic earnings per shares are calculated by having the equity of the equity holders of the Company's common shares divided by the weighted average of the number of outstanding common shares. The diluted earnings per share are calculated after adjusting for the effect of all potential diluted common shares on the profits and losses attributable to holders of the Company's common shares and the weighted average number of outstanding common shares. The potential dilutive ordinary shares of the Company include the estimated amount of employee compensation accruals.

(17) Segment information

The company has disclosed segment information in the consolidated financial statements, and therefore, the individual financial statements do not disclose segment information.

5. Critical accounting judgments, estimates and key sources of assumption uncertainty

When preparing the individual financial statements, management must make judgments, estimates, and assumptions that will affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Management continually reviews its estimates and underlying assumptions, and any adjustments are recognized in the period of change and in future periods affected.

The following assumptions and estimates involve significant uncertainties that could result in material adjustments to the carrying amounts of assets and liabilities in the next financial year and have been impacted by the COVID-19 pandemic. Details of these assumptions and estimates are provided below:

(1) Allowance for doubtful accounts for accounts receivable.

The allowance for doubtful accounts is estimated based on assumptions regarding default risk and expected loss rates. The company considers historical experience, current market conditions, and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used in calculating impairment. For detailed explanation of the related assumptions and input values, please refer to Note 6(3).

(2) Inventory evaluation

Due to the requirement to measure inventory at cost or net realizable value, whichever is lower, the Company assesses the amount of inventory cost to be written down to net realizable value due to normal wear and tear, obsolescence, or lack of market sales value as of the evaluation report date. The inventory valuation is primarily based on estimates of product demand during a specific future period, and may be subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for details on the inventory valuation estimate.

The company's accounting policies and disclosures include the use of fair value measurement for its financial and non-financial assets and liabilities. The company has established internal control systems for fair value measurement. This includes establishing an assessment team responsible for reviewing all significant fair value measurements (including level 3 fair value) and reporting directly to the Chief Financial Officer. The assessment team periodically reviews significant unobservable inputs and adjustments. If third-party information (such as brokers or pricing service organizations) is used as inputs to measure fair value, the assessment team will evaluate the evidence supporting the input values provided by the third party to ensure that the valuation and its fair value classification comply with International Financial Reporting Standards. Investment properties are periodically valued by the company based on the evaluation methods and parameter assumptions specified by the Financial Supervisory Commission, or by external appraisers commissioned by the company.

The company strives to use market observable inputs as much as possible when measuring its assets and liabilities. The fair value level is classified based on the input values used by the valuation technique, as follows:

(1) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(2) Level 2: Inputs for the asset or liability that are directly (i.e., prices) or indirectly (i.e., derived from prices) observable, excluding those included in Level 1.

(3) Level 3: Inputs for the asset or liability that are unobservable (i.e., non-market observable inputs).

In the event of transfers between different levels of fair value hierarchy, the company recognizes the transfer on the reporting date.

Please refer to the following notes for information related to the assumptions used in measuring fair value:

1. Note 6(8): Investment properties.
2. Note 6(18): Financial instruments.

6. Explanation of Significant Accounting Items

(1) Cash and Cash Equivalents

		2022.12.31	2021.12.31
Cash and cash equivalents.	$	41	41
Bank deposit		70,111	42,092
Time Deposits		18,426	-
The cash and cash equivalents as presented in the statement of cash flows.	**$**	**88,578**	**42,133**

For the disclosure of interest rate risk and sensitivity analysis related to the company's financial assets and liabilities, please refer to Note 6(18).

(2) Financial assets measured at fair value through other comprehensive income.

		2022.12.31	2021.12.31
Debt instruments measured at fair value through other comprehensive income:			
Foreign corporate bonds - APPLE	$	25,444	26,746
Foreign corporate bonds - AT&T		8,631	11,006
Foreign corporate bonds - Pfizer		4,154	5,108
Equity instruments measured at fair value through other comprehensive income:			
Domestic unlisted (OTC) company stocks - SunnyBank.		16,000	15,560
Total	**$**	**54,229**	**58,420**

1. Debt instrument investments measured at fair value through other comprehensive income

   As of December 31, 2022, and December 31, 2021, the Company held bond investments measured at fair value through other comprehensive income with effective interest rates ranging from 2.00% to 4.01% and maturity dates ranging from 2036 to 2045. The Company evaluates these bond investments as held for the purpose of collecting contractual cash flows and selling financial assets, in line with its operating model. Therefore, they are reported as financial assets measured at fair value through other comprehensive income.

2. Equity instrument investments measured at fair value through other comprehensive income

   The Company holds these equity instrument investments as long-term strategic investments and not for trading purposes, thus they have been designated as measured at fair value through other comprehensive income.

3. For information regarding credit risk (including impairment of debt instrument investments) and market risk, please refer to Note 6(18).
4. As of December 31, 2022, and December 31, 2021, none of the above-mentioned financial asset investments held by the Company were provided as collateral.

(3) Accounts receivable (excluding related parties)

		2022.12.31	2021.12.31
Accounts receivable	$	108,281	96,114
Less: Allowance for Doubtful Accounts		-	-
	$	**108,281**	**96,114**

The Company applies a simplified approach to estimate expected credit losses for all accounts receivable. This approach involves measuring expected credit losses over the remaining expected lifetime of the receivables. For this measurement purpose, the accounts receivable are grouped based on shared credit risk characteristics that represent the customers' ability to pay all amounts due under the contract terms. The analysis incorporates forward-looking information, including macroeconomic and industry-specific information. The analysis of expected credit losses for the Company's accounts receivable is as follows:

	2022.12.31		
	Accounts receivable Book Value	**Weighted Average Expected Credit Loss Rate**	**Expected Credit Losses During Allowance Duration**
Not Overdue	$ 88,623	0%~0.30%	-
Within 180 days of overdue	19,658	0%~3.58%	-
	$ 108,281		**-**

	2021.12.31		
	Accounts receivable Book Value	**Weighted Average Expected Credit Loss Rate**	**Expected Credit Losses During Allowance Duration**
Not Overdue	$ 71,248	0%~0.25%	-
Within 180 days of overdue	24,866	0%~10%	-
	$ 96,114		**-**

There were no changes in the allowance for doubtful accounts for accounts receivable in both 2022 and 2021.

As of December 31, 2022, and December 31, 2021, none of the accounts receivable of the company were pledged as collateral.

(4) Inventory

	2022.12.31	**2021.12.31**
Raw materials and supplies	$ 1,091	3,587
Work in progress	3,051	12,370
Finished goods	33,966	38,515
Goods-in-Transit Inventory	3,340	756
Subtotal	41,448	55,228
Less: Allowance for Doubtful Accounts	(642)	(7,094)
	$ 40,806	**48,134**

Details of inventory-related expenses recognized by the company in the fiscal years 2022 and 2021 are as follows:

	Year 2022	Year 2021
Reversal of inventory sold.	$ 491,939	385,392
Inventory obsolescence (reversal of impairment) loss	**(6,452)**	4,039
Total	**$ 485,487**	**389,431**

As of December 31, 2022, and December 31, 2021, the company's inventory was not pledged or used as collateral.

(5) Investments accounted for using the equity method

The investments accounted for using the equity method as of the reporting date are presented as follows: :

	2022.12.31	2021.12.31
Subsidiary	**$ 569,100**	**438,704**

1. Subsidiary

Please refer to the 2022 annual consolidated financial statements for details.

2. Pledges

As of December 31, 2022, and December 31, 2021, none of the equity method investments of the Company were provided as collateral.

