POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000623

To the Board of Directors and Shareholders of Polytronics Technology Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Polytronics Technology Corp. and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group during the year 2022 are as follows:

Inventory reserve – allowance for valuation loss

Description

Please refer to Notes 4(13), 5(2), and 6(3) of the consolidated financial statements for the accounting policies on inventories, critical accounting judgements and estimates and the details of inventories.

The Group is primarily engaged in the research, development, manufacture and sale of polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules. As the Group is in a rapidly changing industry and its products are especially susceptible to market price fluctuations, there is a higher risk of inventory losing value or becoming obsolete. Inventories are evaluated at the lower of cost and net realisable value, and the determination of the net realisable value of inventories aged over a certain period of time and individually identified as obsolete involves subjective judgements. Considering the aforementioned inventories and the allowance for inventory valuation losses are material to the consolidated financial statements, we assessed this a key audit matter.

How our audit addressed the matter

Our procedures in relation to the provision for inventory valuation losses for over a certain period or individually obsolete included:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Polytronics Technology Corp. as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Rules Governing the Preparation of Financial Reports by Securities Issuer and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

Hsieh, Chih-Cheng	Lin, Yu-Kuan

For and on Behalf of PricewaterhouseCoopers, Taiwan
March 16, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,102,816	24	$ 1,345,040	24
1136	Current financial assets at amortised cost	8	119,999	3	509,408	9
1150	Notes receivable, net	6(2)	196,930	4	208,135	4
1170	Accounts receivable, net	6(2)	438,156	10	493,163	9
1180	Accounts receivable - related parties, net	6(2) and 7	41,389	1	97,383	2
1200	Other receivables		24,528	-	15,226	-
130X	Inventories	6(3)	781,404	17	924,917	17
1410	Prepayments		98,198	2	85,666	1
1470	Other current assets		1,235	-	35,051	1
11XX	**Total current assets**		2,804,655	61	3,713,989	67
	Non-current assets					
1535	Non-current financial assets at amortised cost	8	6,926	-	6,881	-
1600	Property, plant and equipment	6(4) and 8	1,240,482	27	1,172,461	21
1755	Right-of-use assets	6(5)	195,305	4	203,543	4
1760	Investment property, net	6(7) and 8	106,428	2	108,982	2
1780	Intangible assets		189,877	4	193,771	4
1840	Deferred income tax assets	6(23)	18,509	1	17,917	-
1900	Other non-current assets		22,833	1	110,706	2
15XX	**Total non-current assets**		1,780,360	39	1,814,261	33
1XXX	**Total assets**		$ 4,585,015	100	$ 5,528,250	100

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$ 508,933	11	$ 805,983	14
2130	Current contract liabilities	6(16)	9,522	-	1,625	-
2150	Notes payable		50,666	1	60,116	1
2170	Accounts payable		173,287	4	312,801	6
2200	Other payables	6(9)	293,322	7	390,662	7
2230	Current income tax liabilities		52,119	1	94,044	2
2280	Current lease liabilities		8,527	-	10,362	-
2300	Other current liabilities		12,638	-	12,229	-
21XX	**Total current liabilities**		1,109,014	24	1,687,822	30
	Non-current liabilities					
2530	Bonds payable	6(10)	260,504	6	256,375	5
2580	Non-current lease liabilities		182,350	4	187,606	3
2600	Other non-current liabilities	6(11)	39,719	1	40,114	1
25XX	**Total non-current liabilities**		482,573	11	484,095	9
2XXX	**Total liabilities**		1,591,587	35	2,171,917	39
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(12)				
3110	Common stock		856,453	19	856,453	15
	Capital surplus	6(13)				
3200	Capital surplus		625,558	13	625,558	11
	Retained earnings	6(14)				
3310	Legal reserve		609,426	13	558,243	10
3320	Special reserve		82,092	2	70,304	1
3350	Unappropriated retained earnings		470,887	10	807,570	15
	Other equity interest	6(15)				
3400	Other equity interest		(13,449)	-	(82,092)	(1)
31XX	**Equity attributable to owners of parent**		2,630,967	57	2,836,036	51
36XX	**Non-controlling interests**		362,461	8	520,297	10
3XXX	**Total equity**		2,993,428	65	3,356,333	61
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 4,585,015	100	$ 5,528,250	100

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2022		2021	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	$ 2,942,851	100	$ 3,081,593	100
5000	Operating costs	6(3)	(2,433,974)	(83)	(1,967,347)	(64)
5950	Net operating margin		508,877	17	1,114,246	36
	Operating expenses	6(21)(22)				
6100	Selling and marketing expenses		(194,545)	(6)	(196,685)	(6)
6200	General and administrative expenses		(323,556)	(11)	(259,413)	(8)
6300	Research and development expenses		(175,932)	(6)	(154,811)	(5)
6450	Expected credit (losses) gains	12(2)	(507)	-	2,448	-
6000	Total operating expenses		(694,540)	(23)	(608,461)	(19)
6900	Operating (loss) profit		(185,663)	(6)	505,785	17
	Non-operating income and expenses					
7100	Interest income	6(17)	7,125	-	6,659	-
7010	Other income	6(18)	126,610	4	96,361	3
7020	Other gains and losses	6(19)	36,207	1	(24,902)	(1)
7050	Finance costs	6(20)	(13,296)	-	(13,088)	-
7000	Total non-operating income and expenses		156,646	5	65,030	2
7900	**Profit (loss) before income tax**		(29,017)	(1)	570,815	19
7950	Income tax expense	6(23)	(77,178)	(3)	(119,828)	(4)
8200	**Profit (loss) for the year**		($ 106,195)	(4)	$ 450,987	15

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
	Other comprehensive income (loss)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan	6(11)	$ 429	-	$ 2,218	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(86)	-	(443)	-
8310	Components of other comprehensive gain that will not be reclassified to profit or loss		343	-	1,775	-
	Components of other comprehensive income (loss) that may be subsequently reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	106,940	4	(18,255)	(1)
8360	Components of other comprehensive income (loss) that may be subsequently reclassified to profit or loss		106,940	4	(18,255)	(1)
8300	**Other comprehensive income (loss) for the year, net of income tax**		$ 107,283	4	($ 16,480)	(1)
8500	**Total comprehensive income for the year**		$ 1,088	-	$ 434,507	14
	Profit (loss) attributable to:					
8610	Owners of parent		$ 89,938	3	$ 510,054	17
8620	Non-controlling interests		(196,133)	(7)	(59,067)	(2)
	Total		($ 106,195)	(4)	$ 450,987	15
	Total comprehensive income (loss) attributable to:					
8710	Owners of parent		$ 158,924	5	$ 500,040	16
8720	Non-controlling interests		(157,836)	(5)	(65,533)	(2)
	Total		$ 1,088	-	$ 434,507	14
9750	Basic earnings per share (in dollars)	6(24)	$ 1.05		$ 6.02	
9850	Diluted earnings per share (in dollars)	6(24)	$ 1.04		$ 5.89	