(6) Property, Plant, and Equipment

The details of changes in the cost, depreciation, and impairment loss of property, plant, and equipment for the year 2022 and 2021 are as follows:

		Land	Buildings and structures	Machinery and equipment	Office equipment	Unfinished works and equipment to be inspected	Total
Cost or deemed cost:							
Balance as of January 1, 2022	$	181,394	94,503	203,607	37,765	6,247	523,516
Increase		-	-	1,466	-	8,798	10,264
Reclassify		-	-	3,030	-	(3,030)	-
Disposition		-	-	(16,126)	(24)	-	(16,150)
Balance as of December 31, 2022	$	181,394	94,503	191,977	37,741	12,015	517,630
Balance as of January 1, 2021	$	181,394	94,503	193,160	37,250	9,398	515,705
Increase		-	-	2,969	-	5,793	8,762
Reclassify		-	-	7,478	515	(8,944)	(951)
Balance as of December 31, 2021	$	181,394	94,503	203,607	37,765	6,247	523,516
Depreciation and impairment loss：							
Balance as of January 1, 2022	$	-	37,061	163,395	28,603	-	229,059
Depreciation of this year		-	3,356	7,569	2,669	-	13,594
Disposition		-	-	(10,104)	(24)	-	(10,128)
Balance as of December 31, 2022	$	-	40,417	160,860	31,248	-	232,525
Balance as of January 1, 2021	$	-	33,705	153,983	25,943	-	213,631
Depreciation of this year		-	3,356	9,412	2,660	-	15,428
Balance as of December 31, 2021	$	-	37,061	163,395	28,603	-	229,059
Book value:							
December 31, 2022	$	181,394	54,086	31,117	6,493	12,015	285,105
January 1, 2021	$	181,394	60,798	39,177	11,307	9,398	302,074
December 31, 2021	$	181,394	57,442	40,212	9,162	6,247	294,457

The balance Details of the mortgaged real estate, plants, and equipment as of December 31, 2022 and 2021, are explained in Note 8.

(7) Right-of-use assets

The cost, depreciation, and impairment loss related to the leased transportation equipment and other equipment of the Company are detailed as follows:

	Transportation Equipment	Other equipment	Total
Right-of-use asset cost:			
Balance as of January 1, 2022	$ 4,505	280	4,785
Decrease	(3,063)	(280)	(3,343)
Balance as of December 31, 2022	**$ 1,442**	**-**	**1,442**
Balance as of January 1, 2021	$ 4,505	280	4,785
Balance as of December 31, 2021	**$ 4,505**	**280**	**4,785**
Depreciation and impairment losses on right-of-use assets：			
Balance as of January 1, 2022	$ 3,784	210	3,994
Depreciation of this year	481	70	551
Decrease	(3,063)	(280)	(3,343)
Balance as of December 31, 2022	**$ 1,202**	**-**	**1,202**
Balance as of January 1, 2021	$ 2,538	140	2,678
Depreciation of this year	1,246	70	1,316
Balance as of December 31, 2021	**$ 3,784**	**210**	**3,994**
Book value:			
December 31, 2022	**240**	**-**	**240**
December 31, 2021	**$ 721**	**70**	**791**
January 1, 2021	**$ 1,967**	**140**	**2,107**

(8) Investment real estate

	Land	Buildings and structures	Total
Cost or deemed cost:			
Balance as of January 1, 2022	$ 663,510	289,958	953,468
Balance as of December 31, 2022	**$ 663,510**	**289,958**	**953,468**
Balance as of January 1, 2021	$ 663,510	289,958	953,468
Balance as of December 31, 2021	**$ 663,510**	**289,958**	**953,468**

	Land	Buildings and structures	Total
Depreciation and impairment loss：			
Balance as of January 1, 2022	$ -	37,617	37,617
Depreciation of this year	-	5,439	5,439
Balance as of December 31, 2022	**$ -**	**43,056**	**43,056**
Balance as of January 1, 2021	$ -	32,179	32,179
Depreciation of this year	-	5,438	5,438
Balance as of December 31, 2021	**$ -**	**37,617**	**37,617**
Book value：			
December 31, 2022	**$ 663,510**	**246,902**	**910,412**
January 1, 2021	**$ 663,510**	**257,779**	**921,289**
December 31, 2021	**$ 663,510**	**252,341**	**915,851**
Fair value			
December 31, 2022			**$ 1,783,220**
December 31, 2021			**$ 1,727,543**
January 1, 2021			**$ 1,713,643**

1. Investment properties are self-owned assets held by the Company. The original non-cancellable lease term for leased investment properties ranges from 5 to 6 years.
2. Due to the restriction in the law at the time of acquiring certain real estate investments, which prohibited private entities from acquiring agricultural land, Mr. Lin Wenteng, a director of the Company, registered the property under his personal name. To ensure the preservation of the Company's assets, the property has been pledged back to the Company.
3. The fair value of investment properties is based on the evaluation conducted by independent appraisers who possess recognized professional qualifications and recent experience in evaluating properties of similar location and type. The evaluation is based on market value. If an active market price is not available, the valuation is determined by considering the estimated aggregate of expected cash flows from leasing the property, discounted at a rate that reflects the specific risks associated with the inherent net cash flows of the property, to determine its value.
4. For the years ended 2022 and December 31, 2021, please refer to Note 8 for details regarding the pledging of investment properties by the Company.

(9) Short-term borrowings

The details of the Company's short-term borrowings are as follows:

	2022.12.31	2021.12.31
Secured bank borrowings.	$ 30,000	117,000
Unused credit facilities	$ 370,000	283,000
Interest rate range	1.29%~1.79%	1.28%~1.29%

Please refer to Note 8 for details on the collateral provided for bank borrowings.

(10) Operating Leases

Lessor Leases

The company leases its investment properties under operating leases. Please refer to Note 6(8) for further information. The future minimum lease payments receivable for non-cancellable lease agreements are as follows:

	2022.12.31	2021.12.31
Within a year	$ 20,466	15,680
1-5 years	38,182	32,757
	$ 58,648	48,437

(11) Employee benefits

1. Defined Benefit Plans

The adjustments to the present value of defined benefit obligations and the fair value of plan assets are as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligation	$ 9,523	11,642
The fair value of plan assets.	(6,014)	(6,059)
Net defined benefit liability.	$ 3,509	5,583

The company's defined benefit plan contributions are allocated to the Taiwan Bank's special account for labor retirement reserves. Retirement benefits for each employee subject to the Labor Standards Act are calculated based on their years of service, base salary, and average salary for the six months prior to retirement.

(1) Composition of Plan Assets

The retirement fund allocated by the company under the Labor Standards Act is managed by the Labor Pension Fund Supervisory Committee (referred to as the Labor Fund Committee). According to the "Regulations on Income, Preservation, and Utilization of Labor Retirement Funds," the minimum annual return on fund distribution shall not be lower than the interest calculated based on the local bank's two-year fixed deposit rate.

As of the reporting date, the company's balance in the Taiwan Bank's special account for labor retirement reserves is NT$6,014 thousand. The data on the operation of labor retirement funds includes the fund yield and asset allocation, which are disclosed on the website of the Bureau of Labor Funds.

(2) Changes in the Present Value of Defined Benefit Obligations

The changes in the present value of defined benefit obligations for the company in 2022 and 2021 are as follows:

		Year 2022	Year 2021
January 1 Defined Benefit Obligations	$	11,642	12,718
Current service cost and interest		163	120
Net remeasurement of defined benefit liability (asset)			
－Actuarial gains and losses resulting from changes in financial assumptions		314	(28)
Benefits payable under the plan		(2,596)	(1,168)
December 31 Defined Benefit Obligations	**$**	**9,523**	**11,642**

(3) Changes in Fair Value of Plan Assets

The changes in fair value of the defined benefit plan assets for the year ended 2022 and 2021 are as follows:

		Year 2022	Year 2021
Fair value of plan assets as of January 1st	$	6,059	6,087
Interest income		43	18
Net determination of welfare (liabilities) asset remeasures			
－ Plan asset return (excluding current interest).		458	90
Amounts recognized as contributions to the plan.		151	198
Benefits payable under the plan		(697)	(334)
Fair value of plan assets as of December 31	**$**	**6,014**	**6,059**

(4) Expenses recognized in profit or loss

The details of expenses recognized for the fiscal year 2022 and 2021 are as follows:

	Year 2022	Year 2021
Current service costs	$ 81	82
Net interest on the net defined benefit liability (asset) recognized.	39	20
	$ 120	**102**
Operating cost	$ 42	36
Selling expenses	12	18
Management expense	66	45
research and development expenses	-	3
	$ 120	**102**

(5) Accumulated remeasurements of net defined benefit liability (asset) recognized in other comprehensive income

The accumulated remeasurements of net defined benefit liability (asset) recognized in other comprehensive income are as follows:

	Year 2022	Year 2021
January 1st Cumulative Balance	$ (1,376)	(1,494)
Current Period Recognition	144	118
December 31st Cumulative Balance	**$ (1,232)**	**(1,376)**

(6) Actuarial Assumptions

The significant actuarial assumptions used by the Company as of the end of the financial reporting period to determine the present value of defined benefit obligations are as follows:

	2022.12.31	2021.12.31
Discount rate	1.30%	0.70%
Future salary increase	1.25%	1.25%

The company is expected to make a contribution of 137 thousand dollars to the defined benefit plan within one year after the reporting date in 2022.

The weighted average remaining service period of the defined benefit plan is 10 years.

(7) Sensitivity Analysis

When calculating the present value of the defined benefit obligation, the company must exercise judgment and make estimates to determine actuarial assumptions for the balance sheet date, including discount rates, employee turnover rates, and future salary changes. Any changes in actuarial assumptions could have a significant impact on the amount of the company's defined benefit obligations.

The impact of significant changes to the main actuarial assumptions adopted on December 31, 2022 and December 31, 2021 on the present value of defined benefit obligations is as follows:

	Impact on the defined benefit obligation.	
	Increase	**Decrease**
December 31, 2022		
Discount rate (variation of 0.25%)	$ (154)	159
Future salary increase (variation of 0.25%)	142	(139)
December 31, 2021		
Discount rate (variation of 0.25%)	(220)	227
Future salary increase (variation of 0.25%)	197	(192)

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

The method and assumptions used in this period's sensitivity analysis are the same as those used in the previous period.

2. Defined Contribution Plans

In accordance with the provisions of the Labor Pension Act, the definitional contribution plan of the Company shall be allocated to the labor pension individual account of the Bureau of Labor Insurance at a contribution rate of 6% of the monthly wages of the labors. Under the scheme, there is no statutory or constructive obligation on the part of the Company to pay any additional amount after a fixed contribution has been made to the Bureau of Labor Insurance.

The retirement benefit expenses under the defined benefit plan of the company have been allocated to the Labor Bureau:

	Year 2022	Year 2021
Operating cost	$ 513	667
Selling expenses	157	95
Management expense	626	636
research and development expenses	56	93
	$ 1,352	1,491

(12) Income tax

1. The detailed income tax expenses for the fiscal years 2022 and 2021 are as follows:

	Year 2022	Year 2021
Current Generation	$ 21,892	3,806
Tax on unappropriated earnings	-	2
Adjustment of prior-period income taxes.	(214)	761
Current income tax expense	$ 21,678	4,569

2. The adjustments between income tax expenses and pre-tax net income for the fiscal years 2022 and 2021 are as follows:

	Year 2022	Year 2021
Profit before tax	$ 197,778	89,541
Income tax calculated based on the domestic tax rate of the company's jurisdiction.	$ 39,555	17,908
Investment gains and losses recognized under the equity method	(15,967)	(14,067)
Tax on unappropriated earnings	-	2
Unrecognized changes in temporary differences	(1,438)	884
Underestimated (overestimated) income tax in prior periods.	(214)	761
其他	(258)	(919)
Total	$ 21,678	4,569

3. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

Items not recognized as deferred income tax assets of the Company are as follows:

	2022.12.31	2021.12.31
Deductible Temporary Differences	$ 25,156	23,718

(2) Recognized deferred income tax assets (and liabilities)

The changes in deferred income tax liabilities for the year 2022 and 2021 are as follows:

	Land value increment tax reserve
Deferred income tax liabilities:	
January 1, 2021	$ 62,679
Balance as of December 31, 2022	**$ 62,679**
January 1, 2021	$ 62,679
Balance as of December 31, 2021	**$ 62,679**

4. The corporate income tax settlement and declaration for the company have been approved by the tax authorities until the year 2020.

(13) Capital and Other Equity

1. Issuance of Common Stock

As of December 31, 2022 and 2021, the total par value of the authorized common stock of the Company was NT$4,000,000 thousand, consisting of 400,000 thousand shares with a par value of NT$10 per share. The total issued common shares were 166,303 thousand shares and all the proceeds from the issuance of the issued shares have been received.

2. Capital Surplus

Content of the Company’s capital surplus balance is as follows:

	2022.12.31	2021.12.31
Treasury stock	**$ 9**	**9**

In accordance with the provisions of the Company Act, after the capital reserves need to be first used to cover losses, the company may issue new shares or cash out of the realized capital reserves according to the proportion of the shareholders' original shares. The "realized capital surplus" referred to in the preceding paragraph includes the surplus resulting from the issuance of shares at a premium over their face value and income from receiving gifts. The total amount of the capital reserve that may be allocated as capital in accordance with the issuer's standards for handling the issue of securities shall not exceed 10% of the paid-up capital.

3. Retained Earnings

The company's annual financial statements require the payment of taxes from any profits earned. After offsetting accumulated losses, 10 percent of the remaining amount is allocated as the statutory surplus reserve. However, if the statutory surplus reserve exceeds the company's paid-up capital, no further allocation is required. Any remaining profits, along with undistributed profits from previous periods, are considered distributable profits and must be proposed by the board of directors and approved by the shareholders' meeting for dividend distribution.

The company, considering financial, operational, and business factors, may distribute dividends to shareholders not less than 10 percent of the distributable profits of the current fiscal year. However, if the accumulated distributable profits are less than 3 percent of the paid-up capital, no distribution may be made. The distribution of dividends may be in the form of cash dividends or stock dividends. Cash dividends shall take priority, and the ratio of cash dividends shall not be less than 10 percent of the dividend amount.

If the aforementioned shareholder dividends are to be distributed in cash, the Board of Directors is authorized to implement the decision with the consent of two-thirds or more of the attending directors and a majority of the attending directors, and to report it to the shareholders' meeting.

(1) Statutory Surplus Reserve

When the Company has no losses, it may distribute new shares or cash by using the statutory surplus reserve upon approval of the shareholders' meeting, subject to the limitation of the surplus reserve exceeding 25% of the paid-in capital.

(2) Special Surplus Reserve

Upon initial adoption of International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission, the Company chose to apply the exemption item of IFRS 1 "First-time Adoption of International Financial Reporting Standards." Unrealized revaluation gains, cumulative translation adjustments (gains), and assets classified as "investment property" on the transition date were not recognized in equity. In accordance with the FSC Order No. 1010012865 issued on April 6, 2012, the same amount of special surplus reserve shall be appropriated. When related assets are used, disposed of, or reclassified, the proportion of the originally appropriated special surplus reserve may be reversed and distributed as profits.

According to the regulations of the Financial Supervisory Commission, when distributing distributable earnings, the Company shall deduct the net amount of other shareholders' equity reduction items recorded during the year and the difference between the special surplus reserve balance mentioned in the previous paragraph. When distributing the earnings of fiscal year 2020 in 2021, the Company appropriated the current year's profit or loss and the undistributed earnings of prior years to the special surplus reserve. When distributing the earnings of fiscal year 2021 in 2022, the Company appropriated the amount of the current year's after-tax net income and items other than the current year's after-tax net income to the undistributed earnings of the current year, and made up for the special surplus reserve of prior years. If there are any other shareholders' equity reduction items accumulated in prior years, they shall not be distributed from the special surplus reserve made up for undistributed earnings of prior years. When there is a reversal of the amount of reduction in other shareholders' equity items, the Company may distribute the profits for the corresponding portion. As of December 31, 2022 and 2021, the remaining balance of the special reserve for surplus was NT$34,924 thousand and NT$58,466 thousand, respectively.

(3) Surplus distribution

On March 31, 2022, this company resolved the cash dividend amount for the fiscal year 2021 distribution plan for profits at the Board of Directors meeting. On June 30, 2022, the fiscal year 2021 other profit distribution plan was approved at the Shareholders' Meeting. In addition, the fiscal year 2020 profit distribution plan was approved at the Shareholders' Meeting on August 30, 2021. Relevant information can be found on the Public Information Observation Platform. The amounts of distribution to the shareholders are as follows：

	Year 2021		Year 2020	
	Allotment ratio (NTD)	**Amount**	**Allotment ratio (NTD)**	**Amount**
Dividends allocated to common shareholders:				
Cash	$ 0.60	100,000	0.30	50,000

4. Other Equities (Net Amount After Tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income.	Total
Balance as of January 1, 2022	$ (41,048)	6,124	(34,924)
Share of translation differences on subsidiaries accounted for using the equity method.	(14,105)	-	(14,105)
Unrealized losses on financial assets measured at fair value through other comprehensive income.	-	(11,045)	(11,045)
Balance as of December 31, 2022	$ (55,153)	(4,921)	(60,074)
Balance as of January 1, 2021	$ (66,039)	7,573	(58,466)
Share of translation differences on subsidiaries accounted for using the equity method.	24,991	-	24,991
Share of unrealized gains or losses on financial assets measured at fair value through other comprehensive income of subsidiaries accounted for using the equity method.	-	428	428
Unrealized losses on financial assets measured at fair value through other comprehensive income.	-	(1,449)	(1,449)
Disposal of equity instruments measured at fair value through other comprehensive income of subsidiaries.	-	(428)	(428)
Balance as of December 31, 2021	$ (41,048)	6,124	(34,924)

(14) Earnings per share

1. Basic earnings per share

Basic earnings per share of the Company for the year 2022 and 2021 are calculated based on the net income attributable to the Company's common equity shareholders and the weighted average number of common shares outstanding. The calculations are as follows:

(1) Net income attributable to the Company's common equity shareholders.