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent												
			Capital reserves					Retained earnings						
	Notes	Common stock	Additional paid-in capital	Treasury stock transactions	Capital surplus, changes in ownership interests in subsidiaries	Employee stock options	Capital surplus, share options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interests	Total equity
Year ended December 31, 2021														
Balance at January 1, 2021		$ 800,018	$ 203,343	$ 14,924	$ -	$ 17,633	$ -	$ 518,412	$ 79,893	$ 685,966	($ 70,303)	$ 2,249,886	$ -	$ 2,249,886
Profit for the year		-	-	-	-	-	-	-	-	510,054	-	510,054	(59,067)	450,987
Other comprehensive income (loss)	6(15)	-	-	-	-	-	-	-	-	1,775	(11,789)	(10,014)	(6,466)	(16,480)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	-	-	511,829	(11,789)	500,040	(65,533)	434,507
Distribution of 2020 earnings:	6(14)													
Legal reserve		-	-	-	-	-	-	39,831	-	(39,831)	-	-	-	-
Reversal of special reserve		-	-	-	-	-	-	-	(9,589)	9,589	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	(359,983)	-	(359,983)	-	(359,983)
Capital increase by cash	6(12)	47,000	272,600	-	-	-	-	-	-	-	-	319,600	-	319,600
Capital increase by cash - reserved for subscription by employees		-	-	-	-	12,930	-	-	-	-	-	12,930	-	12,930
Issuance of corporate bonds		-	-	-	-	-	16,374	-	-	-	-	16,374	-	16,374
Conversion of convertible bonds		9,435	86,596	-	-	-	(4,334)	-	-	-	-	91,697	-	91,697
Cash contributed by non-controlling interests in subsidiaries' capital increase		-	-	-	5,492	-	-	-	-	-	-	5,492	585,830	591,322
Balance at December 31, 2021		$ 856,453	$ 562,539	$ 14,924	$ 5,492	$ 30,563	$ 12,040	$ 558,243	$ 70,304	$ 807,570	($ 82,092)	$ 2,836,036	$ 520,297	$ 3,356,333
Year ended December 31, 2022														
Balance at January 1, 2022		$ 856,453	$ 562,539	$ 14,924	$ 5,492	$ 30,563	$ 12,040	$ 558,243	$ 70,304	$ 807,570	($ 82,092)	$ 2,836,036	$ 520,297	$ 3,356,333
Profit for the year		-	-	-	-	-	-	-	-	89,938	-	89,938	(196,133)	(106,195)
Other comprehensive income	6(15)	-	-	-	-	-	-	-	-	343	68,643	68,986	38,297	107,283
Total comprehensive income for the year		-	-	-	-	-	-	-	-	90,281	68,643	158,924	(157,836)	1,088
Distribution of 2021 earnings:	6(14)													
Legal reserve		-	-	-	-	-	-	51,183	-	(51,183)	-	-	-	-
Special reserve		-	-	-	-	-	-	-	11,788	(11,788)	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	-	(363,993)	-	(363,993)	-	(363,993)
Balance at December 31, 2022		$ 856,453	$ 562,539	$ 14,924	$ 5,492	$ 30,563	$ 12,040	$ 609,426	$ 82,092	$ 470,887	($ 13,449)	$ 2,630,967	$ 362,461	$ 2,993,428

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		($ 29,017)	$ 570,815
Adjustments			
Adjustments to reconcile (profit) loss			
Net loss on financial assets / liabilities at fair value through profit or loss		-	84
Expected credit losses (gains)	12(2)	507	(2,448)
Depreciation	6(21)	194,252	143,794
Amortisation	6(21)	46,342	25,873
Interest expense	6(20)	13,296	13,088
Interest income	6(17)	(7,125)	(6,659)
Losses (gains) on disposal of property, plant and equipment	6(19)	1,320	(82)
Compensation cost of-shared-based payment		-	12,930
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		11,205	(52,804)
Accounts receivable		54,500	(156,773)
Accounts receivable - related parties		55,994	(32,528)
Other receivables		(9,302)	(6,549)
Inventories		143,513	(603,655)
Prepayments		(15,414)	(14,864)
Other current assets		33,816	(35,198)
Changes in operating liabilities			
Current contract liabilities		7,897	(6,224)
Notes payable		(9,450)	27,525
Accounts payable		(139,514)	137,962
Other payables		(57,517)	111,966
Other current liabilities		409	9,699
Defined benefit liabilities		(1,047)	(1,023)
Other non-current liabilities		615	-
Cash inflow generated from operations		295,280	134,929
Interest received		7,125	6,659
Interest paid		(13,296)	(13,088)
Income tax paid		(119,695)	(97,880)
Net cash flows from operating activities		169,414	30,620

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		($ 321,805)	($ 957,315)
Disposal of financial assets at amortised cost		711,169	540,363
Effect of changes in consolidated entities	6(25)	-	(526,025)
Acquisition of property, plant and equipment	6(26)	(146,078)	(275,932)
Proceeds from disposal of property, plant and equipment		-	8,634
Acquisition of intangible assets		(19,685)	(23,963)
Increase in refundabale deposits		(704)	(7,056)
Net cash flows from (used in) investing activities		222,897	(1,241,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(27)	1,471,347	2,203,374
Repayment of short-term borrowings	6(27)	(1,829,445)	(1,723,512)
Short-term notes and bills payable	6(27)	-	(70,000)
Issuance of corporate bonds	6(27)	-	359,525
Repayment of lease liabilities	6(27)	(10,241)	(10,758)
Increase (decrease) in deposits-in	6(27)	380	(37)
Capital increase by cash		-	319,600
Cash dividends paid	6(14)	(363,993)	(359,983)
Cash contributed by non-controlling interests in subsidiaries’ capital increase		-	591,322
Net cash flows (used in) from financing activities		(731,952)	1,309,531
Effect of exchange rate		97,417	(10,985)
Net (decrease) increase in cash and cash equivalents		(242,224)	87,872
Cash and cash equivalents at beginning of year		1,345,040	1,257,168
Cash and cash equivalents at end of year	6(1)	$ 1,102,816	$ 1,345,040

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Polytronics Technology Corporation (the "Company") was incorporated on December 18, 1997 and commenced operations on August 1, 1999. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, manufacture and sale of polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules.

2. THE DATE OF AND PROCEDURES FOR AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments that came into effect as endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial position and financial performance based on the Group's assessment.

(2) Effect of new, revised or amended IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial position and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial position and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of Investor	Name of Subsidiaries	Main Business Activities	December 31, 2022	December 31, 2021	Note
Polytronics Technology Corporation	Polytronics (B.V.I.) Corporation	Investments and general business operations	100	100	
Polytronics Technology Corporation	TCLAD Technology Corporation	Manufacturing of the thermal conductive board	56.27	56.27	Note 1
Polytronics Technology Corporation	PolyTCB Electronics Corporation	Manufacturing and sales of electronic components	100	-	Note 3
TCLAD Technology Corporation	TCLAD Inc.	Manufacturing of the thermal conductive board	100	100	
TCLAD Technology Corporation	TCLAD Europe GmbH	Manufacturing of the thermal conductive board	85	85	Note 2
Polytronics (B.V.I.) Corporation	Kunshan Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	100	100	
Kunshan Polystar Electronics Co., Ltd.	PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	

Note 1: It was established by the Company on May 4, 2020. Additionally, on March 1, 2021, the Company participated in the cash capital increase of TCLAD Technology Corporation. After completing the capital increase, the Company's shareholding interests of TCLAD Technology Corporation decreased from 100% to 56.27% because the Company did not acquire new shares proportionately to its shareholding interests.

Note 2: It was established on April 30, 2021.

Note 3: Established and registered by the Company on November 23, 2022.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2022 and 2021, the non-controlling interests amounted to $362,461 and $520,297, respectively. The information of non-controlling interests and respective subsidiaries is as follows:

		Non-controlling interests December 31, 2022		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Description
TCLAD Technology Corporation	Taiwan	$ 362,461	43.73%	

		Non-controlling interests December 31, 2021		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Description
TCLAD Technology Corporation	Taiwan	$ 520,297	43.73%	

Balance sheet:

	TCLAD Technology Corporation and Subsidiaries	
	December 31, 2022	December 31, 2021
Current assets	$ 584,844	$ 1,399,028
Non-current assets	549,841	549,942
Current liabilities	(308,384)	(760,735)
Total net assets	$ 826,301	$ 1,188,235

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2022 to December 31, 2022	March 1, 2021 to December 31, 2021
Revenue	$ 1,050,126	$ 791,276
Loss before income tax	(446,892)	(135,691)
Income tax expense	(2,512)	(482)
Loss for the period	(449,404)	(136,173)
Other comprehensive income (loss), net of income tax	87,470	(14,596)
Total comprehensive loss	($ 361,934)	($ 150,769)
Total comprehensive income (loss) attributable to non-controlling interests	$ 755	$ 344
Dividends paid to non-controlling interests	$ -	$ -

Statement of cash flows:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2022 to December 31, 2022	March 1, 2021 to December 31, 2021
Net cash used in operating activities	($ 384,546)	($ 340,322)
Net cash provided by (used in) investing activities	429,972	(1,050,427)
Net cash (used in) provided by financing activities	(311,412)	1,737,140
Effect of exchange rates	39,540	(8,876)
(Decrease) increase in cash and cash equivalents	(226,446)	337,515
Cash and cash equivalents, beginning of period	343,476	5,961
Cash and cash equivalents, end of period	$ 117,030	$ 343,476

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "Other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

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

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for

12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment are measured at cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

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

Buildings	3 ~ 50 years
Machinery and equipment	2 ~10 years
Office equipment	3 ~ 7 years
Others equipment	1 ~ 10 years

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(17) Intangible assets

A. Intangible assets consist of software costs and is amortised on a straight-line basis over its estimated useful life of 1 to 15 years.

B. Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

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

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(22) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derinative features embedded in convertible bonds upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'Finance costs' over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'Capital surplus-share options' at the residual amount of total issue price less bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'Capital surplus-share options'.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

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

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

Sales of goods

The Group manufactures and sells polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules. Sales are recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group entered into contracts with customers to sell goods and to render service. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

The Group is primarily engaged in the research, development, manufacture and sale of polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules. As the Group is in a rapidly changing industry and its products are especially susceptible to market price fluctuations, there is a higher risk of inventory losing value or becoming obsolete. Inventories are evaluated at the lower of cost and net realisable value, and the Group must use judgements and estimates to determine the net realisable value of inventories aged over a certain period of time and individually identified as obsolete on balance sheet date. Therefore, there might be material changes to the valuation.

As of December 31, 2022, the carrying amount of inventories was $781,404.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and revolving funds	$ 97	$ 170
Checking accounts and demand deposits	591,959	817,027
Time deposits	510,760	527,843
	$ 1,102,816	$ 1,345,040

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	$ 196,930	$ 208,135
Accounts receivable	$ 457,360	$ 511,529
Accounts receivable-related parties	41,389	97,383
Less: Loss allowance	(19,204)	(18,366)
	$ 479,545	$ 590,546

A. The ageing analysis of accounts receivable and notes receivable is as follows:

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 441,153	$ 196,930	$ 564,362	$ 208,135
Up to 30 days	28,167	-	17,943	-
31 to 90 days	6,216	-	8,225	-
91 to 180 days	950	-	29	-
Over 180 days	22,263	-	18,353	-
	$ 498,749	$ 196,930	$ 608,912	$ 208,135

The above ageing analysis was based on past due date.

B. As of, December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to $579,753.

C. As at December 31, 2022 and 2021, without taking into account any collaterals held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes receivable were $196,930 and $208,135, respectively, and accounts receivable were $479,545 and $590,546, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note

12(2).

(3) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 293,244	$ 321,397
Work-in-progress	200,399	291,650
Finished goods	287,761	311,870
	$ 781,404	$ 924,917

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2022	2021
Cost of goods sold	$ 2,387,981	$ 1,977,331
Loss on decline (gain from recovery) in market value	45,993	(9,984)
	$ 2,433,974	$ 1,967,347

The Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories with allowance for valuation loss had been sold for the year ended December 31, 2021.

(4) Property, plant and equipment

	2022									
	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1										
Cost	$ 2,114	$ 1,007,330	$ 871,773	$ 13,082	$ 13,121	$ 21,743	$ 19,926	$ 199,304	$ 4,161	$ 2,152,554
Accumulated depreciation and impairment	-	(346,207)	(437,769)	(8,042)	(7,560)	(11,063)	(18,187)	(151,265)	-	(980,093)
	$ 2,114	$ 661,123	$ 434,004	$ 5,040	$ 5,561	$ 10,680	$ 1,739	$ 48,039	$ 4,161	$ 1,172,461
Opening net book amount	$ 2,114	$ 661,123	$ 434,004	$ 5,040	$ 5,561	$ 10,680	$ 1,739	$ 48,039	$ 4,161	$ 1,172,461
Additions	-	1,678	163,016	815	-	2,004	-	16,846	14,602	198,961
Disposals	-	-	(1,304)	(10)	-	-	-	(6)	-	(1,320)
Reclassifications	-	-	18,883	-	-	-	-	-	(18,883)	-
Depreciation	-	(41,518)	(106,405)	(1,357)	(1,611)	(4,010)	(524)	(24,003)	-	(179,428)
Net exchange differences	231	20,096	27,550	249	277	267	-	1,018	120	49,808
Closing net book amount	$ 2,345	$ 641,379	$ 535,744	$ 4,737	$ 4,227	$ 8,941	$ 1,215	$ 41,894	$ -	$ 1,240,482
At December 31										
Cost	$ 2,345	$ 1,031,867	$ 1,076,562	$ 14,151	$ 13,328	$ 23,851	$ 19,926	$ 209,245	$ -	$ 2,391,275
Accumulated depreciation and impairment	-	(390,488)	(540,818)	(9,414)	(9,101)	(14,910)	(18,711)	(167,351)	-	(1,150,793)
	$ 2,345	$ 641,379	$ 535,744	$ 4,737	$ 4,227	$ 8,941	$ 1,215	$ 41,894	$ -	$ 1,240,482