	Year 2022	Year 2021
Net profit attributable to the Company for the period	**$ 176,100**	**84,972**

(2) Weighted average number of outstanding common shares

	Year 2022	Year 2021
(2) Weighted average number of outstanding common shares	**166,303**	**166,303**

2. Diluted earnings per share

The diluted earnings per share of the Company for the years 2022 and 2021 are calculated based on the net income attributable to the Company's common equity holders and the weighted average number of common shares outstanding, adjusted for the dilutive effects of all potential common shares. The relevant calculations are as follows:

(1) Net income attributable to the Company's common equity shareholders.

	Year 2022	Year 2021
Net income attributable to the Company's common equity holders (basic)	**$ 176,100**	**84,972**

(2) Weighted average number of outstanding common shares

	Year 2022	Year 2021
Weighted average number of common shares outstanding (basic)	166,303	166,303
Impact of employee stock dividends	164	67
Weighted average number of common shares outstanding (diluted)	**166,467**	**166,370**

	Year 2022	Year 2021
Basic earnings per share	**$ 1.06**	**0.51**
Diluted earnings per share	**$ 1.06**	**0.51**

(15) Customer contract revenue

1. Breakdown of Revenue

	Year 2022			
	Diodes department		Real estate Investment department	Total
Major geographical markets:：				
Asia	$	541,113	16,332	557,445
Americas		64,082	-	64,082
Europe		13,188	-	13,188
	$	**618,383**	**16,332**	**634,715**
Main products/services:				
Manufacturing and sales of electronic components	$	618,383	-	618,383
Rental income		-	16,332	16,332
	$	**618,383**	**16,332**	**634,715**

	Year 2021			
	Diodes department		Real estate Investment department	Total
Major geographical markets:：				
Asia	$	386,324	19,467	405,791
Americas		39,704	-	39,704
Europe		29,675	-	29,675
	$	**455,703**	**19,467**	**475,170**
Main products/services:				
Manufacturing and sales of electronic components	$	455,703	-	455,703
Rental income		-	19,467	19,467
	$	**455,703**	**19,467**	**475,170**

2. Contract balance

	2022.12.31	2021.12.31	2021.1.1
Accounts Receivable(including related parties)	$ 122,639	124,559	93,410
Less: Allowance for Doubtful Accounts	-	-	-
Total	**$ 122,639**	**124,559**	**93,410**
Contract liabilities - electronic components	**$ 682**	**-**	**50**

Accounts receivable and impairment disclosure should refer to Note 6(3).

(16) Employee and Director/Supervisor Remuneration.

Pursuant to the Company's Articles of Incorporation, if a profit is made during the year, no less than 1% should be allocated for employee compensation, and no more than 2% for directors' and supervisors' compensation. However, if the Company has accumulated deficit, the priority is to allocate an amount to offset the deficit first. The recipients of employee compensation paid in the form of stocks or cash include employees of subsidiary companies who meet certain conditions.

Estimated employee compensation for the Company in 2022 and 2021 was NT$2,012 thousand and NT$923 thousand, respectively, and estimated compensation for directors and supervisors was NT$1,500 thousand and NT$1,846 thousand, respectively. These amounts were based on the pre-tax net profit for the relevant period, after deducting employee and director/supervisor compensation and accumulated losses, multiplied by the percentage of employee compensation and director/supervisor compensation as stipulated in the Company's Articles of Incorporation, and were reported as operating expenses for the relevant period. If the Board of Directors resolves to issue employee compensation in the form of stocks, the number of shares for stock compensation is calculated based on the closing price of the Company's common stock on the day of the Board's resolution.

The Board-approved amounts for employee and director/supervisor remuneration for the year 2021 are consistent with the estimates in the individual financial statements for 2021. The differences between the Board-approved amounts and the estimates for employee and director/supervisor remuneration for the year 2022 are NT$488 thousand and NT$500 thousand, respectively. These differences mainly arise from accounting estimates, and they will be recognized as income or expense in the year 2023.

(17) Non-operating Income and Expenses

1. Other revenue

The detailed breakdown of other income for the company is as follows:

	Year 2022	Year 2021
Interest income	$ 1,462	1,214
Dividend income	291	280
Rental income	1,098	1,682
	$ 2,851	3,176

2. Other gains and losses

The detailed breakdown of other gains and losses for the company is as follows:

	Year 2022	Year 2021
Foreign exchange gains and losses.	$ 17,514	(3,540)
Gain on disposal of unrealized gains on assets - Subsidiary	**(15,339)**	-
Manpower supports income	4,542	8,607
Manpower support spending	**(4,542)**	(8,607)
Gains on disposal of property, plants, and equipment	3,998	-
Others	22,116	562
	$ 28,289	(2,978)

3. Financial cost

Details of financial expenses of the company are as follows:

	Year 2022	Year 2021
Interest expense	$ (1,115)	(1,674)

(18) Financial Instruments

1. Credit Risk

(1) Exposure of Credit Risk

The carrying amount of financial assets represents the maximum credit risk exposure.

(2) Concentration of Credit Risk

The company has a broad customer base and does not have significant concentration of transactions with any single customer. Sales are also geographically diversified, therefore there is no significant concentration of credit risk.

(3) Credit Risk of Receivables and Debt Securities

For information on the credit risk exposure of notes and accounts receivable, please refer to Note 6(3). Other financial assets measured at amortized cost include other receivables.

All of the above are financial assets with low credit risk. Therefore, the allowance for credit losses is measured based on a 12-month expected credit loss for the respective period. Other receivables and held-to-maturity deposits held by the company have counterparties and contractual parties that are financial institutions with investment-grade ratings or above, hence they are considered to have low risk. Changes in the provision for credit losses for 2022 and 2021 fiscal years are as follows:

	Other receivables
Balance as of January 1, 2022	$ 36,992
Balance as of December 31, 2022	**$ 36,992**
Balance as of January 1, 2021	$ 36,992
Balance as of December 31, 2021	**$ 36,992**

2. Liquidity Risk

The following table presents contractual due dates of financial liabilities, including estimated interests but not affects of net amount agreements.

	Book Value	**Contractual cash Flow**	**6 months within**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
December 31, 2022							
Non-derivative financial liabilities							
Floating rate instruments	$ 30,000	30,020	30,020	-	-	-	-
Non-Interest-Bearing Liabilities	109,244	109,244	109,244	-	-	-	-
Lease Liabilities (including non-current)	214	252	252	-	-	-	-
	$ 139,458	**139,516**	**139,516**	**-**	**-**	**-**	**-**
December 31, 2021							
Non-derivative financial liabilities							
Floating rate instruments	$ 117,000	117,179	117,179	-	-	-	-
Non-Interest-Bearing Liabilities	50,611	50,611	50,611	-	-	-	-
Lease Liabilities (including non-current)	801	809	313	281	215	-	-
	$ 168,412	**168,599**	**168,103**	**281**	**215**	**-**	**-**

The Company does not expect the timing of the occurrence of cash flows through the maturity date analysis will be significantly earlier or the actual amount will significantly differ.