	2021									
	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1										
Cost	$ -	$ 797,686	$ 566,379	$ 9,614	$ 11,115	$ 16,368	$ 19,926	$ 170,948	$ 3,483	$ 1,595,519
Accumulated depreciation and impairment	-	(307,874)	(390,733)	(7,108)	(6,853)	(8,410)	(17,630)	(129,464)	-	(868,072)
	$ -	$ 489,812	$ 175,646	$ 2,506	$ 4,262	$ 7,958	$ 2,296	$ 41,484	$ 3,483	$ 727,447
	-									
Opening net book amount	$ -	$ 489,812	$ 175,646	$ 2,506	$ 4,262	$ 7,958	$ 2,296	$ 41,484	$ 3,483	$ 727,447
Additions	-	79,966	98,654	1,719	1,457	5,756	-	26,512	13,401	227,465
Disposals	-	(7,151)	(1,343)	(23)	(33)	-	-	(3)	-	(8,553)
Reclassifications	-	3,920	8,790	-	-	-	-	-	(12,710)	-
Acquired through business combinations	2,128	135,086	215,231	2,025	1,176	211	-	2,627	-	358,484
Depreciation	-	(38,848)	(61,435)	(1,167)	(1,291)	(3,217)	(557)	(22,500)	-	(129,015)
Net exchange differences	(14)	(1,662)	(1,539)	(20)	(10)	(28)	-	(81)	(13)	(3,367)
Closing net book amount	$ 2,114	$ 661,123	$ 434,004	$ 5,040	$ 5,561	$ 10,680	$ 1,739	$ 48,039	$ 4,161	$ 1,172,461
At December 31										
Cost	$ 2,114	$ 1,007,330	$ 871,773	$ 13,082	$ 13,121	$ 21,743	$ 19,926	$ 199,304	$ 4,161	$ 2,152,554
Accumulated depreciation and impairment	-	(346,207)	(437,769)	(8,042)	(7,560)	(11,063)	(18,187)	(151,265)	-	(980,093)
	$ 2,114	$ 661,123	$ 434,004	$ 5,040	$ 5,561	$ 10,680	$ 1,739	$ 48,039	$ 4,161	$ 1,172,461

1. For the years ended December 31, 2022 and 2021, there was no capitalisation of borrowing costs attributable to property, plant and equipment.
2. Information about property, plant and equipment that were pledged to others as collateral is provided in Note 8.
3. Above property, plant and equipment are owner-occupied.

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(5) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings and business vehicles. Lease agreements are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	$ 189,639	$ 194,133
Buildings	3,032	8,097
Transportation equipment	2,634	1,313
	$ 195,305	$ 203,543

	Years ended December 31,	
	2022	2021
	Depreciation	Depreciation
Land	$ 5,429	$ 5,401
Buildings	4,951	5,005
Transportation equipment	1,890	1,820
	$ 12,270	$ 12,226

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $3,150 and $863, respectively.

D. The information on profit and loss accounts relating to lease agreements is as follows:

	Years ended December 31,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 2,729	$ 2,843

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were $12,970 and $13,601, respectively.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(6) Leasing arrangements – lessor

A. The Group leases buildings to others. Lease agreements are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of $48,759 and $51,074, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments collectible under the operating leases is as follows:

	December 31, 2022	December 31, 2021
2022	$ -	$ 43,098
2023	44,177	34,810
2024	16,469	16,469
2025	2,788	2,788
2026	1,936	1,936
	$ 65,370	$ 99,101

(7) Investment property

	2022	2021
	Buildings	Buildings
At January 1		
Cost	$ 130,238	$ 130,238
Accumulated depreciation	(21,256)	(18,703)
	$ 108,982	$ 111,535
Opening net book amount	$ 108,982	$ 111,535
Depreciation	(2,554)	(2,553)
Closing net book amount	$ 106,428	$ 108,982
At December 31		
Cost	$ 130,238	$ 130,238
Accumulated depreciation	(23,810)	(21,256)
	$ 106,428	$ 108,982

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2022	2021
Rental income from investment property	$ 48,759	$ 51,074
Direct operating expenses arising from the investment property that generated rental income during the period	$ 3,375	$ 3,546

B. The fair value of investment property held by the Group as of December 31, 2022 and 2021 both were $265,364, respectively. The fair value is estimated using the valuation method frequently used by market participants which is categorised with Level 3 in the fair value hierarchy. The valuation is based on evidence of similar trading prices.

C. Information about the investment property that were pledged to others as collateral is provided in Note 8.

(8) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 208,723	5.026%	None
Secured borrowings	300,000	1.617%	Buildings and time deposits
	$ 508,723		

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 561,141	0.689%	None
Secured borrowings	244,842	0.773%	Buildings and time deposits
	$ 805,983		

Interest expense recognised in profit or loss amounted to $6,576 and $5,074 for the years ended December 31, 2022 and 2021, respectively.

(9) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	$ 87,038	$ 91,404
Employee bonus and directors' remuneration payable	42,000	67,575
Payables on machinery and equipment	5,816	41,510
Others	158,468	190,173
	$ 293,322	$ 390,662

(10) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable		
The Company’s first unsecured convertible bonds	$ 360,000	$ 360,000
	360,000	360,000
Less: Conversion option amount exercised	(95,300)	(95,300)
Less: Discount on bonds payable	(4,196)	(8,325)
	260,504	256,375
Less: Current portion	-	-
	$ 260,504	$ 256,375

A. On November 11, 2020, the Company’s Board of Directors resolved to issue the first domestic unsecured convertible bonds. The issuance has been approved by the FSC and was issued on January 18, 2021, the terms of the issuance were as following:

(a) Total issuance amount: $360 million.

(b) The issuance price: The face value was $100,000 (in dollars) and was issued at 101% of face value.

(c) Issuance duration: 3 years (from January 18, 2021 to January 18, 2024).

(d) Coupon rate of bonds: 0%.

(e) Payback date and method: Except for converting into common shares during conversion period or repurchased and retired by the Company in advance, the bonds will be repaid at once in cash at face value on maturity date.

(f) Conversion period: From three months after the issuance date (April 19, 2021) and ending on the maturity date (January 18, 2024), the creditor may request conversion at any time, except during the legal suspension of the transfer period.

(g) Conversion price and adjustment: The conversion price was $107 (in dollars) per share at issuance. However, if the ex-rights and ex-dividends occur after the issuance, the applicable conversion price was subject to adjustments based on the conversion price adjustment formula.

(h) The rights and obligations of the new shares after conversion are the same as those of the Company’s ordinary shares.

(i) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(j) Regarding the issuance of convertible bonds, the equity conversion options amounting to $16,374 were separated from the liability component and were recognised in “Capital surplus – share options” in accordance with IAS 32. The effective interest rates of the bonds payable after such separation ranged 1.5989%.