3. Currency Risk

(1) Exposure of Currency Risk

The financial assets and liabilities of the Company exposed to material foreign exchange risk are as follows:

	2022.12.31			2021.12.31		
	Foreign Currency	**Foreign exchange effect**	**NTD**	**Foreign Currency**	**Foreign exchange effect**	**NTD**
Financial Assets						
Monetary items						
USD	$ 5,847	30.710	179,561	6,176	27.680	170,952
Non-Monetary Items						
USD	1,245	30.710	38,229	1,548	27.680	42,860
Financial liabilities						
Monetary items						
USD	1,161	30.710	35,654	913	27.680	25,272

(2) Sensitivity Analysis

The exchange rate risk of the company mainly comes from cash and cash equivalents, accounts receivable and other receivables, financial assets measured at fair value through other comprehensive income, accounts payable, and other payables denominated in foreign currencies, which generate foreign exchange gains and losses upon translation. In 2022 and 2021, assuming a 0.5% depreciation or appreciation of the New Taiwan Dollar against the US Dollar and Hong Kong Dollar, while keeping all other factors unchanged, the after-tax net profit for 2022 and 2021 will respectively increase or decrease by $576 thousand and $583 thousand. Equity will increase or decrease by $153 thousand and $171 thousand respectively due to the fair value measurement of financial assets through other comprehensive income. The analysis of the two periods is based on the same basis.

(3) Foreign Exchange Gain/Loss on Monetary Items

As the company deals with multiple functional currencies, the information regarding foreign exchange gain/loss on monetary items is disclosed in an aggregated manner. The foreign exchange gain/loss (including realized and unrealized) for 2022 and 2021 amounts to a gain of $17,514 thousand and a loss of $3,540 thousand, respectively.

4. Interest Rate Analysis

The interest rate exposure of the financial assets and financial liabilities of the Company is indicated in the liquidity risk management in this note.

The following sensitivity analysis is based on the risk of interest rate spike of both derivative and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis assumes that the outstanding amount of liabilities at the reporting period is outstanding throughout the year. Internally, the Company report changes to the interest rate that are increased or decreased by 0.5% to the major management. This means that management evaluates the range of reasonable possible changes of the interest rates.

Assuming all other variables remain constant, if the interest rate increases or decreases by 0.5%, the after-tax net profit for 2022 and 2021 will respectively decrease or increase by $120 thousand and $468 thousand. This is primarily due to the impact of variable rate borrowings in the company.

5. Other Price Risk

The impact of changes in equity securities prices as of the reporting date (based on consistent analysis for two periods and assuming no other variable changes) on the comprehensive income items is as follows:

	Year 2022		**Year 2021**	
Securities prices at the reporting date	**Other comprehensive income after tax**	**Net income after tax**	**Other comprehensive income after tax**	**Net income after tax**
Increase of 0.5%	**$ 80**	**-**	**78**	**-**
Decrease of 0.5%	**$ (80)**	**-**	**(78)**	**-**

6. Information of Fair Value

(1) Categories of Financial Instrument and Fair Value

The company measures its financial assets at fair value through other comprehensive income based on recurring assessments. The following table presents the carrying amounts and fair values of various types of financial assets and financial liabilities (including fair value hierarchy information, except for financial instruments not measured at fair value where the carrying amount approximates fair value reasonably, and lease liabilities, which are not required to disclose fair value information) as follows:

	2022.12.31				
	Book	Fair value			
	Value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income.					
Foreign corporate bonds	$ 38,229	-	38,229	-	38,229
Domestic non-listed(non-emerging) stocks	16,000	-	16,000	-	16,000
Subtotal	54,229	-	54,229	-	54,229
Financial Assets Measured at Amortized Cost					
Cash and Cash Equivalents	$ 88,578	-	-	-	-
Accounts Receivable(including related parties)	122,639	-	-	-	-
Other accounts receivable(including related parties)	2,075	-	-	-	-
Deposits paid for guarantees (classified as other non-current assets)	661	-	-	-	-
Subtotal	213,953	-	-	-	-
Total	**$ 268,182**	**-**	**54,229**	**-**	**54,229**
Financial liabilities measured at amortized cost：					
Bank borrowings	$ 30,000	-	-	-	-
Notes payable and accounts payable (including related persons)	90,058	-	-	-	-
Accounts payable (including related parties)	19,186	-	-	-	-
Lease Liabilities (including non-current)	214	-	-	-	-
Total	**$ 139,458**	**-**	**-**	**-**	**-**

	2021.12.31				
	Book Value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income.					
Foreign corporate bonds	$ 42,860	-	42,860	-	42,860
Domestic non-listed(non-emerging) stocks	15,560	-	15,560	-	15,560
Subtotal	58,420	-	58,420	-	58,420
Financial Assets Measured at Amortized Cost					
Cash and Cash Equivalents	$ 42,133	-	-	-	-
Accounts Receivable(including related parties)	124,559	-	-	-	-
Other accounts receivable(including related parties)	107,917	-	-	-	-
Subtotal	274,609	-	-	-	-
Total	$ 333,029	-	58,420	-	58,420
Financial liabilities measured at amortized cost：					
Bank borrowings	$ 117,000	-	-	-	-
Notes payable and accounts payable (including related persons)	27,886	-	-	-	-
Accounts payable (including related parties)	22,725	-	-	-	-
Lease Liabilities (including non-current)	801	-	-	-	-
Total	$ 168,412	-	-	-	-

(2) Fair Value Evaluation Techniques for Financial Instruments Measured at Fair Value

For financial instruments that have active markets and public quotations, the fair value is determined using the quoted prices in the active market. The market prices announced by the TPEX of the central government and the major exchanges judged to be popular securities are the basis of the fair value of listed (counter) equity instruments and debt instruments with active open market quotations.

If the financial instruments can be obtained through a timely and frequent public quotation from exchanges, brokers, underwriters, industry associations, pricing service organizations, or regulatory authorities, and the price represents the fair market value of actual and frequent transactions, then the financial instruments have active market public quotations. If the above conditions are not met, the market is considered inactive.

Generally, a large bid-ask spread, a significant increase in bid-ask spread, or low trading volume are indicators of an inactive market.

The financial instruments held by the company are considered to have active markets, and their fair values are determined based on standard terms and conditions in active market transactions. Market quotations are used as a reference for determining the fair values.

(3) Transition between Level 1 and Level 2

There were no significant transfers of financial assets from Level 2 to Level 1 during the years 2022 and 2021.

(19) Financial Risk Management

1. Summary

The Company is exposed to the following risks as a result of the use of financial instruments:

(1) Credit Risk

(2) Liquidity Risk

(3) Market Risk

This note provides information on the risks of the Company and the Company's objectives, policies. and procedures for measuring and managing risks. For further quantified disclosure, please refer to the respective notes in this financial report.

2. Risk Management Framework

The company's financial management department provides services to various business units, coordinating and overseeing operations in domestic and international financial markets. It monitors and manages financial risks related to the company's operations by analyzing internal risk reports based on the degree and breadth of risks involved. Internal auditors continuously review compliance with policies and exposure limits. The company does not engage in transactions involving financial instruments, including derivative financial instruments, for speculative purposes.

3. Credit Risk

Credit risk refers to the risk of financial loss arising from the inability of customers or counterparties to fulfill their contractual obligations. It primarily arises from the company's accounts receivable from customers and securities investments.

(1) Accounts Receivable and Other Receivables

The company's policy is to transact only with reputable counterparties and, when necessary, obtain collateral to mitigate the risk of financial loss resulting from defaults. The company only engages in transactions with entities that have credit ratings equivalent to investment grade. Such information is provided by independent rating agencies. If such information cannot be obtained, the Company will use other publicly available financial information and transaction records to rate its major customers. The Company continuously monitors credit exposure and counterparties' credit ratings and distributes the total transaction amount among customers with qualified credit ratings. The Company controls credit exposure by annually reviewing and approving counterparties' credit limits.

Due to the company's extensive customer base and the absence of significant concentration in transactions with any single customer, as well as the geographical diversification of sales regions, the credit risk related to accounts receivable is not significantly concentrated. To mitigate credit risk, the company regularly assesses the financial condition of its customers. However, collateral is typically not required from customers.

(2) Investment

The credit risk associated with bank deposits and other financial instruments is assessed and monitored by the company's finance department. As the company transacts with reputable banks, financial institutions with investment-grade ratings or higher, corporate organizations, and government agencies, all of which have good credit standing and no significant concerns regarding their ability to fulfill obligations, there is no significant credit risk.

(3) Guarantees

The company's policy stipulates that financial guarantees can only be provided to wholly-owned subsidiaries. As of December 31, 2022, and 2021, the company has not provided any endorsement guarantees.

4. Liquidity Risk

The Company manages and maintains sufficient positional cash and equivalent cash to support the operations of the Company and mitigate the impact of cash flow fluctuations. The company's management oversees the utilization of bank financing facilities and ensures compliance with loan agreement terms.

Bank borrowings are an important source of liquidity for the company. As of December 31, 2022, and 2021, the unused short-term bank financing facilities amounted to 370,000 thousand yuan and 283,000 thousand yuan, respectively.

5. Market Risk

Market risk refers to the risk that the company's earnings or the value of its financial instruments may be affected by market price movements, such as exchange rates, interest rates, and equity instrument prices. The goal of market risk management is to control the level of market risk exposure within acceptable limits and optimize investment returns.

(1) Currency Risk

The company is exposed to exchange rate risk arising from sales and purchases denominated in currencies other than the functional currencies of the respective group entities. The primary currencies involved in these transactions are New Taiwan Dollar and US Dollar.

(2) Interest Rate Risk

The company faces cash flow risk due to its use of floating-rate borrowings. The company manages interest rate risk by maintaining an appropriate portfolio of floating interest rate instruments.

(20) Capital management

The capital management objective of the company is to safeguard its ability to continue operations, provide returns to shareholders and other stakeholders, and maintain an optimal capital structure to lower the cost of funds.

To maintain or adjust the capital structure, the company may make adjustments such as changing dividend payments to shareholders, reducing capital and returning shareholder investments, issuing new shares, or selling assets to repay debts.

Similar to its industry peers, the company manages its capital based on the debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is the total amount of liabilities listed in the balance sheet minus cash and cash equivalents. Total capital includes all components of equity (i.e., share capital, capital surplus, retained earnings, and other equity) plus net debt.

The capital management policy for 2022 remains consistent with 2021, maintaining a debt-to-capital ratio between 7% and 10% to ensure financing at reasonable costs. As of December 31, 2022 and 2021, the debt-to-capital ratios are as follows:

	2022.12.31	**2021.12.31**
Total liabilities	$ 231,659	244,615
Less: Cash and Cash Equivalents	(88,578)	(42,133)
Net Liability	143,081	202,482
Total equity	1,849,040	1,797,946
Total capital	**$ 1,992,121**	**2,000,428**
Debt to assets ratio	**7%**	**10%**

As of December 31, 2022, the capital management approach of the company has not changed.

7. Related Party Transactions

(1) Names and Relationships of Related Parties

During the reporting period covered by this individual financial report, the subsidiary companies and other parties with transactions with the Company are as follows:

Names of related parties	Relationships with the Company
Rectron Electronics (China) Co., Ltd. (hereinafter referred to as "Rectron (China) Limited")	The Company's subsidiary
Zhejiang Rectron Electronics Co., Ltd. (hereinafter referred to as "Zhejiang Rectron")	The Company's subsidiary
Retron Electronic Enterprises Inc. (hereinafter referred to as "REEI")	The Company's subsidiary
CHU-TING ENTERPRISE CO., LTD. (hereinafter referred to as "CHU-TING")	The Company's subsidiary
PU HWUA ENTERPRISE CO., LTD. (hereinafter referred to as " PU HWUA ")	Other Related Parties
Juyang Xingye Co., Ltd (hereinafter referred to as "Juyang Xingye")	Other Related Parties
Lin Wenteng	Directors of the Company

(2) Significant transactions between the Company and the subsidiaries

1. Operating revenue

The significant sales amount of the Company to related persons is as follows:

	Year 2022	Year 2021
Subsidiary:		
Rectron (China) Limited	$ 245	9,887
REEI	64,024	39,568
Zhejiang Rectron	29,912	-
	$ 94,181	49,455

(1) Sales to related parties are priced at cost plus an agreed-upon profit margin. The credit terms extended to related parties are determined based on the product type and the location of the related company, with an average credit period ranging from 30 to 120 days. For regular customers, the credit period is approximately 30 to 75 days. Actual transactions may require adjustments considering factors such as order quantity, product quality, and market conditions.

(2) Regarding sales to subsidiaries, the unrealized losses associated with unsold inventory as of the end of 2022 and 2021 amounted to NT$58 thousand and NT$54 thousand, respectively. These losses are recorded under the investment item using the equity method.

2. Purchase

The amount of purchase by the Company from its related parties is as follows:

	Year 2022	Year 2021
Subsidiary:		
Rectron (China) Limited	$ 337,793	275,734

The Company's purchases from related parties are primarily priced at the cost of finished goods plus an agreed-upon profit margin. The payment terms for these purchases range from 90 to 120 days, while for regular customers, it is approximately 30 to 90 days. Actual payment arrangements are made while considering the overall fund allocation within the group.

3. Receivables from related parties

The details of accounts receivable by the Company's related parties are as follows:

(1) Accounts receivable

Accounting item	Related party category	2022.12.31	2021.12.31
Accounts receivable	Subsidiary - REEI	$ 14,358	28,445

The credit policy of our company towards related parties is based on the agreed payment terms between both parties.

(2) Other receivables (excluding loans and advances)

Accounting item	Related party category	2022.12.31	2021.12.31
Other receivables	Subsidiary - CHU-TING	$ 208	78,938

4. Amount of payables to related parties

(1) Accounts payable

The details of accounts payable by the Company's related parties are as follows:

Accounting item	Related party category	2022.12.31	2021.12.31
Accounts payable	Subsidiary - Rectron (China) Limited	$ 49,863	2,241

(2) Other payables

Accounting item	Related party category	2022.12.31	2021.12.31
Other Payables	Subsidiary - Rectron (China) Limited	$ 81	85
〃	Subsidiary - CHU-TING	19	-
〃	Other related persons - PU HWUA	51	103
		$ 151	188

(3) Disposition of real estate, plant and equipment

The details of the sale of real estate, plant and equipment by the Company to related persons are summarized below:

Related party category	Year 2022	
	Disposal Price	Disposal Profit and Loss
Subsidiary－Zhejiang Rectron	$ 9,646	4,233

The unrealized gains implied from the transactions of real estate, buildings, and equipment between the company and its subsidiaries in the year 2022 amounted to NT$3,835 thousand, which is recorded under the investment accounted for using the equity method.

(4) Disposal of restricted assets

The summary of the company's sales of restricted assets to related parties is as follows:

Related party category	Year 2022	
	Disposal Price	Other Revenue
Subsidiary－Zhejiang Rectron	$ 23,051	23,051

The unrealized gains implied from the transactions of restricted assets between the company and its subsidiaries in the year 2022 amounted to NT$11,504 thousand, which is recorded under the investment accounted for using the equity method.

5. Loans to related parties (included in other receivables - related parties)

The actual disbursements of funds as loans to related parties by the company are as follows:

Related party category	2022.12.31	2021.12.31
CHU-TING	$ -	28,304

The company did not accrue interest on loans extended to related parties in the fiscal years 2022 and 2021.

6. Leasing

(1) The company leased its factory buildings to subsidiaries in 2022 and 2021. The reported non-operating rental income amounted to NT$1,098 thousand and NT$1,682 thousand, respectively.

(2) The company leased investment properties to other related parties in 2022 and 2021. The reported operating lease income amounted to NT$190 thousand and NT$154 thousand, respectively. The related deposits received were NT$16 thousand and NT$18 thousand, respectively.

7. Others

(1) Please refer to Note 6(8) for details on the registration of real estate under the name of other related parties.

(2) The company's subsidiary, CHU-TING, entered into outsourcing manufacturing and service contracts with the company for the provision of manpower assistance in the manufacturing and promotion of medical products by the subsidiary. The income from these arrangements amounted to NT$4,542 thousand and NT$8,607 thousand in 2022 and 2021, respectively (recorded under other gains and losses).

(3) Significant transactions with key management personnel.