(k) Through December 31, 2022, the convertible corporate bonds with face value of $95,300 have been converted into 944 thousand ordinary shares.

(11) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2.5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	(\$ 77,935)	(\$ 73,532)
Fair value of plan assets	55,344	48,532
Net defined benefit liabilities	(\$ 22,591)	(\$ 25,000)

(c) Movements in net defined benefit liabilities are as follows:

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	($ 73,532)	$ 48,532	($ 25,000)
Current service cost	(1,344)	-	(1,344)
Interest (expense) income	(515)	339	(176)
	(75,391)	48,871	(26,520)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,531	3,531
Change in demographic assumptions	-	-	-
Change in financial assumptions	2,922	-	2,922
Experience adjustments	(6,024)	-	(6,024)
	(3,102)	3,531	429
Pension fund contribution	-	3,500	3,500
Paid pension	558	(558)	-
At December 31	($ 77,935)	$ 55,344	($ 22,591)

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	($ 73,498)	$ 44,562	($ 28,936)
Current service cost	(1,378)	-	(1,378)
Interest (expense) income	(221)	134	(87)
	(75,097)	44,696	(30,401)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	653	653
Change in demographic assumptions	(64)	-	(64)
Change in financial assumptions	2,561	-	2,561
Experience adjustments	(932)	-	(932)
	1,565	653	2,218
Pension fund contribution	-	3,183	3,183
Paid pension	-	-	-
At December 31	($ 73,532)	$ 48,532	($ 25,000)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the fund's annual investment and utilisation plan and the Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.2%	0.7%
Future salary increases	4%	4%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	($ 1,379)	$ 1,433	$ 1,270	($ 1,232)
December 31, 2021				
Effect on present value of defined benefit obligation	($ 1,480)	$ 1,541	$ 1,370	($ 1,326)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liabilities in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending

December 31, 2023 amount to $3,434.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s Mainland China subsidiary, Polystar Electronics Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The Group’s US subsidiary has established a 401(K) pension plan in accordance with Section 401(K) of the Internal Revenue Code (IRC). All eligible employees can elect to have a certain portion of their salaries contributed to their individual pension accounts according to the contribution limit. The US subsidiary makes a matching contribution of no higher than 8% of each employee’s salary to their individual pension accounts.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were $38,290 and $26,591, respectively.

C. In addition, effective in 2018, in order to provide for the pension of appointed managers, the Company has made provision for the pension at 4% of their total paid salaries monthly. Pension payments shall be taken from the provision when the managers actually retire. However, if such provision is insufficient, the deficiency shall be recognised as expenses for the year. Provision for appointed managers amounted to $1,019 and $1,138 for the years ended December 31, 2022 and 2021, respectively.

(12) <u>Share capital</u>

As of December 31, 2022, the Company’s authorised capital was $1,000,000, consisting of 100,000 thousand shares of ordinary share (including 5 million shares reserved for employee stock options), and the paid-in capital was $856,453 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	2022	2021
At January 1	85,646	80,002
Cash capital increase	-	4,700
Conversion of convertible bonds	-	944
At December 31	85,646	85,646

On November 11, 2020, the Company's Board of Directors approved to increase its capital in cash by issuing 4,700 thousand new shares, except for 10% reserved for employees in accordance with laws and 10% contributed for public offering in accordance with the Securities and Exchange Act. The remainings were subscribed by the original shareholders according to their shareholding ratio specified in the shareholder register at the effective date for the capital increase which was set on February 2, 2021.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(14) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, except as legal reserve reaches amount equal to the paid-in capital, then setting aside or reversing special reserve according to the resolution of shareholders during their meeting or the request by competent authorities. Appropriation of remainder, and unappropriated retained earnings from prior years, shall be proposed by the Board of Directors and resolved by the shareholders' meeting.

In accordance with Company Act Article 240, Item 5 and Article 241, Item 2, the resolution, for all or a portion of distributable dividends, legal reserve and capital surplus that are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and will be reported to the shareholders, shall not be subject to the resolution at the shareholders' meeting.

B. Dividend policy: As the Company is in a rapidly changing industry and in the growth stage, and considering the Company's long-term financial plans, shareholders' long-term interest and stabilising performance target, cash dividend distribution shall not be lower than 10% of the total dividend distribution.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve based on debit balances of other equity items at the balance sheet date before distributing earnings. When debit balances of other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. The appropriations for 2021 and 2020 had been resolved at shareholders' meeting on June 23, 2022 and August 10, 2021 are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 51,183		$ 39,831	
Special reserve	11,788		(9,589)	
Cash dividends	363,993	$ 4.25	359,983	$ 4.25
	$ 426,964		$ 390,225	

F. The appropriations for 2022 earnings had been proposed by the Board of Directors on March 16, 2023. Details are summarised below:

	2022	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 9,028	
Special reserve	(68,643)	
Cash dividends	85,645	$ 1.00
	$ 26,030	

As of March 16, 2023, the abovementioned 2022 earnings appropriation has not been resolved by the shareholders except for the cash dividends, which was approved by the Board of Directors.

G. The Company adopted the resolution of the Board of Directors on March 16, 2023 to distribute cash of $42,823 ($0.5 per share) in proportion to the ownership interest of shareholders using capital surplus, which will be reported at the shareholders' meeting in 2023.

(15) Other equity items

	Financial statements translation difference of foreign operations
At January 1, 2022	($ 82,092)
Currency translation differences	68,643
At December 31, 2022	($ 13,449)

	Financial statements translation difference of foreign operations
At January 1, 2021	($ 70,303)
Currency translation differences	(11,789)
At December 31, 2021	($ 82,092)

(16) Operating revenue

	Years ended December 31,	
	2022	2021
Sales revenue	$ 2,942,851	$ 3,081,593

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major and geographical regions:

Year ended December 31, 2022	China	Taiwan	USA	Others	Total
Sales revenue	$ 1,315,831	$ 253,737	$ 785,378	$ 587,905	$ 2,942,851

Year ended December 31, 2021	China	Taiwan	USA	Others	Total
Sales revenue	$ 1,438,689	$ 324,427	$ 727,223	$ 591,254	$ 3,081,593

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:			
Contract liabilities – Advance sales receipts	$ 9,522	$ 1,625	$ 7,849

(b) Revenue recognised that was included in the contract liabilities balance at the beginning of the period:

	Years ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 1,477	$ 7,827

(17) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	$ 6,220	$ 6,580
Interest income from financial assets at amortised cost	889	79
Other interest income	16	-
	$ 7,125	$ 6,659

(18) Other income

	Years ended December 31,	
	2022	2021
Rental income	$ 49,761	$ 51,074
Other income, others	76,849	45,287
	$ 126,610	$ 96,361

(19) Other gains and losses

	Years ended December 31,	
	2022	2021
(Losses) gains on disposals of property, plant and equipment	($ 1,320)	$ 82
Net currency exchange gains (losses)	41,125	(15,620)
Gains on financial assets at fair value through profit or loss	-	339
Depreciation-investment property	(2,554)	(2,553)
Other losses	(1,044)	(7,150)
	$ 36,207	($ 24,902)

(20) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense	$ 13,296	$ 13,088

(21) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expenses	$ 1,038,421	$ 871,156
Depreciation on property, plant and equipment (Note)	194,252	143,794
Amortisation on intangible assets	46,342	25,873

Note: Including investment property and right-of-use assets.

(22) Employee benefit expenses

	Years ended December 31,	
	2022	2021
Wages and salaries	$ 819,701	$ 690,168
Share-based payment	-	12,930
Labor and health insurance fees	58,186	42,986
Pension costs	40,829	29,194
Other personnel expenses	119,705	95,878
	$ 1,038,421	$ 871,156

A. In accordance with Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on a ratio of distributable profit of the current year, after covering accumulated losses. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 1.5% for directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at $39,000 and $58,565, respectively; while directors' remuneration were accrued at $3,000 and $9,010, respectively. The aforementioned amounts were recognised in salary expenses.

   The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period, the approximate ratios were 18.40% and 1.42%, respectively. The actual amounts are $39,000 and $3,000, respectively, and employees' compensation will be paid in cash.

   Employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

   Information about the employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System."

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2022	Years ended December 31, 2021
Current tax:		
Current tax on profits for the period	$ 76,073	$ 130,100
Tax on undistributed earnings	1,783	-
Prior year income tax overestimation	-	(9,500)
Total current tax	77,856	120,600
Deferred tax:		
Origination and reversal of temporary differences	(678)	(772)
Total deferred tax	(678)	(772)
Income tax expense	$ 77,178	$ 119,828

(b)The income tax (charge)/credit relating to components of other comprehensive income is as follow:

	Years ended December 31, 2022	Years ended December 31, 2021
Remeasurement of defined benefit obligations	$ 86	$ 443

(c) The income tax charged/(credited) to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2022	Years ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate (note)	($ 58,833)	$ 142,359
Temporary differences not recognised as deferred tax assets	131,492	(12,034)
Change in assessment of realisation of deferred tax assets	2,736	11,031
Expenses disallowed by tax regulation	-	(12,028)
Prior year income tax overestimation	-	(9,500)
Tax on undistributed earnings	1,783	-
Income tax expense	$ 77,178	$ 119,828

Note: Rates applicable to respective countries of operations.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Inventory - allowance for the valuation loss	$ 16,008	$ 2,980	$ -	$ 18,988
Others	1,909	(2,302)	(86)	(479)
	$ 17,917	$ 678	($ 86)	$ 18,509

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Inventory - allowance for the valuation loss	$ 17,208	($ 1,200)	$ -	$ 16,008
Others	380	1,972	(443)	1,909
	$ 17,588	$ 772	($ 443)	$ 17,917

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 784,653	$ 126,765

E. The Company’s income tax returns through 2019 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 89,938	85,646	$ 1.05
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	813	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 89,938	86,459	$ 1.04

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 510,054	84,683	$ 6.02
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,838	1,845	
Employees' compensation	-	581	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 512,892	87,109	$ 5.89

The convertible bonds were not included in the 2022 calculation of diluted earnings per share due to anti-dilution effect.

(25) Business combinations

A. For the purpose of escalating the technology, improving product portfolio and expanding the scale of revenue, on July 8, 2020, the Board of Directors of the Company resolved to acquire the TCLAD segment assets and businesses from Henkel US Operations Corporation and plans to continue operating the business, through TCLAD Technology Corporation and TCLAD Inc. The above purchase agreement was approved by the CFIUS on February 12, 2021, and was executed on May 1, 2021.

B. The following table summarises the consideration paid for TCLAD businesses and the fair values of the assets acquired at the acquisition date:

	May 1, 2021
Purchase consideration	
Cash paid	$ 584,985
Fair value of the identifiable assets acquired and liabilities assumed	
Inventories	41,966
Property, plant and equipment	358,484
Intangible assets	174,951
Total identifiable net assets	575,401
Goodwill	$ 9,584

C. The fair value of the identifiable net assets acquired as of May 1, 2021 was originally assessed at a provisional amount and the fair value of these net assets was determined after the end of the measurement period as described above.

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31, 2022	Years ended December 31, 2021
Acquisition of property, plant and quipment	$ 198,961	$ 227,465
Net change of payable on machinery and equipment	35,694	(22,491)
Net change of prepayments on machinery and equipment	(88,577)	70,958
Cash paid during the period	$ 146,078	$ 275,932

B. Financing activities with no cash flow effects:

	Years ended December 31, 2022	Years ended December 31, 2021
Convertible bonds being converted to capital stocks	$ -	$ 91,697

(27) Changes in liabilities from financing activities

2022	Short-term borrowings	Lease liabilities	Bonds payable	Deposits-in	Total liabilites from financing activites
At January 1	$ 805,983	$ 197,968	$ 256,375	$ 10,663	$ 1,270,989
Changes in cash flow from financing activities	(358,098)	(10,241)	-	380	(367,959)
Interest expense	-	2,729	4,129	-	6,858
Interest paid	-	(2,729)	-	-	(2,729)
Impact of changes in foreign exchange rate	-	3,150	-	-	3,150
Changes in other non-cash items	61,048	-	-	-	61,048
At December 31	$ 508,933	$ 190,877	$ 260,504	$ 11,043	$ 971,357

	2021					
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Deposits-in	Total liabilites from financing activites
At January 1	$ 327,998	$ 70,000	$ 206,503	$ -	$ 10,700	$ 615,201
Changes in cash flow from financing activities	479,862	(70,000)	(10,758)	359,525	(37)	758,592
Interest expense	-	-	2,843	4,921	-	7,764
Interest paid	-	-	(2,843)	-	-	(2,843)
Corportate bond issuance	-	-	-	(16,374)	-	(16,374)
Coverible bonds converted	-	-	-	(91,697)	-	(91,697)
Increase in lease liabilities	-	-	2,223	-	-	2,223
Impact of changes in foreign exchange rate	(1,877)	-	-	-	-	(1,877)
At December 31	$ 805,983	$ -	$ 197,968	$ 256,375	$ 10,663	$ 1,270,989

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Littelfuse, Inc.	A Board of Director of the Company

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2022	2021
Sales of goods:		
Other related parties	$ 288,713	$ 477,596

There are no significant differences in sales prices and collection terms between related parties and third parties.

B. Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable		
Other related parties	$ 41,389	$ 97,383

The receivables from related parties arise mainly from sale transactions. The receivables are due 90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

(3) Key management personnel compensation

	Year ended December 31,	
	2022	2021
Short-term employee benefits	$ 71,042	$ 50,571
Post-employment benefits	1,469	1,336
	$ 72,511	$ 51,907

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2022	Book value December 31, 2021	Purpose
Time deposit (shown as “Current financial assets at amortised cost”)	$ 119,999	$ 509,408	Guarantee for customs and bond, performance guarantee and company card guarantee
Time deposit (shown as “Non-current financial assets at amortised cost”)	6,926	6,881	Guarantee for land lease in science park
Buildings and investment property	187,876	192,377	Guarantee for short-term borrowing credit line

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 9,996	$ 60,633

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 6(15) for the appropriation for 2022 earnings as proposed by Board of Directors on March 16 2023.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital, issue new shares or dispose assets to reduce its liabilities.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022		December 31, 2021	
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	$	1,102,816	$	1,345,040
Financial assets at amortised cost		126,925		516,289
Notes receivable		196,930		208,135
Accounts receivable (including related parties)		479,545		590,546
Other receivables		24,528		15,226
Refundable deposits		11,130		10,426
	$	1,941,874	$	2,685,662

	December 31, 2022		December 31, 2021	
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	508,933	$	805,983
Notes payable		50,666		60,116
Accounts payable		173,287		312,801
Other payables		293,322		390,662
Bond payable (including current portion)		260,504		256,375
Deposits-in		11,043		10,663
	$	1,297,755	$	1,836,600
Lease liabilities	$	190,877	$	197,968

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Foreign exchange forward contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	7,814	30.710	$	239,962
USD:RMB	USD	336	6.9514		10,283
RMB:NTD	RMB	11,813	4.408		52,073
Non-monetary items: None.					
Financial liabilities					
Monetary items					
USD:NTD	USD	124	30.710	$	3,804
JPY:NTD	JPY	5,635	0.2324		1,309
Non-monetary items: None.					

	December 31, 2021				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	11,190	27.680	$	309,730
USD:RMB	USD	297	6.3793		8,238
RMB:NTD	RMB	1,709	4.344		7,424
Non-monetary items: None.					
Financial liabilities					
Monetary items					
USD:NTD	USD	244	27.680	$	6,764
Non-monetary items: None.					

iv. The total exchange gain (losses), including realised and unrealised arising from significant foreign exchange variations on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to $41,125 and ($15,620), respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

	For the year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,400	$ -
USD:RMB	1%	103	-
RMB:NTD	1%	521	-
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 38)	$ -
JPY:NTD	1%	(13)	-
Non-monetary items: None.			

	For the year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,097	$ -
USD:RMB	1%	82	-
RMB:NTD	1%	74	-
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 68)	$ -
Non-monetary items: None.			

Price risk

The Group's investments in equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
At December 31, 2022						
Expected loss rate	0.01%	0.32%~1.07%	2.35%~20.27%	14.33%~30.06%	93.61%~100%	
Total book value	$ 441,153	$ 28,167	$ 6,216	$ 950	$ 22,263	$ 498,749
Loss allowance	$ -	$ -	$ 18	$ 19	$ 19,167	$ 19,204

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
At December 31, 2021						
Expected loss rate	0.01%	0.34%~0.80%	2.43%~17.96%	14.60%~20.90%	83.87%~100%	
Total book value	$ 564,362	$ 17,943	$ 8,225	$ 29	$ 18,353	$ 608,912
Loss allowance	$ -	$ -	$ 81	$ 6	$ 18,279	$ 18,366

ix. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable and notes receivable is as follows:

	2022	
	Accounts receivable	Notes receivable
At January 1	$ 18,366	$ -
Provision for impairment	507	-
Effect of foreign exchange	331	-
At December 31	$ 19,204	$ -

	2021	
	Accounts receivable	Notes receivable
At January 1	$ 20,883	$ -
Reversal of impairment loss	(2,448)	-
Effect of foreign exchange	(69)	-
At December 31	$ 18,366	$ -

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	$ 647,495	$ 935,367

The facilities expiring within one year are annual facilities subject to review and renegotiation at various dates during 2022.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$408,933	$ 100,000	$ -	$ -	$508,828
Notes payable	50,666	-	-	-	-
Accounts payable	-	173,287	-	-	-
Lease liabilities	2,659	6,959	6,665	19,996	204,275
Other payables	-	293,322	-	-	-
Bonds payable	-	-	264,700	-	-
Deposits-in	-	11,043	-	-	-

Non-derivative financial liabilities:

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$357,296	$ 448,687	$ -	$ -	$ -
Notes payable	60,116	-	-	-	-
Accounts payable	-	312,801	-	-	-
Lease liabilities	3,414	9,940	9,646	19,913	210,073
Other payables	-	390,662	-	-	-
Bonds payable	-	-	264,700	-	-
Deposits-in	-	10,663	-	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 260,504	$ -	$ 255,171	$ -

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 256,375	$ -	$ 255,171	$ -

(4) Others

Due to the impact of COVID-19, the Company’s significant subsidiary, Polystar Electronics Co., Ltd. which is located in Kunshan City, China, suspended its production lines for the period from April 2, 2022 to late April 2022 in line with the local governmental regulations. However, the subsidiary resumed its production on April 29, 2022 after receiving the approval from the local government and gradually restored its production capacity and operations. After assessment on the Group’s operation and financial information, the Group's ability to continue as a going concern, assets impairment and financing risk and operations were not significantly affected.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The Group mainly operates in a single industry. The Chief Operating Decision-Maker reviews the Group's reporting to assess performance and allocate resources. The Group mainly has only one reportable segment.

(2) Segment information

The Group's Chief Operating Decision-Maker evaluates the performance of the operating segment based on the consolidated financial statements. The accounting policies of the operating segment are in line with the significant accounting policies summarised in Note 4.

(3) Information about segment profit or loss, assets and liabilities

	Years ended December 31,	
	2022	2021
Revenue from external customers	$ 2,942,851	$ 3,081,593
Inter-segment revenue	$ -	$ -
Segment income	($ 29,017)	$ 570,815
Segment assets	$ 4,585,015	$ 5,528,250

(4) Reconciliation for segment income (loss), assets and liabilities

None.

(5) Information on products and services

Details of revenue is as follows:

	Years ended December 31,	
	2022	2021
Circuit Protection Component	$ 1,522,085	$ 1,874,165
Others	1,420,766	1,207,428
	$ 2,942,851	$ 3,081,593

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,							
	2022				2021			
	Revenue		Non-current assets		Revenue		Non-current assets	
Taiwan	$	253,737	$	876,386	$	324,427	$	915,379
China (including Hong Kong)		1,315,831		344,325		1,438,689		343,647
America		785,378		534,214		727,223		530,437
Others		587,905		-		591,254		-
	$	2,942,851	$	1,754,925	$	3,081,593	$	1,789,463

(7) Major customer information

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

	Years ended December 31,					
	2022			2021		
	Revenue		Segment	Revenue		Segment
Littelfuse, Inc.	$	288,713	Company and subsidiaries	$	477,596	Company and subsidiaries

Polytronics Technology Corp. and Subsidiaries

Loans to others
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note)	Ceiling on total loans granted (Note)	Footnote
													Item	Value			
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Other receivables - related party	Y	$ 90,120	$ 88,160	$ -	4.35%	Short-term financing	$ -	Operational need	$ -	-	$ -	$ 1,052,386	$ 1,052,386	
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	128,860	122,840	61,420	5.05%	Short-term financing	-	Operational need	-	-	-	1,052,386	1,052,386	
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	420,375	245,680	-	2.62%	Short-term financing	-	Operational need	-	-	-	1,052,386	1,052,386	
1	TCLAD Technology Corporation	TCLAD Europe GmbH	Other receivables - related party	Y	32,215	30,710	24,568	2.25%	Short-term financing	-	Operational need	-	-	-	1,052,386	1,052,386	

Note1 : Follow the group policy “Procedure for Provision of Loans”.