The compensation of major management personnel includes:

	Year 2022	Year 2021
Short-term employee benefits	$ 3,062	4,160
Post-Employment Benefits	124	153
	$ 3,186	**4,313**

8. Pledged Asset

The book value of the assets pledged by the Company is detailed as follows:

Assets name	Target pledge guarantee	2022.12.31	2021.12.31
Property, plant, and equipment	Security for bank borrowings	$ 235,480	238,836
Investment property	Security for bank borrowings	51,703	52,801

	$ 287,183	291,637

9. Significant contingent liabilities and unrecognized contractual commitments

(1) Material Unrecognized Contractual Obligations:

The detailed installment amounts of the contract price for equipment purchases entered into by the company with suppliers as of December 31, 2022, and December 31, 2021, are as follows:

	2022.12.31	2021.12.31
Total Contract Price (Exclusive of Tax)	$ 21,257	24,646
Unpaid amount	$ 9,821	18,414

10. Significant disaster losses: None.

11. Significant subsequent events: None.

12. Others

(1) The functions of employee benefits, depreciation, depletion, and amortization expenses are summarized as follows:

Functional Classification / Nature Classification	Year 2022			Year 2021		
	Under operating costs	Under operating expenses	Total	Under operating costs	Under operating expenses	Total
Employee Benefits Expenses						
Salary expense	15,092	16,551	31,643	18,196	21,200	39,396
Health and labor insurance expense	1,439	1,629	3,068	1,898	1,643	3,541
Retirement benefits expenses	555	917	1,472	703	890	1,593
Director remuneration	-	2,944	2,944	-	2,086	2,086
Other Employee benefit expense	897	1,038	1,935	2,458	998	3,456
Depreciation expenses	15,855	3,729	19,584	17,731	4,451	22,182
Amortization expense	214	2,372	2,586	734	975	1,709

Additional information regarding employee headcount and employee benefits expenses for the fiscal years 2022 and 2021:

	Year 2022	Year 2021
Employee Headcount	56	59
Number of directors who are not concurrently employees	4	2
Average employee benefits expenses	$ 733	842
Average employee salary expenses	$ 609	691
Adjustments made to average employee salary expenses	(11.87)%	27.96%
Remuneration of Supervisor	$ 58	120

Information regarding the company's compensation policy for remuneration (including directors, supervisors, executives, and employees):

(2) Independent Directors:

1. Remuneration for independent directors is provided at least semi-annually, regardless of the company's operating profit or loss, based on their level of involvement and contribution to the company's operations.
2. Independent directors do not participate in the distribution of director remuneration or other forms of bonuses.

(3) Other Directors:

1. The remuneration of other directors is determined based on their level of involvement in the company's operations and their contribution value, taking into account industry standards.
2. Director's remuneration is allocated according to the ratio specified in the company's articles of incorporation.
3. Necessary expenses such as transportation and accommodation may be provided based on the actual performance of their duties.

(4) Managers:

1. Fixed monthly salaries for executives are determined based on the salary standards for each position.
2. Performance-based bonuses are allocated based on the results of business performance evaluations.
3. Year-end bonuses are distributed based on employee performance evaluations.

4. Employee remuneration is allocated according to the ratio specified in the company's articles of incorporation.
5. Relevant allowances and subsidies are provided based on job positions and standards.

(5) Other Employees:

The salaries of our company's employees are determined based on the principles of job evaluation for each position. Employee salaries can be classified into regular and non-regular components.

Regular salaries include basic salary, managerial allowances, position-based allowances, meal subsidies, and other allowances.

13. Additional disclosure

(1) Information on Significant Transactions

In accordance with the regulations of the Financial Reporting Standards for Issuers of Securities, the relevant information regarding significant transactions that should be disclosed for the year 2022 is as follows:

1. Loans to Others:

Unit: NTD 1,000

Number	Lending company for funds	Borrower	Account receivable /payable	Whether it is a related party	Highest amount during the period	Ending balance	Actual disbursed amount	Interest rate range	Funding loans and nature	Amount of business transaction	Reasons for short-terms funding requirement	Provision for doubtful debts Amount	Collateral Name	Collateral Value	Individual limit for funds loan to specific parties	Total limit for funds loan
0	The Company	CHU-TING ENTERPRISE Co., Ltd	Other receivables	Yes	130,000	100,000	-	-	2 (Note 3)	-	Business requirements	-		-	184,904	739,616
1	Rectron Electronics (China) Co., Ltd.	CHU-TING ENTERPRISE Co., Ltd	Other receivables	Yes	26,533	26,411	26,411	-	2 (Note 3)	-	Business requirements	-		-	157,512	196,891

Note 1: The business transaction amount between the Company and its counterparties is based on the cumulative purchase/sales amount within the preceding 12 months.

Note 2: According to the Company's regulations on providing funds to others, the calculation is as follows:

(1) The Company

Individual limit for funds provision to specific parties = Equity Net Value × 10% = \$1,849,040 thousand × 10% = \$184,904 thousand.

Maximum limit for funds provision = Equity Net Value × 40% = \$1,849,040 thousand × 40% = \$739,616 thousand.

(2) Rectron (China) Limited:

Individual limit for funds provision to specific parties = Equity Net Value × 40% = \$393,781 thousand × 40% = \$157,512 thousand.

Maximum limit for funds provision = Equity Net Value × 50% = \$393,781 thousand

× 50% = $196,891 thousand.

Note 3: (1) Business transactions exist.

(2) Short-term funding is necessary.

2. Endorsements or guarantees for others: None.
3. End-of-period holdings of marketable securities (excluding investments in subsidiaries, affiliated enterprises, and joint venture interests):

Held Company	Type and name of securities held	Relationship with the issuer of securities	Accounting Item	End of Period				Remarks
				Number of Shares	Book Value	Equity Ownership Ratio	Fair Value	
The Company	Stock - Sunny Bank	-	Financial Assets at Fair Value through Other Comprehensive Income - Non-current	1,515,198	16,000	0.05 %	16,000	
The Company	Corporate Bonds - APPLE	-	Financial Assets at Fair Value through Other Comprehensive Income - Non-current	-	25,444	- %	25,444	
The Company	Corporate Bonds -AT&T	-	Financial Assets at Fair Value through Other Comprehensive Income - Non-current	-	8,631	- %	8,631	
The Company	Corporate Bonds -Pfizer	-	Financial Assets at Fair Value through Other Comprehensive Income - Non-current	-	4,154	- %	4,154	

Held Company	Type and name of securities held	Relationship with the issuer of securities	Accounting Item	End of Period				Remarks
				Number of Shares	Book Value	Equity Ownership Ratio	Fair Value	
CHU-TING	Fund - Yuanta High Dividend 0056	-	Financial assets measured at fair value through profit or loss	21,000	533	- %	533	
CHU-TING	Stock - Amazon	-	Financial assets at fair value through profit or loss - current	5,600	14,446	- %	14,446	
CHU-TING	Stock - TSMC	-	Financial assets at fair value through profit or loss - current	12,000	5,382	- %	5,382	
CHU-TING	Stock - Tesla	-	Financial assets at fair value through profit or loss - current	1,400	5,296	- %	5,296	

4. Cumulative purchases or sales of the same securities amounting to NT$300 million or more, or 20% of the paid-in capital: None.
5. Acquisition of real estate amounting to NT$300 million or more, or 20% of the paid-in capital: None.
6. Disposal of real estate amounting to NT$300 million or more, or 20% of the paid-in capital: None.

7. Transactions with related parties involving sales or purchases amounting to NT$100 million or more, or 20% of the paid-in capital:

Company engaging in purchases (sales)	Name Of the Counter party	Relationship	Transaction details				Instances and reasons for transaction conditions differing from normal trade conditions		Accounts receivable (payable) notes and accounts		Remarks
			Purchases (sales)	Amount	Ratio of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total accounts receivable (payable) notes and account	
The Company	Rectron (China) Limited	Investee companies evaluated using the equity method	Purchases	337,793	78 %	Normal	Normal	90-120 days	(49,863)	55%	
Rectron (China) Limited	The Company	Investee companies evaluated using the equity method	Sales	(337,793)	99 %	Normal	Normal	90-120 days	49,863	100%	
Rectron (China) Limited	Zhejiang Rectron	Investee companies evaluated using the equity method, both being investees of the company.	Purchases	145,620	29 %	Normal	Normal	120 days	(15,890)	(10)%	
Zhejiang Rectron	Rectron (China) Limited	Investee companies evaluated using the equity method, both being investees of the company.	Sales	(145,620)	17 %	Normal	Normal	120 days	15,890	10%	

8. Receivables from related parties reach NT$100 million or 20% of paid-in capital: None.

9. Engaging in derivatives trading: None.

(2) Information related to the reinvestment business:

The information regarding the investment businesses of the Company in 2022 (excluding invested companies in Mainland China) is as follows:

Investment Companies Name	Investee Companies Name	Region	Main business items	Original Investment Amount		End-of-Period Holdings			Investee Companies Income or Loss for the Period	Investment gains and losses recognized in the current period	Remarks
				Ending of this reporting period	End-of-period Balance for Last Year	Shares	Ratio %	Book Value			
The Company	REEI	USA	Sales of rectifiers and other electronic components	142,264	142,264	205,000	100.00%	21,394	8,700	8,700	
The Company	Rectron (China) Limited	Hong Kong	Sales of rectifiers and other electronic components	607,273	607,273	20,000	100.00%	393,781	51,667	51,667	
The Company	Zhejiang Rectron	Taiwan	Wholesale of tobacco and alcohol products and manufacturing and sales of medical equipment.	109,987	29,987	130,000	100.00%	153,925	19,469	19,469	

(3) Information on investments in mainland China:

1. Name and relevant information of the investee company in Mainland China, including its primary business activities:

Name of the investee company in Mainland China	Primary business items	Paid-in capital	Investment method	Cumulative investment amount transferred from Taiwan at the beginning of the period	Investment amount transferred out or repatriated during the period		Cumulative investment amount transferred from Taiwan as of the end of the period.	Investee Companies Current Profit and Loss	Percentage of direct or indirect ownership in the invested company by the company	Recognized investment income (loss) for the period	Book value of the investment at the end of the period	Investment income repatriated as of the end of the period
					Remitted out	Recovered						
Zhejiang Rectron Electronics Co., Ltd.	Manufactures and sells electronic components such as rectifiers	409,029 USD12,000	(3)	409,029 USD12,000	-	-	409,029 USD12,000	(7,732)	100.00%	(7,732)	253,491	-

2. Investment Quota for Mainland China:

Period end accumulated investment amount remitted from Taiwan to mainland China	Investment amount approved by Investment Commission of the Ministry of Economic Affairs (MOEAIC)	Investment limit for investment in Mainland China as regulated by the Investment Commission, Ministry of Economic Affairs
332,172 USD12,000	442,066 USD15,970	1,109,424

Note 1: Investment methods are categorized into the following three types, simply indicated by their types:

(1) Direct investment in mainland China.

(2) Investment in Mainland China through a third-party company in another region (please specify the investment company in that third region).

(3) Others method.

Note 2: In the investment gains/losses recognized in this period column:

(1) If it is in the preparation stage and there is no investment gain or loss, it should be explicitly stated.

(2) The basis for recognizing investment gains or losses is the audited financial statements of the Taiwanese parent company by a certified public accountant.

Note 3: Investment limit based on the "Principles for Reviewing Investments or Technical Cooperation in Mainland China."

Equity Net Value × 60% = $1,849,040 thousand × 60% = $1,109,424 thousand.

Note 4: Significant transaction matters directly or indirectly occurring between the Mainland China investment company and a third-party enterprise through a third region:

Please refer to Note 7 for detailed explanations of significant transactions between the

Company and Mainland Chinese investment companies directly or indirectly through entities in a third location.

3. Significant Transactions:

For the year 2022, please refer to the explanations in the "Information on Significant Transactions" section for detailed information on significant transactions between the Company and the Mainland Chinese investment companies, whether direct or indirect.

(4) Major shareholder information:

Unit: Shares

Shares Major Shareholder Name	Number of Shares Held	Percentage of shareholding
Juiye Enterprise Co., Ltd.	42,788,288	25.72%
Bigwig Perfect International Co., Ltd.	38,141,792	22.93%

Note: The information of major shareholders in this table refers to the information calculated by the company on the last business day at the end of each quarter of the total number of common shares and special shares held by the company which have been delivered without physical registration (including treasury stocks) by the shareholders. The number of shares recorded in the company's financial report and the actual number of shares completed without physical registration delivery may differ due to differences in calculation bases or other reasons.

14. Segment Information

Please refer to the 2022 consolidated financial report

RECTRON LTD.

Detailed List of Accounts Receivable

December 31, 2022 **Unit: NTD 1,000**

Customer Name	Summary	Amount	Note
Customer - A	Payment	$ 33,241	
Customer - B	〃	29,727	
Customer - C	〃	11,416	
Others	〃	33,897	The balance of the above accounts does not reach 5% of the amount of this account
		$ 108,281	

RECTRON LTD.

Statement of changes in investments using the equity method

January 1 to December 31, 2022 **Unit : NTD1000, share**

Name of invested business	Beginning balance		Increase during the period		Decrease during the period		Ending balance			Market price or net equity		Guarantee provision or Pledge Status
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding Ratio	Amount	Unit price ($)	Total Price	
Valuation using Equity Method												
REEI	205,000	$ 11,932	-	10,121 (Note 1)	-	659 (Note 2)	205,000	100.00%	21,394	104.36	21,394	None
Rectron (China) Limited	20,000	372,316	-	51,667 (Note 3)	-	30,202 (Note 4)	20,000	100.00%	393,781	19,689.05	393,781	〃
Zhejiang Rectron Electronic Co., LTD	4,700,000	54,456	8,300,000	99,469 (Note 5)	-	-	13,000,000	100.00%	153,925	11.84	153,925	〃
Total		$ 438,704		161,257		30,861			569,100			

Note 1: Investment gains of $8,700 thousand and foreign exchange translation adjustments of $1,421 thousand are recognized under the equity method.

Note 2: Intercompany deferred loan interest of $659 thousand is recognized under the equity method.

Note 3: Investment gains of $51,667 thousand are recognized under the equity method.

Note 4: Foreign exchange translation adjustments of $15,526 thousand and intercompany deferred loan interest of $14,676 thousand are recognized under the equity method.

Note 5: Additional investments of $80,000 thousand and investment gains of $19,469 thousand yuan are recognized under the equity method.

RECTRON LTD.

Real Estate, Plant, and Equipment Changes Statement

January 1 to December 31, 2022 **Unit: NTD 1,000**

Please refer to Note 6 (6) for related information.

Investment Property Changes Statement

Please refer to Note 6 (8) for related information.

Statement of Operating Revenue

Items	Quantity	Amount	Remarks
Diode Department			
Rectifiers, etc.	1,196,834KPCS	$ 621,686	
Less: Sales Returns and Allowances.		**(3,303)**	
Subtotal		618,383	
Real Estate Investment Department			
Rental income		16,332	
Total		**$ 634,715**	

RECTRON LTD.

Schedule of Cost of Goods Sold

January 1 to December 31, 2022 **Unit: NTD 1,000**

Items	Summary	Amount
Diode Department		
Direct Raw Materials		
Beginning Inventory of Materials		$ 3,587
Add: Materials Purchased during the Period		10,596
Less: R&D Expenses or Other Expenses		(588)
Less: Sales of Raw Materials		(2,394)
Less: Ending Inventory and Goods in Transit		(1,884)
Direct raw material consumption		9,317
Direct Labor		7,600
Manufacturing Expenses		38,454
Manufacturing Costs		55,371
Add: Work-in-progress at beginning of period		12,370
Finished goods are transferred in		2,594
Purchased Work in Progress		24,346
Period-end Work-in-Process Inventory		(3,051)
Less: Sales of Work in Progress		(4,400)
Cost of Finished Goods		87,230
Add: Beginning Finished Goods		39,271
Purchased Finished Goods		398,047
Ending Finished Goods and Goods in Transit		(36,513)
Less: Transferred to Work in Progress		(2,594)
Transfer to R&D Expenses or Other Expenses		(2)
Cost of Finished Goods Sold		485,439
Production and Sales Cost of Finished Goods		485,439
Sales of Raw Materials		2,394
Sales of Work in Progress		4,400
Revenue from Scrap and Waste Sales		(294)
Recovery of Obsolete Inventory		(6,452)
Lease Costs (Note)		7,808
		$ 493,295

Note: The lease cost includes depreciation of $6,522 thousand.

RECTRON LTD.

Detailed List of Manufacturing Expenses

January 1 to December 31, 2022 **Unit: NTD 1,000**

Items	Summary	Amount	Remarks
Salary Expenditure		$ 3,576	
Utility expense		2,867	
Depreciation		9,333	
Material charges		7,796	
Packaging Expenses		3,056	
OEM fees		7,694	
Other expense		4,132	
Total		**$ 38,454**	

Schedule of Operating Expenses

Item	Selling expenses	Administrative and general expenses	Research and development expense	Total
Salaries	$ 3,608	14,888	999	19,495
Freight/Shipping Costs	5,658	28	-	5,686
Donations	-	3,000	-	3,000
Depreciation	-	3,729	-	3,729
Labor costs	-	2,869	-	2,869
Other expense	1,605	16,893	230	18,728
TOTAL	10,871	41,407	1,229	53,507