Polytronics Technology Corp. and Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note)	Provision of endorsements/ guarantees by parent company to subsidiary (Note)	Provision of endorsements /guarantees by subsidiary to parent company (Note)	Provision of endorsements/ guarantees to the party in mainland China (Note)
		Company name	Relationship with the endorser/ guarantor										
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	100% owned subsidiary	$ 2,630,967	$ 157,516	$ 85,988	$ 55,278	-	3.27	$ 3,946,451	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 56.27% equity interests directly owned by the Company	2,630,967	100,000	100,000	100,000	100,000	3.80	3,946,451	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 56.27% equity interests indirectly owned by the Company	2,630,967	139,005	138,195	46,065	-	5.25	3,946,451	Y	N	N

Note : Follow the company policy “Procedure for Provision of Endorsements and Guarantees to Others”.

Polytronics Technology Corp. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Polytronics Technology Corp.	Liffelfuse, Inc.	Director of the Company	Sales	($ 288,713)	10%	Net 90 days	Note	Note	$ 41,389	6%	
Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	Subsidiary	Sales	(348,637)	12%	Net 60 days	Note	Note	53,974	8%	

Note : With the general payment term.

Polytronics Technology Corp. and Subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Polytronics Technology Corp.	Kunshan Polystar Electronics Co., Ltd.	1	Sales	$ 348,637	Net 60 days	12%
0	"	"	1	Purchases	84,373	Net 45 days	3%
0	"	"	1	Processing charges	45,148	Net 45 days	2%
0	"	"	1	Accounts receivable	53,974	Net 60 days	1%
0	"	"	1	Accounts payable	71,493	Net 45 days	2%
0	"	TCLAD Technology Corporation	1	Other receivables	61,420	Collection and payment based on an agreed time	1%
1	TCLAD Technology Corporation	TCLAD Inc.	3	Purchases	116,573	Net 30 days	4%
1	"	"	3	Accounts payable	4,046	Collection and payment based on an agreed time	0%
1	"	TCLAD Europe GmbH	3	Other receivables	23,968	Collection and payment based on an agreed time	1%
1	"	"	3	Accounts receivable	12,880	Net 30 days	0%
1	"	"	3	Sales	20,851	Net 30 days	1%
2	TCLAD Inc.	TCLAD Europe GmbH	3	Sales	121,339	Net 30 days	4%
2	"	"	3	Accounts receivable	6,098	Net 30 days	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

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

Note 2: Relationship between transaction company and counterparty is classified into the following six categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Polytronics Technology Corp. and Subsidiaries

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2022	Initial investment amount: Balance as at December 31, 2021	Shares held as at December 31, 2022: Number of shares	Shares held as at December 31, 2022: Ownership (%)	Shares held as at December 31, 2022: Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
Polytronics Technolgy Corp.	Polytronics (B.V.I.) Corporation	British Virgin Islands	Investment and general business operations	$ 255,004	$ 255,004	2,644	100	$ 1,056,955	$ 30,398	$ 30,398	Subsidiary
Polytronics Technolgy Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	759,690	16,882	56.27	463,839	(450,072)	(253,270)	Subsidiary
Polytronics Technolgy Corp.	PolyTCB Electronics Corporation	Taiwan	Electronic Parts and Components Manufacturing; Wholesale of Electronic	1,000	-	100,000	100.00	984	(16)	(16)	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	1,286,736	665,461	-	100	828,987	(434,039)	(449,168)	Subsidiary (Note)
TCLAD Technology Corporation	TCLAD Eurpoe GmbH	Germany	Manufacturing of the thermal conductive board	5,732	5,732	170	85	11,552	4,420	3,785	Subsidiary

Note: In March 2022, TCLAD Technology Corporation transferred its debt right of TCLAD Inc. into share capital in the amount of USD 21,450 thousand, and its initial investment amount increased to $1,286,736. And, the number of shares increased to 621,275 thousand shares. In addition, in March 2022, TCLAD Inc. processed reverse stock split and decreased 99.9999%. As of December 31, 2022, TCLAD Technology Corporation held 499 shares.

Polytronics Technology Corp. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of January 1, 2022 (Note 2)	Amount remitted from Taiwan to mainland China/ amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 3)	Book value of investments in mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to mainland China	Remitted back to Taiwan							
Kunshan Polystar Electronics Co., Ltd. (Note 2)	Production and sale of varistor and potentiometer	$ 687,436	2	$ 198,387	$ -	$ -	$ 198,387	$ 30,321	100	$ 30,321	$ 1,041,708	$ -	
PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	88,356	3	-	-	-	-	1,052	100	1,052	90,540	-	

Company name	Accumulated amount of remittance from Taiwan to mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA
Polytronics Technology Corp.	$ 198,387	$ 687,436	$ 1,578,580

Note 1: Investment methods are classified into the following six categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in mainland China.

(3) Others

Note 2: Including retained earnings capitalized of RMB$89,286 and RMB$16,964 (In thousands of dollars).

Note 3: Investment income (loss) were recognized based on the financial statements reviewed by R.O.C. parent company's CPA.

Note 4: Under the ‘Regulations Governing the Permission of Investment or Technical Cooperation in mainland Area’, amendment to Jing-Shen-Zi No. 09704604680 of Ministry of Economic Affairs, effective August 2008, ceiling of accumulated investment in mainland China may not exceed 60% of the net assets and the ceiling was effective from August 1,2008.

Note 5: Mainland China’s investees information are translated using the exchange rates of USD:NTD = 1:29.849 and RMB:TWD = 1:4.427 for recognised investment income (loss) and remaining using the exchange rates of USD:NTD=1:30.71 and RMB:TWD = 1:4.418

Polytronics Technology Corp. and Subsidiaries

Significant transactions conducted with investees in mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sales (purchase)		Accounts receivable (payable)		Financing				Others-processing charges	
Investee in mainland China	Amount	%	Balance at December 31, 2022	%	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Balance at December 31, 2022	%
Kunshan Polystar Electronics Co., Ltd.	$ 348,637	11.85%	$ 53,974	7.98%	$ 90,120	$ 86,160	4.35%	$ -	$ 45,148	19.58%
Kunshan Polystar Electronics Co., Ltd.	(84,373)	17.66%	(71,493)	41.26%	-	-	-	-	-	-

Polytronics Technology Corp. and Subsidiaries

Major shareholders information

December 31, 2022

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Everlight Chemical Industrial Corp.	8,000,000	9.34%
Littlefuse Europe Gmbh	4,600,350	5.37%